**CSO BUDGET MONITORING, ANALYSIS FINDINGS FY 2014/15 AND CITIZENS PROPOSALS FOR THE FY 2016/17 BUDGET**

## 1.0 Back ground

### 1.1 ABOUT CSBAG

Civil Society Budget Advocacy Group (CSBAG) is a coalition formed in 2004 to bring together civil society actors at national and district Levels to influence Government decisions on resources mobilization and utilization for equitable, gender responsive and sustainable development.

Since 2004, CSOs under the umbrella of CSBAG have engaged Government in influencing the budget process to ensure that both the local and national budgets address the needs and aspirations of the poor and marginalized groups of people in Uganda.

### 1.2 INTRODUCTION

The IBP 2012 open budget survey, which assesses the budget transparency ranks Uganda as 2nd best in Africa, scoring 65% compared to 55% in 2010. In spite of this remarkable performance, Uganda was recommended to increase the comprehensiveness of the citizens' budget by consulting with the public prior to producing it. The involvement of CSOs in the LBGC meetings fits perfectly within the remit of this recommendation.

### 1.3 METHODOLOGY

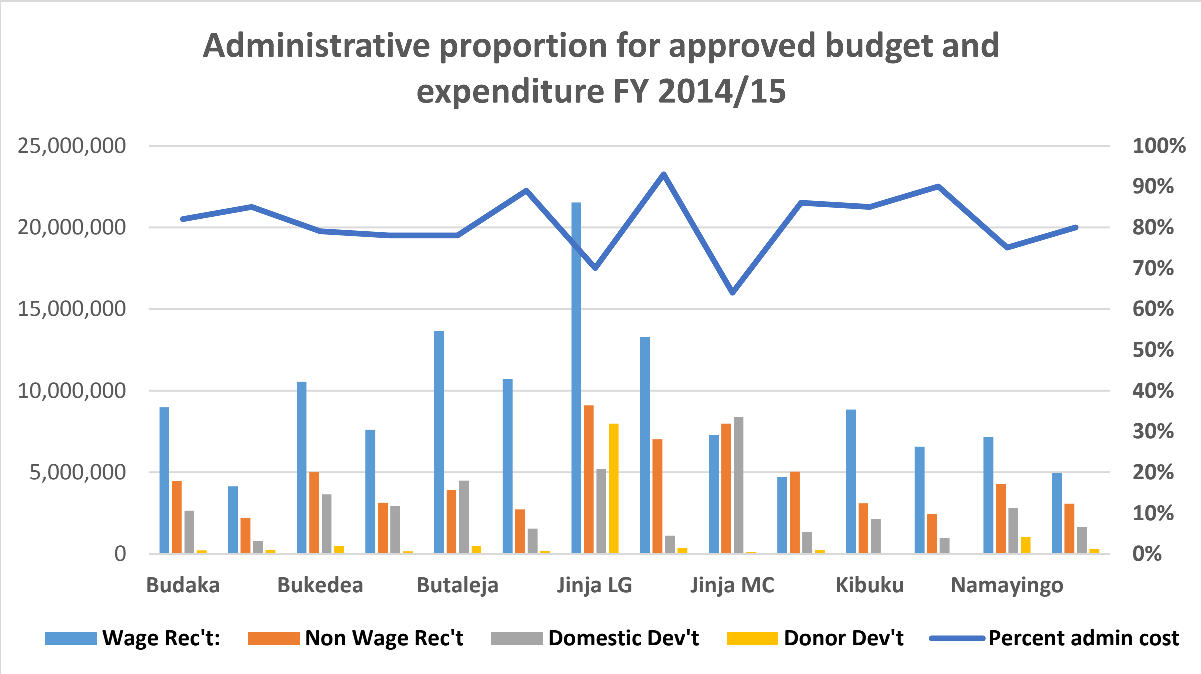
Under the umbrella of CSBAG, various CSOs and CBOs across Uganda utilized their accountability structures to gather data. This undertaking involved a sample of 723 people (415 Men and 308 women). Specifically;

- **Community Dialogues** (CDs) were held at the LLGs by the partners in their regions of operation in Karamoja, Teso, Bunyoro, Busoga and Kigezi. The dialogues had between 30 to 50 participants and a rapporteur.
- **Focus Group Discussions** (FGDs) were also held with selected categories of people in the community (such as youths, rural women and semi-urban women, Persons with Disabilities (PWDs), the men and the Elderly between 8 to 12 persons per group. **Key**
- **Key Informant Interviews (KII)** were held with religious leaders, community elders, academia, and private sector players.

## 2.0 Findings from the CSO FY 2014/15 budget monitoring and analysis

### 2.1 Recurrent versus development budget issue

A comparison of recurrent wage and non-wage expenditure with development expenditure for service delivery sectors and District Local governments shows that the tax payer incurs a heavy burden of 64% - 90% of approved budget and expenditure, to finance administrative expenditure. This implies that administration costs Government more than the actual service ultimately reaching the local wanainchi. CSBAG is concerned that this arrangement is not cost efficient and non-viable for Uganda's budgetary priorities. A case drawn from 7 District Local government units graphically illustrates this challenge below:




CSBAG recognizes that part of wage and non-wage expenditure may be directly contributing to service delivery i.e. wages for teachers and health workers. However, government administration centres should be managed as business units subjected performance variables like viability, efficiency, productivity and feasibility. In light of the poor supervision and personnel management standards in government administrative units, it is paradoxical that more administrative units are vying to recruit more personnel without consideration for the efficiency and productivity realized from existing work force. CSBAG is aware of the growing cut throat competition for funding amongst government's priority sectors hence the need to increase efficiency and value realized from each shilling spent from the treasury. This will negate the common public notion that government staff and establishments are perform below capacity.

Recommends:

- Government should take a strategic shift towards lowering costs of administration by progressively implementing a 15%-20% reduction in administration costs each financial year until each unit achieves 50% ceiling for administration costs.
- Government should invest in supervision and performance based mechanisms which stimulate productivity of current civil workforce because the current productivity of government staff at service delivery units is below par. Further recruitment should be based on government's awareness of the productivity and efficiency of employed workforce.

### 2.2 Performance of local revenues

In a financing structure largely characterized by conditional grants, generation of local revenue is an opportunity for Local Governments to reduce their dependence on central government grants to finance service delivery. However, local revenue generation remains meager with significant shortfalls. In financial year 2012/13, the Auditor General's review of revenue performance of 138 local councils indicated that only UGX 38.1 Billion was realized out of the budgeted UGX 50.6 Billion, resulting into a 24% underperformance (OAG, 2014). Thus in light of its consistent underperformance, locally generated revenue remains the missing component in the implementation of local economic development.

Revenue enhancement plans form a large proportion of district unfunded priorities, except for facilitating council meetings. Besides, since inception in 1990s, the real value of Equalization Grant has progressively declined, mainly arising from the mushrooming districts and other local administrative units.

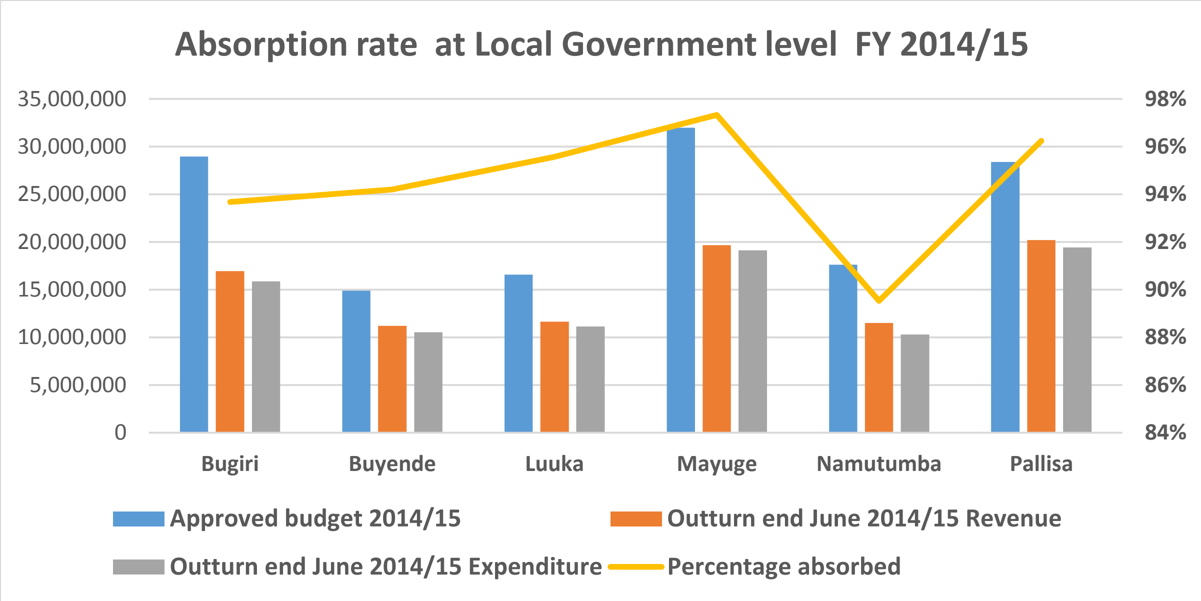
**Recommendations**

- In order to enhance local revenue generation capacities for LGs, a 30% of the locally generated revenues should be ploughed back into generation capacity as a matter of policy.
- Districts should undertake business censuses to establish the exact size of their current and potential revenue bases (e.g. road parking fees, bill boards). This will make the revenue estimates more effective and allow for easy follow-up.
- Review the impact of the Equalization grant, with a view to streamlining the grant to specific areas of intervention in a given financial year.

### 2.3 Absorption

One of the key constraints of budget implementation in Uganda is the inability of spending agencies to effectively absorb funds allocated to them. This affects service delivery and hampers value for money (CSBAG 2014). CSBAG's analysis of absorption both at the center and service delivery points (District local governments) reveals that sectors commonly reported to have budget absorption challenges realize efficient absorption results in line departments at district local government level. An example taken from 6 districts in Eastern Uganda shows that each district utilized above 90% of their revenue during FY 2014/15. Departments like Production and marketing[1] whose mother sector consistently suffers absorption constraints scored high on absorption. In the spirit of promoting efficiency in the management of public resources, CSBAG is concerned that more resources are still held up in the centre due to procurement bureaucracies which constrains delivery of services and maximize losses due to prolonged engagement of contractors. A graphical impression of absorption at lower levels is illustrated below:

[1] Production and Marketing department is responsible for agriculture and other extension services




**Recommendations**

- Since local governments have proven to be efficient in absorbing their allocated resources, can MoFPED explore ways of utilizing this capacity to deliver more grass root bound resources through district local governments? Sectors with poor absorption should utilize their local government line departments to increase performance efficiency and reduce sectoral inefficiency.

### 2.4 Timeliness in the release of funds to the LGs

We would like to acknowledge the efforts improve timeliness of release of funds to the LGs by the centre, especially with the introduction of the TSA by MoFPED. While the policy/ practice, is that by the $10^{th}$ of every first month of the quarter, funds are ready for release, the situation remains rather different on ground

Only 25% of the service delivery points sampled, for instance, received funds from the Consolidated Fund by 24th July 2014. Meanwhile, up to 50% of the spending agencies received funds by 4th August 2014. On the whole, 75% of all spending agencies received funds before 11th August 2014; 25% of the institution monitored by our CSO partners had not received funds for Q2 FY 2014/15 by 1/12/2014. In Q2, it was also observed that all the 3 UPE schools in Dokolo district that were visited did not receive the Q3 allocation in the FY 2014/15. In Kanungu, only one out of four schools visited had received funds by the time of monitoring. Kihihi primary school, Kishenyi primary school and Nyamwegambira P/S did not receive funds for Term I at the beginning of the school term. Out of the 30 schools that received funds in Q3, 53% (16) of them received the money in February 2015 while 47% (14) received funds in March 2015.

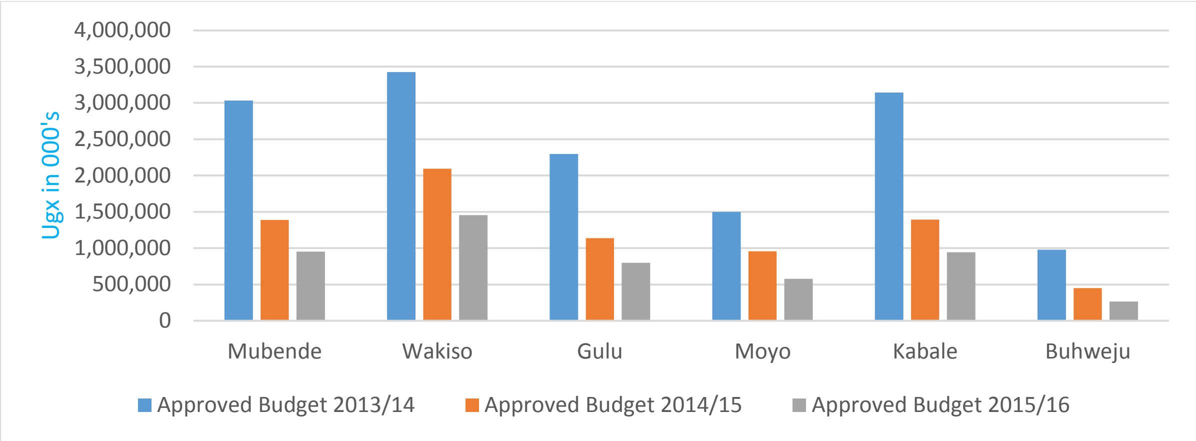
**Recommendation**

- **LGs should** get back to MoFPED and Community monitors about delays in receipt of funds at the facility levels, so that real time solutions are sought.

### 2.5 Increasing reduction in the P&M budget FY13/14 – 15/16

Despite the tremendous reduction in income poverty and impressive economic growth, Uganda is still languishing in a low-income trap, with low levels of socio-economic transformation. The contribution of agriculture, value added to GDP (% of GDP) has reduced from 52.7% in 1986 to 24.5% in 2013. This has been erroneously regarded as a key indicator of socio-economic transformation by some policy makers. However, it is inconceivable to believe that Uganda's economy has been transformed. This is because most of Uganda's social indicators have not improved considerably.

**Figure 1: Allocations to Production & Marketing in sample districts**




The Second National Development Plan (NDP II) emphasizes commercialization of agriculture, to increase production and productivity along the value chains. It emphasizes agro processing and marketing as a launch path to industrialization. Despite this emphasis, we have observed a drastic and consistent decrease in allocations to Production & Marketing (agriculture) between FY 2013/14 to FY 2015/16 across all districts sampled. With such decreases, we are concerned as civil society as to whether the government has instituted any particular compensation schemes to cover the necessary gaps in financing for agriculture at local level. Despite the emphasis on value addition, we have also observed that local governments do little or no reporting on value addition initiatives undertaken.

The agriculture sector in Uganda is also affected by **multiplicity of policy reforms** and **institutional weaknesses.** In recent years, there have been many different policy frameworks operating in the agricultural sector, sometimes in parallel, resulting in programmatic inconsistencies and poor sector outcomes.

The sector is faced with a challenge of a sub-optimal institutional arrangement and weak capacities that have led to low performance. The sector consists of MAAIF and seven semi-autonomous agencies[2] that are all managed through separate Acts of Parliament and with separate Votes. These institutions have weak linkages with the Local Governments where the bulk of service delivery for smallholder farmers occurs. The new structure that was proposed for MAAIF and its agencies in a Core Functional Analysis that was undertaken in 2001 has never been implemented

[2] National Agricultural Research Organization (NARO); National Agricultural Advisory Services (NAADS); Uganda Coffee Development Authority (UCDA); Cotton Development Organization (CDO); the PMA Secretariat; Diary Development Authority (DDA); National Genetic Resource Information Centre and Data Bank (NAGRIC&DB) plus the Coordinating office of the Control of Trypanosomiasis in Uganda (CoCTU).

**Recommendations**

- The government should more proactively participate in the value addition chain by setting up enterprises with the aim of transforming farm output to improved or finished products. This can be done in form of parastatals or Public Private Partnerships. There is also need for local governments to periodically report on value addition initiatives undertaken.
- Increase overall funding for the agricultural sector to **at least 8%** of the National budget and provide extra funding to local governments for establishment of farmer field schools, facilitation of agricultural marketing, building of community based storage facilities and funding of women agricultural entrepreneurship schemes.
- Fast-track implementation of the single-spine agricultural system to strengthen homogeneity across the multiple implementing agencies. The single spine system if well implemented will ensure that farmers at the grassroots get timely facilitation by eliminating bureaucracy that comes with multiple implementing agencies thus strengthening the overall institutional capacity of the sector.

## 2.6 Climate change not weather change

The relevant Sustainable Development Goal (SDG) no 13 calls us to "Take urgent action to combat climate change and its impacts. In particular: integrate climate change measures into national policies, strategies, and planning (Target 13.2) as well as improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning (Target 13.3). The predicted impacts of climate change at the global level such as rising temperatures, evaporation and persistent drought are also impacting Uganda and its regions through increased water stress, competition for water uses which could result into conflicts over water resources. Climate change is also one of the causes of reduced water tables, drying up of streams and wetlands all which affect agriculture and water access. Changes in onsets of rainy seasons will likely change surface flow regimes. Uganda is already experiencing the negative effects of climate change and the situation is expected to worsen as impending calamities will affect agriculture, infrastructure and health according to the State of Uganda Population Report 2014. The risks posed by climate change include among others: reduced agricultural productivity, leading to increased food prices and food insecurity, which in turn will cause malnutrition. Already, the report says, 40% of deaths among children are due to malnutrition. Uganda is also likely to experience changes in the frequency and severity of climate events, such as heat waves, droughts, floods and storms, the report notes.

The Rwenzori region in western Uganda will see reduced rainy seasons, which will affect crops like beans. In addition, the ice caps on the Rwenzori Mountains have receded by 40% in the last half century, which will reduce the water flows into River Semliki. South-western Uganda, according to the report, is the fastest warming region in Uganda at 0.30C per decade.

**Recommendations**

- Climate smart agriculture practices and business undertakings should be encouraged in all LGs as this will mitigate the looming crisis on climate change.

- Higher level investment in combating climate change through environmental conservation activities at community level such as commercial tree planting, measures to reduce CFC emissions by implementing clean energy strategies.

### 2.7 Inadequate Supervision and Monitoring in schools and HCs

Inadequate supervision and monitoring of public health facilities leading to illegal levying of user fees and theft of drugs by medical personnel. For example at Igombe Sub County in Iganga district the chairperson LCIII was arrested with three cartoons of coatem and Paracetamol in his private clinic, similarly in Kaliro district a health personnel was also arrested stealing (coatem) drugs from Bumanya HCIV, in Bumanya sub-county, and in Iganga main Hospital three medical personnel in the department of minor surgeries were arrested by officials from the state house drug monitoring unit while requesting for money from a patient after a minor surgery.

The inadequate inspection by the district inspectors has worsened the problem of poor service delivery in education. The inspection department of Iganga received shs 50million this FY 2015/16 compared to Last FY 2014/15 59 million which indicates a decline in the financial support to inspection department. The number of inspectors compared to the number of schools in Iganga, Iganga municipality, Kamuli and Kaliro districts is low. For example in Iganga district, only three inspectors are available to inspect over 240 primary schools (government and private) over 100 secondary schools, and over 50 tertiary institutions (government and private), yet the budget for education is inadequate compared to other sectors like security

**Recommendations**

- In the FY 2016/17 Government needs to provide more funds on the critical supervision and monitoring of medicines in government health facilities.
- Health Unit Management Committees and School Management Committees should be empowered and financed to conduct routine monitoring and supervision of the service delivery centers.
- Increase allocation for inspection and personnel for inspection of service delivery in schools and health centres

## 3.0 Citizens views on the priorities for FY 2016/17

- Government should invest in supervision and performance based mechanisms which stimulate productivity of the current civil workforce because the current productivity of government staff at service delivery units is below par. Further recruitment should be based on government’s awareness of the productivity and efficiency of employed workforce.
- To improve local revenue effectiveness, revenue enhancement plans ought to be revised to take into consideration the changing context in the local governments.
- In addition, appropriation of the locally generated revenue should be systematic giving priority to items that will maximize the revenue generation potential of the districts. One

of such measures is for districts to undertake business censuses to establish the exact size of their revenue bases. This will make the revenue estimates more effective and allow for easy follow-up.

- To further incentivize revenue generation, the equalization grant allocation formula for FY 2016/17 should include a parameter that rewards local governments that exceed 80% of their local revenue targets.
- Government should revisit the procurement failures in each sector to address inconsistencies in procurement which are responsible for absorption challenges and rampant corruption at the LGs.
- All unspent revenue outside procurement and contractual constraints should be considered redundant income which MoFPED should reduce from each LG in the next tranche should there be no satisfactory explanation for the failure to absorb the funds.
- If local governments are proving to be efficient in absorbing their allocated resources, sectors with poor absorption should utilize their local government line departments to increase performance efficiency and reduce sectoral inefficiency.
- Increase overall funding for the agricultural sector to **at least 8%** of the National budget and provide extra funding to local governments for establishment of farmer field schools, facilitation of agricultural marketing, value addition, building of community based storage facilities and funding of women agricultural entrepreneurship schemes.
- Fast-track implementation of the single-spine agricultural system to strengthen homogeneity across the multiple implementing agencies. The single spine system if well implemented will ensure that farmers at the grassroots get timely facilitation by eliminating bureaucracy that comes with multiple implementing agencies thus strengthening the overall institutional capacity of the sector.
- Expedite the operationalization of the M and E framework and criteria for benchmarking compliance and adherence to Certificate of Gender Equity requirements before a certificate can be issued to any given government spending agency.
- Decentralize the gender equity certificate requirement to apply to local governments.
- In the FY 2016/17 Government needs to provide more funds on the critical supervision and monitoring of government service delivery centres
- Health Unit Management Committees and School Management Committees should be empowered and financed to conduct routine monitoring and supervision of schools and HCs
- Increase allocation for inspection and personnel for inspection of service delivery in schools and health centres
- Government should invest in the construction of staff houses to reduce on travelling of long distances, reduce on absenteeism, late coming and cost of living for the teachers.

## 4.0 Proposed Sources of Revenues

The Proposed Sources of revenues through which government can generate funds to finance the 2016/17 FY budget include but are not limited to the following;

- Re-instating Graduated Tax
- Initiate ground rent revenue to commercial house in major towns
- Improve efficiency in collection of market dues and fees