

Impact Story from the Study Analysizing Uganda's FY2019/20 National Budget

In several Local Government Council Scorecard Assessments conducted by ACODE since 2009, inadequate local government financing has been one of the sticky policy issues emerging from the findings. There have been similar complaints of inadequate funding for local governments mainly from the Ministry of Local Government, Local Governance Finance Commission (LGFC) and the Local Government's leaders across the country. In 2016, the Office of Auditor General (OAG) conducted an audit on local government financing where the findings of the audit demonstrated that local governments were inadequately funded and unable to implement all devolved functions and mandates. However, there was no information to show where additional funding for local governments would come from given that the budget did not have wiggle room for appropriate reallocation of funds to the local governments for them to meet their funding needs. It is on that basis that ACODE undertook a study to analyze the proposed FY 2019/20 budget with a view of identifying resources within the budget that should be re-allocated to Local governments or rationalized¹. The study found out that UGX 1.006 trillion was being held by MDAs which is inconsistent with the Local Governments Act. It was also noted that the MDAs were planning to use this money to implement activities or projects which were under the mandate of the Local Governments.

On August 13, ACODE in partnership with Ministry of Local Government and Governance and Accountability, Participation and Performance (GAPP) Program held the first National Conference on Decentralisation,

in Kampala where the findings of the above study were presented. The findings of these studies were further shared with the Ministry of Finance, Planning and Economic Development (MoFPED), Ministry of Local Government (MoLG), LGFC, Uganda Local Governments Association (ULGA) through strategic meetings held with leaders of these entities. The findings were also presented to Members of Parliament who sit on the Local Government and Public Service and Budget Committees of Parliament, CSOs and the private sector. ACODE also shared the results of these studies widely in both electronic and print media. This resulted in increased media coverage of the findings through newspaper stories, press dialogues, and talk-shows which generated public debate about the subject.

Consequently, on 22nd August 2019, the Secretary to the Treasury and Permanent Secretary of MoFPED, Keith Muhakanizi wrote a letter (ref: PBD/86/150/01) requesting respective MDAs to review and provide a schedule of all projects and funds appropriated to them for transfer to Local Governments with clear details per local government for the current FY 2019/20 and over the medium term. In the same letter, MDAs were asked to provide information to Local Governments on all the appropriated funds to MDAs whose budget execution for FY 2020/21 will take place in Local Governments. This information as the letter indicates was shared in Budget Consultative Workshops for FY 2020/2021 to enable the MOFPED to consolidate information on the appropriations to MDAs and be able to inform accounting officers in local governments of the existence of such funds so that they can be included in their district budgets for FY 2020/2021. A copy of the letter from the Permanent Secretary to MDAs is shown in figure 1.

¹ Ggoobi, R., and Lukwago. D., Financing Local Governments in Uganda: An analysis of Proposed National Budget FY 2019/20 and Proposals for Re-allocation. Kampala: ACODE Policy Research Paper Series No. 92, 2019. https://www.acode-u.org/uploadedFiles/PRS92.pdf

Figure 1: Communication from PSST to MDAs over funds for Local Governments appropriated to MDAs

Inistry of Finance, Planning & Economic Development Plot 2-12, Apollo Kaggwa Road P.O. Box 8147 Kampala Uganda ase quote No. BPD 86/150/01 22nd August, 2019 FUNDS APPROPRIATED IN MINISTRIES, DEPARTMENTS AND AGENCIES (MDAs) BUT TRANSFERRED TO LOCAL GOVERNMENT VOTES DURING Over the years, Government has been undertaking special programs mainly through affirmative action focusing on reducing poverty as well as tackling youth and women unemployment, As such, various funds are being budgeted for under various MDAs for transfer to Local Government Votes during budget execution, as well as various centrally managed projects like NUSAF3, and LRDP. However, most Local Government Leaders have raised concerns to this Ministry of not being aware of such funds or projects activities in their respective Local Governments. Hence, in order to ensure budget accountability and transparency, there is need for the Local Governments to be positived of such funds or projects. for the Local Governments to be notified of such funds or projects. Therefore, as part of the Budget preparations for FY 2020/21, there is need to inform all Local Government Accounting Officers of such funds appropriated at the center but with activities that are implemented in Local Government Votes during budget execution. This is therefore, to request you to urgently review and provide a schedule of all projects/funds appropriated in your respective MDA for transfer to Local Governments with clear allocation details per Local Government for the current FY 2019/20 and over the medium term. This details per Local Quyernment for the Current F1 2017/20 and over the including sinformation should be submitted to this Ministry by c.o.b Friday 6th September, 2019 to enable Information should be shumined to this ministry by Co. o Filedy o September, 2023 to Consultative Workshops for FY 2020/21 which are scheduled to start early next month. Kein Muhakanisi da allam) PERMANENT SECRETARY/SECRETARY TO THE TREASURY The Rt. Hon. Prime Minister, Office of the Prime Minister
The Hon. Minister of Finance, Planning and Economic Development
Head of Public Service and Secretary to Cabinet Mission

Mission

All sections and uncontraction and uncontraction and uncountability for public resources so as to achieve the most repet and statishable promotes and the most repet and statishable promotes are set.

Further, in the first Budget Call Circular (BCC1)² paragraph 38 as indicated in figure 2 below, the permanent secretary MoFPED and the Secretary to Treasury informed Ministries, Agencies and Departments (MDAs) that all funds meant for services under Local Governments should have these funds directly appropriated to the beneficiary local governments.

Figure 2: Section of 1st BCC that shows policy Direction for MDAs to Appropriate Funds meant for LLGs to the Beneficiary LGs

remitted to the Consolidated Fund but returned to the Local Governments in its entirety. Therefore, all Accounting Officers are reminded to ensure that in FY 2020/2021, all locally raised revenues will be remitted to the Consolidated Fund for appropriation by Parliament.

38. With regard to funds appropriated at the Center but meant for services under the Local Governments e.g., NUSAF III, Uganda Road Fund, Luwero-Rwenzori Development Program etc, transfers will be done directly by this Ministry. I am engaging the Sectors (Office of the Prime Minister and Sectors of Agriculture, Education, Health, Water and Environment, Works and Transport and Social Development) and Parliament on this Policy decision to streamline and have these funds appropriated directly under the respective beneficiary Local Governments. All Accounting Officers of affected Central Government Votes are therefore asked to take this into consideration to avoid incurring further administrative overheads, transfer challenges and implementation delays by the Local Government Votes.

Also in the 2nd Budget Call Circular (BCC2)³, the Permanent Secretary, MoFPED instructed all funds held by MDAs but for Local Governments must be appropriated to their respective votes as shown in paragraph 42.

Figure 3: BCC2 Showing an instruction to appropriate funds to Respective Local Votes

Funds appropriated under Central Government Votes but transferred to Local Governments

42. All funds must be appropriated for in the respective Votes by Parliament for implementation. Any Central Government Vote that does not submit the Local Government IPFs to this Ministry by 28th February 2010, will not be allowed to Page 10 of 15

send funds to the Local Governments for approval by their Local Government Councils in form of Other Government Transfers. The concerned Central Government Votes will be held responsible for such activities in the Local Governments by spending the funds at their Vote level.

According to the Ministerial Policy Statement, Financial Year 2020/21 for the MoLG, the Committee for Local Government and Public Service recommended that; (a) Government ensures that the identified funds are directly channelled to the local government Votes for FY 2020/2021 onward for efficiency and effectiveness of implementing government programmes attainment of value for money and equity in LGs. The Ministerial Policy Statement for MoLG also notes that the Ministry has also started consultations with the Ministry of Finance Planning and Economic Development and other MDAs on this matter⁴.

Subsequently, ACODE will be conducting followup studies on an annual basis to establish how the respective MDAs have responded to this policy direction from the Ministry of Finance, Planning and Economic Development.

About ACODE

The Advocates Coalition for Development and Environment (ACODE) is an independent public policy research and advocacy think tank registered in Uganda but working in Eastern and Southern African sub-regions⁵.

² Available at https://budget.go.ug/sites/default/files/ SUBMISSION%200F%20THE%20FIRST%20BUDGET%20 CALL%20CIRCULAR%20FOR%20FY%202020-2021%281%29. pdf

³ Available at: https://budget.go.ug/sites/default/files/THE%20 SECOND%20BCC%20ON%20FINALISATION%20OF%20 DETAILED%20BUDGET%20ESTIMATES%202020-2021.pdf

⁴ MoLG (2020). Ministerial Policy Statement, Fiancial Year 2020/21. Ministry of Local Government, March 2020. Kampala

⁵ For more information, visit https://www.acode-u.org