



CIVIL SOCIETY BUDGET ADVOCACY GROUP

Civil Society Statement on the Budget Strategy and Priorities for FY 2014/15

**Delivered by Civil Society Budget Advocacy Group at the National Budget Conference
for the FY 2014/15**

Thursday 16th January 2014 at Serena International Conference Centre, Kampala

The Rt. Hon. First Deputy Prime Minister and Minister for Public Service
Hon. Minister of Finance Planning and Economic Development
Hon. Ministers Present
Hon. Members of Parliament Present
The Development Partners
The Civil Society Representatives
Distinguished Participants
Ladies and Gentlemen

1.0 Introduction

On behalf of Civil Society Organisations (CSOs) working under the Civil Society Budget Advocacy Group (CSBAG)¹, we would like to appreciate the invitation extended to us to participate in this important meeting and especially for the opportunity to make a statement on the Budget Strategy for FY 2014/15. We thank the Minister of Finance, Planning and Economic Development for the clear presentation on the Budget Strategy and Priorities for FY 2014/15.

It's unfortunate that we were unable to receive the Ministers presentation in time, for us to make specific comments. However, we believe that there is still chance for us to provide our input even beyond this meeting. It's important to recognise that our statement is based on what we would like to be addressed in the upcoming budget, rather than commenting on what the Minister has presented.

We commend government for continued consultation and involvement of various stakeholders including civil society the in the budget process. However, we are concerned that the proposed/new budget process is too compressed within a short period of time. This might undermine the meaningful stakeholder consultations in future.

As CSOs we strongly believe that Uganda's service delivery challenges do not emanate from the lack of funds as such, but rather poor prioritisation of public expenditure coupled with budgetary

¹ The Civil Society Budget Advocacy Group (CS BAG) is a coalition formed in 2004 to bring together CSOs at national and district levels to Influence Government decisions on resource mobilization and utilization for equitable and sustainable development.

indiscipline. In order to achieve meaning social economic transformation of the economy, the following areas need urgent attention:

1.1 Revenue Mobilisation

1. We recognize with caution government's efforts to increase domestic revenue in order to fully fund the budget. However, we are concerned that:
 - a. *Low domestic revenues.* Despite registering impressive economic growth averaging 5% over the last decade. The share of domestic revenue to GDP has remained the lowest (about 13%) compared to other COMESA countries. We argue Government to increase budgetary allocation into the productive sectors in order to stimulate production and increase the tax base.
 - b. *LGs have no capacity to generate local revenues.* Local Governments are increasingly relying on resources sent from the centre as a result of diminishing local revenue. Therefore, Local Governments cannot implement locally-specific priorities that are outside of the national poverty priority areas. Therefore, Government should review the legal framework for local revenue collection in order to make it more effective and equitable.
 - c. *Taxation structure.* The current tax system is regressive as it puts more emphasis on indirect taxes rather than direct taxes, undermining citizens' ownership of the budget, and also overburdening the poor. We thus, propose that any tax reforms need to contain specific proposals on how to make the tax system more progressive in order to make revenue mobilisation more equitable and redistributive, as well as it will increase citizens' ownership of the budget as the primary mechanisms for budget discipline and budget accountability.
2. In order to improve on revenue mobilisation, Government should address the following challenges that hinders domestic revenue mobilisation:
 - a. Integrate the informal sector into the formal sector through improving the procedures of registering business.
 - b. Address the inefficiencies in tax administration such as tax avoidance and evasion which lead to capital flight and illicit financial flows out of the country.
 - c. Fight corruption and leakages in tax management.
 - d. Review all tax incentives and exemptions so as to eliminate the unproductive ones.

1.2 Public Financial Management

1. We commend government on the new initiatives for improving Public Financial Management such as Treasury Single Account (TSA), revision of the Public Finance laws, improvement in the disclosure funds releases, increased access to budget information through the website-<http://www.budget.go.ug/> among others. We believe this will go a long ways in addressing the financial management challenges the country faces.
2. However, despite these reforms there are still issues which government needs to address such as:
 - d. *Supplementary budgets:* The persistence and perpetual supplementary expenditures, especially by the "so called" powerful ministries and sectors such as Security and Public Administration and Public Sector Management, grossly counteract the original objective of budgeting. Some of the activities (such arrears, salary shortfalls) requiring supplementary spending are largely questionable, since these would have been catered for during the budgeting process by the

sectors concerned. A supplementary budget should be a result of unforeseen actions such as human and natural disasters.

- e. *Accumulation of arrears*: Despite the Commitment Control System, arrears are still a big hindrance to effective delivery of public services.
 - f. *Poor management of the government pay roll and "ghost" staff*: Now that government has decentralised the pay roll, we pray that this issue will be addressed.
 - g. *Budget led-planning rather than planning led budgeting*: In the majority of cases, funds have been allocated in the budget so that sectors can determine what to do with those funds. A quick example may be the allocation of UGX4 billion for youth entrepreneurship in the absence of a clearly defined youth entrepreneurship scheme and execution plan.
3. Indeed, supplementary budgets, domestic areas, non-payment of pensions, etc are all basic budget issues that can be resolved with appropriate budget discipline. As already alluded to, these problems have been mentioned consistently over the last decade both in technical studies and annual budgets. Hence, making a new declaration about the need to resolve them in this strategy will not change the status quo. What is needed is the courage to confront the underlying problems that account for our failure to solve these issues.
 4. We request government to consider our concerns which we submitted on the Finance Bill and expeditiously pass the Bill, to address some of the challenges mentioned above.

1.3 Budget Performance: Because of the recent Public Financial Management reforms, the absorption capacity of the government agencies has improved. For instance, December 2013 the absorption rate of all spending agencies was about 90%. We commend government on this. However, performance of some sectors such as agriculture as health was not impressive. Secondly, we are not convinced about the service delivery, since budget performance is not translating in better service delivery.

1.4 Procurement and tendering of public services: Over 70 per cent of public goods and services are delivered through procurement. This is one area which attracts a lot of corruption especially during procurement. Despite having put in place the Public Procurement and Disposal of Public Assets Act and Authority in 2003, procurement regulations are often not properly followed. We propose that insisted of relaxing the PPDA regulations, they should be strengthened to avert fraudulent practices.

1.5 Fiscal Decentralization: We commend government on the proposal to simplify the various Conditional Grants by reducing the number of conditions. This will give more flexibility to local government to address their peculiar needs in service delivery. We therefore, request government to go beyond reducing the number of conditions to also allocate more funds (**beyond the current 20%**) local government programmes since they are at the front line in service delivery.

1.6 Public Administration: We commend government on the freeze on creation of new local governments. This will save the country resources that can be used to improve service delivery in the sectors such as health, education and agriculture. However, Government has continued to experience difficulties in payment of allowances, ex-gratia, salary and gratuity of political leaders due to lack of adequate information. We believe that this challenge can be addressed through expediting the process of electing lower level LCs (LCI, and LCIIIs) and providing support for the effective functioning. The current

LC system is weak, disoriented and demotivated and outlived their usefulness. We request Government to allocate funds in the next year's budget for election of LCs.

1.7 Salary enhancement for Public Servants: We welcome Government provision of additional **Ushs 450bn** for enhancement of Teachers' and other Public Servants' salaries in the FY 2014/ 15. However, we are concerned that this amount is not sufficient to address the salary demands especially of teachers. Therefore, the need to increase the additional resources. Secondary, we request government to expedite the establishment of Salary review commission to harmonise salaries and remuneration of public servants.

1.8 Court awards: We welcome the Government decide to paid all new obligations arising out of actions of MALGs against their MTEF provisions. However, we propose that in cases of violation of human rights by individuals, such individuals should be held liable to pay for the damages and compensations to the victims, rather than using tax payers' money.

1.9 Government commitment of fighting corruption and mis-use of public resources: Corruption has continued to rob Ugandan citizens the right to enjoy public services that they pay for through taxes. Corruption in Uganda has changed shape, thus requiring more innovative ways of tackling it. Though Government has put more emphasis on handling grand corruption, petty corruption especially at local levels is killing the moral fibre of the Ugandan economy. For instance, teacher and health workers absenteeism are clear cases of petty corruption. We are concerned that there little that is being done to address this kind of corruption especially at the country side. We request Government to provide legislation that requires corrupt officials first of all to refund the lost/embezzled funds, suffer imprisonment and forthwith forfeit public office for life this will serve to deter the practice and enforce zero tolerance to corruption.

1.10 Job Creation: Job creation especially among the youth should underpin the budget strategy over the medium term because the level of unemployment is on the increase, standing at over 3.6 percent in 2009/10 according to UBOS Statistics. The budgetary allocations have always been short on enhancing economic growth and household incomes through increased production and productivity in the agricultural sector. Majority of the proposed job-creation strategies such as the Graduate venture capital funds, youth funds among others have not effectively implemented.

1.11 Agriculture: Agriculture is the most important source of employment, income and overall-wellbeing for majority of Ugandans. However, the sector has continued to underperform over the years partly due to minimal public funding to the sector. The under-investment in agriculture is evidenced by stagnant budget allocation to the agricultural sector as shown in the MTEF. Despite our persistent outcry, Government has not prioritized agriculture in her policies and spending to the extent that agriculture will receive a **meagre 3.1% of the national budget in FY 2014/15**. Therefore, it's imperative that Government honours her commitment to spend 10 percent of the national budget on agriculture as per the Maputo Declaration.

- a) Studies have shown that that the shortage of capital and credit is the single biggest constraint to improving farming in Uganda. Farmers need credit to manage the seasonality of their cash flows, to make investments, and to cope with the vulnerabilities of farm production. Unfortunately, government is not investing enough resources in providing credit to farmers, neither do financial institutions lend in sufficient quantities. According to the Uganda Census of Agriculture 2010 by UBOS, only about 10% of agricultural households had received a credit in the past five years. The

Agriculture Finance Facility (ACF) funds are not accessible to most Ugandans. Majority of the loans have mainly been extended to larger commercial farmers and agro-processors, many of which are well established companies that already have access to bank finance but not small holder farmers. We request government to revise the ACF to provide financing to small-holder farmers by: Lowering the threshold for small holder farmers to apply for the ACF and putting in place a policy /guidelines governing the ACF.

- b) We commend Government on the proposed implementation of a unified (single spine) agricultural extension system and transferring the extension function back to the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) starting FY 2014/15. However, we still not convinced about which approach government will take in allocating resource between provision of inputs and extension education. Secondly, we are not sure that MAAIF has the institutional capacity to implement the new mandate. This is an area we hope that government will have to work on if we are to achieve improvement in the agricultural extension services.

1.12 Health

- a) We observe in the MTEF a reduction in the Health sector budget from **Ushs 1,127.48 bn** in FY 2013/14 to **Ushs 873.44 bn** in FY 2014/15. Given the appalling health service delivery in Uganda, we find this action deplorable. The 2002 Health Financing Strategy estimated that in order for the sector to be able to provide the Minimum Health Care Package, USD 28 per capita expenditure would be required, however for FY 2012/13; only USD 9.0 per capita (which includes donor projects and Global Health Initiatives captured in the MTEF) was available. Uganda's per capita spending on health is significantly lower than that of other SSA countries. Inadequate investment in the health sector is hampering efficient delivery of health services in Uganda.
- b) There is less focus on strengthening the health promotion and disease preventive measures. This is evidenced by low allocation for sanitation and hygiene; health research; and health education especially at community level –leading to poorly facilitated and motivated Village Health Teams (VHTs) and Health Unit Management Committees (HUMCs).
- c) We request Government to increase funding to the health sector, rather than banking on unpredictable donor projects/ funds. Specifically Government needs to address the remuneration and welfare of health workers and facilitating health facilities to effectively provide effective health services.

1.13 Education

- a) We observe in the MTEF a reduction in the Education sector budget from **Ushs 1,761.59 bn** in FY 2013/14 to **Ushs 1,663.54 bn** in FY 2014/15. Considering the inflation pressure and the increase in enrolment as a result of high population growth (3.2 percent), it is obvious that the budget cuts will have serious negative impact aspirations of the sector especially on improving the quality of education.
- b) We request government to increase the UPE capitation grant to cater for the increasing expenditures of running UPE schools.

- c) There are serious quality concerns all through the system (all education levels), resulting in poor learning outcomes. For instance, numeracy and literacy rates have dropped substantially. According to National Assessment of Progress in Education (NAPE) results, overall literacy proficiency at Primary Six stood at 41.3% (Boys - 42.1% and Girls - 40.6%) compared to 50% in 2010; whereas numeracy proficiency stood at 45.6% (Boys - 49.6% and Girls - 41.7%). Other surveys have showed similar trends. For instance, the UWEZO (2012) study showed that basic numeracy and literacy skills of primary school children are lacking and nothing has improved since the 2011.
- d) We request government to legalize the Parents Teachers Associations (PTAs), which should not be seen to be synonymous with parental contributions but rather as organs that are central to the enhancement of the accountability function of the SMCs and school administration, which is central to effective school running.
- e) *Early Childhood Education:* Early Child Education is key in improving young children's capacity to develop and learn. The positive effects that Early Child Education programs have can change the development trajectory of children by the time they enter primary school. A child who is ready for school has fewer chances of repeating class and dropping out of school. However, the current policy framework does not provide for a comprehensive talent identification and development program. Consequently, there is no budget allocation for early children development. This sub-sector of education is largely private sector driven, with minimal guidance, supervision and proper curriculum by the Ministry of Education.
- f) We request government to implement the Early Child Education policy and establishment of ECD facilities in rural areas and provision of wage subventions to teachers in ECD facilities.

1.14 Roads

- g) We commend government on increased focus on roads and transport infrastructure development; however, we are concerned that most of the funds have been spent on national roads, and few little on District, Urban and Community Access Roads (DUCAR). The provision of road equipment to districts has not helped situation; since most of the districts lack funds to operate the machines, consequently, most equipment are parked at district headquarters, while roads are in bad state.
- h) We are also concerned about the value for money in road construction and delays in completion of road works. A case in point in Mbale-Soroti road, whose construction has over delayed and the quality of the roads is questionable. In addition, the costs Road construction in KCCA has been noted as very expensive compared to the national average. We therefore, request government to make publically accessible all contracts on road construction in Uganda.
- i) We request government to increase funding for DUCAR and maintenance of roads and a more balanced share of funds between construction/rehabilitation and maintenance.

1.15 Trade

- a) Trade can be a very powerful tool for poverty eradication, creation of employment and to promote sustainable development. However, we have noted the meagre budget allocation to the Tourism, Trade and Industry of Ushs 52.56 billion in FY 2014/15. Therefore, Government should increase the budget allocation to the sector in order to address issues of value addition, manufacturing,

improvements of standards of goods, and to promote the critical backward and forward linkages between agriculture, value addition and trade.

1.16 Gender and Equity Issues

- a) The Budget Call Circular demanded that government agencies address gender and equity issues through allocation of resources. However, most sectors continue to allocate resources without considering the gender and equity concerns. We request the Ministry of Finance Planning and Economic Development put in place enforcement mechanisms that should penalise sectors which do not comply and reward those that do.
- b) In addition, in order for Parliament to take its central role in promoting gender equality, we propose that before Parliament debates and approves the annual budget, a “*Certificate of Gender Equity*” is produced to show the extent sector plans and budget address gender and equity concerns.

1.17 Climate Change and Disasters

- a) The NDP states that Uganda’s development agenda must address the issue of climate change. Climate change threatens to undo decades of development efforts in a short time as has been witnessed in some regions of the country. Climate-related disasters-droughts, floods, landslides, and wind and hail storms-are estimated to destroy 800,000 hectares of crops annually for economic losses of \$75 million (US\$173 billion). Additionally, economic losses resulting from destruction of civil works, transport accidents, epidemic outbreaks, and climate-related conflict are estimated to cost well over \$31 million (US\$72 billion) annually.
- b) However, the current budget architecture does not address climate change. According to a study by ACODE and ODI, the total spending on climate change-relevant activities is estimated at less than 1 percent of total government expenditure, and this has remained broadly constant over the four year period, 2008/90-2011/12. This level of spending is about 0.2 percent of GDP, which is in stark contrast to that recommended in the draft Implementation Strategy of the Climate Change Policy of around 1.6 per cent of GDP.
- c) We request government to prioritize the climate change implementation strategy and ensure that all priority national investments, the proposed timeline, funding requirements are met. In addition, the necessary capacity of all relevant institutions especially at local government should be built to allow implementation of priority actions.

Conclusion

We once again thank the Ministry of Finance, Planning and Economic Development for organising this budget consultation; this provides an opportunity for us to provide input into the budget. We are confident that our proposals will make meaningful influence on the final budget proposals.

Thank you

Our team

The **Civil Society Budget Advocacy Group (CSBAG)** since its launch in 2004 has made major leaps towards ensuring that the Ugandan budget making process is more participatory, transparent and citizens' concerns are prioritized in government budget allocations and implementation. Our membership is comprised of the following institutions:

1. Action Aid International Uganda | (AA - IU)
Website: www.actionaid.org/Uganda
2. African Centre for Trade and Development (ACTADE)
Website: www.actade.org
3. African Centre for Treatment and Rehabilitation of Torture Victims (ACTV)
Website: www.actvuganda.org
4. Advocates Coalition for Development and Environment (ACODE)
Website: www.acode-u.org
5. Anti-Corruption Coalition Uganda (ACCU)
Website: www.accu.or.ug
6. Action Group for Health Human Rights and HIV/AIDS (AGHA)
Website: www.agha.or.ug
7. [African Youth Development Link \(AYDL\)](http://www.aydl.org)
Website: www.aydl.org
8. African Women's Economic Policy Network (AWEPON)
Website: www.awepon.net
9. Caritas Kampala
Website: www.caritaskampala.org
10. Center for Domestic Violence (CEDOVIP)
Website: www.preventgbvafrica.org
11. Centre for Women in Governance (CEWIGO)
Website: www.cewigo.org
12. Development Network of Indigenous Voluntary Associations (DENIVA)
Website: www.deniva.or.ug
13. Development Research and Training (DRT)
Website: www.drt-ug.org
14. Development Watch (DEMWatch)
15. Deutsche Stiftung Weltbevölkerung- Uganda
Website: www.dsw-online.org
16. Eastern and Southern Africa Small Scale Farmers Forum (ESAFF-Uganda)
Website: www.esaff.org
17. Environmental Alert (EA)
Website: www.envalert.org
18. Forum for Women in Democracy (FOWODE)
Website: www.fowode.org
19. FOWODE Young Leaders Alumni Association (FYLAA)
Website: www.fytaa.org
20. Hope after Rape
Website: www.har.interconnection.org
21. Hunger Fighters Uganda
Website: www.hungerfightersuganda.org
22. Human Rights Network Uganda (HURINET- U)
Website: www.hurinet.or.ug
23. Initiative for Social and Economic Rights - Uganda
Website: www.iser-uganda.org
24. Institute of social transformation (IST)
Website: www.ist-tft.org
25. ISIS-WICCE
Website: www.isis.or.ug
26. Jenga Afrika
Website: www.jengaafrica.org
27. National Association of Women Organisations in Uganda (NAWOU)
Website: www.nawouganda.org
28. National Union of Women with Disabilities of Uganda (NUWODU)
29. National Union of Disabled Persons Uganda (NUDIPU)
www: www.nudipu.org
30. Participatory Ecological Land Use Management (PELUM)
Website: www.pelumuganda.org
31. Platform for Citizen Participation and Accountability (PLACA)
Website: www.placaug.org
32. Regional Associates for Community Initiatives (RACI)
Website: www.raciug.org
33. Southern and Eastern African Trade Information and Negotiations Institute (SEATINI-U)
Website: www.seatiniuganda.org
34. Uganda Debt Network (UDN)
Website: www.udn.or.ug
35. Uganda National NGO Forum.
Website: www.ngoforum.or.ug
36. Uganda Network of AIDS Service Organization (UNASO)
Website: www.unaso.org
37. Uganda Road Sector Support Initiative (URSSI)
Website: www.ugandaroadsector.org
38. Uganda Women's Network (UWONET)
Website: www.uwonet.or.ug
39. Uganda Joint Christian Council (UJCC)
Website: www.ujcc.co.ug
40. Volunteer Efforts for Development Concerns (VEDCO)
Website: www.vedcouganda.org
41. Water Aid Uganda
Website: www.wateraid.org/uganda
42. Women and Girl Child Development Association
Website: www.wegcda.org

