ULGA PRESENTATION ON IMPLICATIONS OF BUDGET STARTEGY FY 2016/2017 ON LOCAL SERVICE DELIVERY

GENERAL OR CROSSCUTTING ISSUES AFFECTING SERVICE DELIVERY AT THE LOCAL GOVERNMENT LEVEL:

Inadequate Financing for Local Service Delivery:

Year	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/2017
Local Government	1,299.60	1,500.00	1,586.50	1,754.80	2,009.10	2,346.20	2,361.41	3,125.65
Resource Envelope	6,785.50	8,809.00	9,023.00	10,049.00	13,064.80	15,041.87	18,311.37	19,519.24
% Share of LGS	19.15	17.03	17.58	17.46	15.38	15.6	12.9	16.01

Table 1: Trend of share of LG allocations as a percentage of the National Budget
Source: MTEF FY2015/16

The table three above indicates that the share of the Local Government transfers from the National Budget steadily declined to as low as 12.9% in this financial year from 19.15% in FY 2009/2010.

- The 2013 Joint Annual Review of Decentralization (JARD) resolved that at least **38 percent** of the total National Budget should be allocated to local governments.

- It is disturbing that Local Governments shared 25.57% of the National Budget in FY 2003/2004.

- However now that our core focus as a country is to provide ***'Competitive and Excellent public services,'*** our projected allocations to Local Governments for the FY 2016/17 only amount to 16.01% of the National Budget - less than half of the recommended resource allocation put forward by the Ministry of Local Government.

- An in depth analysis of the disbursements to the local government revealed a very worrisome picture indeed. Not only are Local Governments receiving inadequate financing, over 65% of the total Local Government allocations are earmarked for wages, with only 14 percent for actual development and service delivery

*Table 2: Total Allocations to LGs by Expenditure Category (*UGX Billion*)*

Expenditure Item	FY 2014/15 (Approved)	% share of allocation	FY 2015/16 (Planned)	% share of allocation	% change of allocations over the two years
Wage recurrent	1,524.65	65	1,438.82	65	-6%
Non-wage recurrent	483.22	21	457.12	21	-5%
Development	338.44	14	328.39	14	-3%
Total	2,346.31	100	2,224.33	100	-5%

Source: MoLG Ministerial Policy Statement FY 2015/2016

The figures show we are *spending more money on administration*, than service delivery and development. This unfortunate trend has been in place for more than a decade, for example in FY 2009/10 allocations for development amounted to only 24.3%.

A review of the Medium Term Expenditure Framework indicates that Sector Ministries have been facilitated substantially to undertake their development and consequently their service delivery functions. In the table below, seven Sector Ministries have been sampled.

Table 3: Total Allocations to sectors by Expenditure Category for FY 2015/16 (UG SHS Billion)
Source: Medium Term Expenditure Framework for FY 2015/2016

Sector	wage	%	non-wage	%	development	%	total
Works and transport	29.29	0.89	466.48	14.16	2,797.45	84.95	3,293.23
Education	194.45	26.39	220.34	29.90	322.11	43.71	736.90
Health	86.40	9.79	353.16	37.11	512.08	53.81	951.64
Water and environment	14.53	3.03	27.03	5.64	437.51	91.32	479.08
Agriculture	30.27	6.73	89.32	19.87	329.95	73.40	449.54
Gender and Social development	4.89	5.89	28.53	34.36	49.60	59.74	83.03
Tourism, trade and industry	14.83	18.30	32.65	40.28	33.56	41.41	81.05

What is evidenced is that a considerable allocation is tagged to development programs amounting to over 50% of the overall sector budget for five sectors reviewed.
The wage component is less that 20% of the overall sector allocation leaving as much as 84.95% for actual development for example under Ministry of Works.

This is very different from what is happening at Local Government level.

Despite the fact that wage component of local government transfers is currently over 65 percent of the total districts allocations; the staffing needs covered by these resources within local governments is still far below the required staffing capacity.

The current wage bill which forms close to three quarters of local government transfers can only cater for an average of 56 and 57 percent staffing levels within district and municipal councils respectively which is unfortunate.

It is important to note that 80% of these filled positions are mainly for the administrative and support staff, which means that majority of the core technical positions critical for service delivery, are vacant.

The 2015/2016 Ministry of Local Government Ministerial Statement points out **continued challenges with staffing, which challenges are mainly attributed to inadequacy of funding.**

As such inadequate financing for Local Government staffing is our other major concern, because without qualified personnel in place to foster development and deliver services to our people, nothing can happen. Our remote areas will remain remote and undeveloped and the quality of public services will also remain poor.

Data from the Ministry of Local Government collected in FY 2014/2015, indicated that only 54 districts (48.7%) of the total districts in Uganda have more than six critical staff filled in the local government structure.

The table below provides a clearer picture of the extent of our crisis.

Just last year 40 districts have less than 5 positions filled for their critical staff.

Table 4: Cumulative Local Government staffing composition in FY 2014/15 by District

Number of approved positions	Number of filled positions	Number of Districts	Cumulative sum of districts	%age
12	12	1	1	0.9%
12	11	3	4	3.6%
12	10	7	11	9.9%
12	9	11	22	19.8%
12	8	13	35	31.5%
12	7	19	54	48.7%
12	6	10	64	57.7%
12	5	7	71	64%
12	4	12	83	74.8%
12	3	12	95	85.6%
12	2	10	105	94.6%
12	1	6	111	100.0%

Source: MoLG Ministerial Policy Statement 2014/15

Recommendations:

1. Resource allocation to the Local Governments as a share of the national budget should be increased to at least 38% in view of the enormity of devolved public service delivery responsibilities. If the Government of Uganda intends to finance meaningful development within LGs, then the development fund needs to be increased substantially.

2. The overall fiscal decentralization architecture should be re-designed with a view of:

- strengthening decentralization by protecting and promoting local government financing,
- enhancing orderliness and control in the management of inter-government fiscal relations
- increased discretion in local government decision making

3. The Local Government wage component should be increased to not only facilitate more attractive salary package to our technical staff in Local Governments, but to also cater for increased staffing as recommended within the Local Government Finance Commission (LGFC) report on Holistic Financing of LGs.

1.2 Imposition of Value Added Tax (VAT) on Development Projects:

While we all appreciate the need to pay taxes to finance Government Programmes, as Local Governments we are concerned about the introduction of VAT on development projects under the Local Governments which are directly meant to improve the livelihood of the citizens since it is majorly felt under the key service delivery areas like Education, Health, Transport and works, etc. This amount at the end the day is too big if deducted from such projects, for example School Facilitation Grants, PHC Development and others.

1.3 Capacity building for Local Governments' Political Leadership:

It is our recommendation therefore that government provides resources to finance the capacity building of local elected leaders to enable them meet their expected roles and responsibilities for the attainment of good and democratic governance. in addition, there is need to induct the appointed leaders like the resident district commissioners to avoid conflicts that continue to brew between these leaders.

SOME KEY SECTOR SPECIFIC ISSUES

- This section will provide a summary of our critical concerns for the Sectors of Agriculture, Works and Transport, Health, Education, Tourism, and ICT.

Table 5: A summary of Sector allocations in regards to the National budget in illustrated the table below. (ugx billion)

Source: Medium Term Expenditure framework FY 2015/2016

sector	fy 2014/15	% of total budget	fy 2015/16	% of total budget	fy 2016/17 projections	% of total budget
works and transport	2,389.37	15.9%	3,328.79	18.2%	4,272.04	21.9%
education	2,026.63	13.5%	2,029.07	11.1%	2,382.93	12.2%
health	1,281.14	8.5%	1,270.80	6.9%	1,033.49	5.3%
water and environment	420.45	2.8%	547.31	3.0%	523.52	2.7%
agriculture	473.73	3.1%	479.96	2.6%	630.42	3.2%
social development	71.30	0.5%	90.17	0.5%	104.69	0.5%
tourism, trade and industry	63.88	0.4%	81.16	0.4%	91.94	0.5%
ict	17.01	0.1%	66.77	0.4%	25.32	0.1%
state house	249.84	1.7%	257.28	1.4%	295.37	1.3%
uganda police	402.95	2.7%	527.8	2.9%	590.5	3.0%
ministry of finance	265.28	1.8%	575.8	3.1%	660.71	3.4%
electoral commission	150.58	1%	295.58	1.6%	332.40	1.7%
parliamentary commission	331.92	2.2%	371.30	2.0%	417.36	2.1%
total national resource envelop	15,041.87		18,311.37		19,519.24	

The statistics suggest that **e**ach financial year, Uganda is prioritizing less and less the core service needs of tax payers who is in fact the largest contributor to the resource envelope.

core public services like education and health are being sidelined. their percentage share of the national budget is declining each year compared to allocations for example to Uganda police or even electoral commission.

2.1 <u>Agricultural Sector</u>:

Although given priority consideration in the 2016/17 Budget, specifically in reference to value addition, Agriculture remains under-funded at 3.2% of the National Budget.

Sector funding is still far below the 10% recommended by the Maputo Declaration.

Of the 630.42bn budget projected for the sector for the FY 2016/17, Districts are expected to receive only shs33.36bn, representing only 5.29%. This share of local government financing in the sector has declined from 13.2% in FY 2014/2015 to 6.3% in FY 2015/2016.

Recommendations:

- Review NAADs programme to align with the original plan centred on modernization of agriculture and process should not lose focus of the need for agriculture advisory services as a complimentary effort to input services to our farmers in order to move from subsistence to commercial farming in tandem with other pillars within the same plan’
- Current strategies to utilize the Uganda Army for NAADS and to focus on commercialization should be studied critically to document best practices.
- We applaud the strategies of the program to engage the local governments and their communities through sub counties. However these should be facilitated and enhanced to ensure a more inclusive and personalized response to the respective community extension needs within the sector.
- Additional support in the form of credit financing, ware house storage and marketing should also be considered to compliment the value addition strategies undertaken.
- There is also a need for a stronger drive to revive agricultural co-operatives.

2.2 <u>Health Sector:</u>

The indicative planning figures in budget for the fy 2016/17 have indicated that there has been a decrease in funding by ug shs 237.31bn. This also tallies with the 1.6% reduction in the share of sector allocations from the national resource envelop.

Only Ug shs 318.2bn (30.8%) is allocated for Local Governments under the primary health care grant, and the District Hospitals Grant.

Recommendation:

Government needs to mobilize and allocate adequate resources for the health sector, at least in line with the national minimum health care package.

2.3 Education Sector:

In the FY 2016/17, projected share of national budget within the education sector has declined to 12.2% from 13.5% in FY 2014/2015 despite the nominal increase in funding of Ug shs 356.4bn. This financial year, 63.7% of the Eucation Sector will be transferred to local governments. 77.2% of those funds are tagged to the sector wage bill, leaving only 4.88% (ug shs 63.06bn) for development initiatives in this sector at the grass root level which is inadequate.

Recommendations:

- Government should review the Universal Primary Education (UPE) and Universal Secondary Education policies in a number of areas so as to improve the service. Development funds should be prioritized.

- The school facilities grant should be enhanced in view of the increase in number of pupils, so as to meet the minimum standard of pupils per classroom.

- Government policy on distribution of public schools – i.e. technical college per constituency, secondary school per sub-county and primary school per parish - needs to be implemented for equity and uniform education service.

2.4 Roads Rehabilitation:

The challenge has been poor road maintenance culture.

In FY 2015/16, Local Governments were allocated a meager share of the Roads Sector budget of 1.4 percent of the entire development budget allocated to the Sector despite a 27 percent increment in allocation.

More than more than 98 percent of the roads development budget is still centralized and yet a majority of poor feeder roads are located in rural areas.

Recommendation:

Strengthen the capacity of Local Governments to maintain the roads through the provision of the necessary logistics – personnel, finances and appropriate equipment to each district, with heavier plants at more accessible sub-regional level.

2.5 ICT Sector:

The Ministry of ICT in the FY 2015/16 was allocated UGX 50.23bn of which UGX 39.2bn was earmarked to finance the National Information Technology Authority Activities. In the same FY the authority allocated UGX 273.5 Million of training part of which is anticipated to be expended while conducting IT capacity building for local government. This is a welcome initiative given the fact that a vast majority of LG activities on financial management, budgeting, planning and reporting are conducted online. We **recommend** more resources in this area beyond capacity building.

2.6 Trade and Tourism Sector:

The MTEF indicates a nominal increase in sector financing from UG SHS 63.88bn in FY 2014/15, to UG SHS 81.16bn in FY 2015/16. Projections for FY 2016/17 are at UG SHS 91.94% which is only 0.5% of the National budget. Despite the UG SHS 28.06bn increment, the statistics does not reflect the level of commitment required to develop this sector.

The envisaged involvement of Local Governments in the Sector in FY 2016/2017 is minimal, because of poor financing, with a budget allocation of only **shs0.124bn**, which is meant only for district commercial services. Comparatively, the sector allocated UG SHS 0.186bn for Allowances at the headquarters in FY 2015/16.

Recommendation:

In order to encourage stronger participation of local authorities in this sector, Government should provide the framework for remittance of royalties from tourism to the Local Governments.

Government should also increase financing to the sectors in order to harness the revenue potential especially under Tourism.

Proposal on how to progressively increase Local Government Financing:

Often time the Ministry of Finance and our legislators encourage us to identify sources of funding whenever we request for additional funding. Consequently seven vote items under the non wage recurrent expenditure have been identified.

These are indicated in the table below through which additional funds that can be channelled to the local government within the respective sectors to foster sufficient service delivery.

Table 6: Possible areas of increasing the local Government budget from Ministry sector non-wage recurrent expenditure items in FY 2015/16.

Expenditure Item (million shillings)	FY 2015/16						
	Health	Educ	Agric	Roads	Water	Total	25% contribution
Allowances	1,604.10	8,507.90	8,628.70	3,244.30	3,611.60	25,596.6	6,399.15
Workshops and Seminars	1,862.70	7,219.90	3,017.80	1,272.80	2,419.10	41,388.9	10,347.22 5
Books Periodicals and Newspapers	53.1	50,077.30	18	146.8	374.5	66,462	1,6615.5
Welfare and Entertainment	522	134.2	2,46.3	116.3	331.7	52,020.2	13,005.05
Printing, Stationery and Photocopy	1,674.60	1,114.40	1,406.50	1,988.20	2,334.10	9,868.3	2,467.075
Travel Abroad	1,316.10	749.3	858	883.8	1,249.50	20,940.4	5,235.1
Staff Trainings	21,014.30	50,867.90	3,951.30	761.3	2,162.50	89,096.40	22,274.10
Total	**28,046.90**	**118,670.90**	**18,126.60**	**8,413.50**	**12,483.00**	**292,724.50**	**73,181.13**

As a start total of UGX 73,181.13 Billion can be channelled to the Local Government with a 25% reduction in funds allocated to items such as travels abroad, welfare and entertainment, per diem allowances among others are reduced at the respective sector ministry headquarters.

This can augment the UG SHS 328.39bn planned for Development in Local Governments this financial year by **22.28%**. If we look critically at other votes for example the Uganda Police, Electoral Commission, etc, I am sure we can find even more resources without causing undue disruption on the operation of these sectors.

THANK YOU