



Assessment on the Operationalization of the Contingencies Fund for Uganda Brief

1.0 INTRODUCTION

A Contingencies Fund refers to a pool of resources set aside, out of the normal government financing mechanism, to facilitate responses related to disasters and disaster risk management. In Uganda, a Contingencies Fund account is held in the Bank of Uganda to enable management of the financial transactions in respect of responses to disaster. The account is managed by the Accountant General, under Vote 130. In the Chart of Accounts (2018), Contingencies Fund falls under class 5 (reserves), in section 18. The permanent Secretary and Secretary to treasury is vested with the responsibility of managing the Fund under section 11(2) (f) of the PFMA 2015 (as amended). The release of funds from the consolidated fund is done by issuing of a cash limit, warranting process and payment transferred through invoicing on the Integrated Financial Management System (IFMS). The Director, Budget Directorate in MoFPED, issues this cash limit to Vote 130 which is then managed by the Accountant General as the Accounting officer, after approval of which, a payment is done to move funds from the consolidated fund to the Contingencies Fund. Whenever an event occurs, the disaster line ministry(s) opens a Contingencies account with permission from Accountant General, to which fund transfers are made. Transfers of funds from the Contingencies Fund to the line ministry contingencies account are done by instruction of Accountant General to Bank of Uganda (BoU), with the backing of a request by the line ministries and an instruction from cabinet minutes.

1.1 LEGAL AND INSTITUTIONAL FRAMEWORK

In Uganda, there was a Contingencies Fund mechanism through the Contingencies Funds Act Cap 1720 of 1962 which provided for a yearly allocation to the Fund a specified amount to help respond to urgent and unforeseen events. However, this law was repealed by the Public Finance and Accountability Act (PFAA) Cap 192, which was itself later repealed by the PFMA 2015. The Constitution of Uganda (1995), provides for the establishment of the Contingencies Fund under Article 157, and mandates Parliament to make necessary laws for this operationalization. The PFMA 2015 (as amended), therefore, under section 26, instructs that every financial year, the fund be replenished annually with an amount equivalent to 0.5% of the appropriated annual budget of Government of the previous financial year, and shall not include any supplementary budget of that year. The law further mandates the minister of Finance Planning and Economic Development with the administration of the fund by warrant addressed to the Accountant-General, to authorize a withdrawal from the Contingencies Fund. The Act also gives powers to; Parliament to invalidate a withdrawal from the Contingencies Fund where the requirements are not complied with. The Accountant General has the responsibility to prepare and submit to the Auditor-General, every financial year, the accounts of the Contingencies Fund and the Auditor-General is required to make a report to the Parliament on the same.

KEY FINDINGS

2.1 DISASTER RISK BUDGET AND THE CONTINGENCIES FUND

Inconsistency in operationalizing the Contingencies Fund as per the requirements of the law is still a concern. Section 26 of the PFMA prohibits a direct charge on the Contingencies Fund except where the charge is for a transfer of money from the Contingencies Fund to another vote. The Department of Disaster Preparedness and Refugees Management under the Office of Prime Minister (OPM), facilitates collaboration among ministries, local governments (LGs) and communities for disaster preparedness and management. The budget and expenditure is spent on managing and responding to disasters, and not necessarily to managing and reducing disaster risks which would be the ideal.

Table 1: GoU Budget allocations and Actual expenditures, FY 2015/16 to semi-annual FY 2018/19 (UGX billions)

FY	Budget	Release	Expenditure	Supplementary
2018/19	12.18	7.45	6.7	0
2017/18	11.90	13.14	13.12	1.24
2016/17	12.56	36.14	36.91	23.58
2015/16	20.53	25.74	23.21	5.21
Total	57.17	82.47	79.94	30.03

Source: MFPED, Vote Performance Reports from FY 2015/16 to FY 2018/19

These funds are appropriated through the normal budgeting process to the Disaster Preparedness, Management and Refugees Program, BMAU briefing paper (8/19). From FY 2015/16 to FY 2018/19, the cumulative program based GoU budget was 57.17 billion UGX, of which 82.47 billion UGX (144%) was released, and 79.94 billion UGX (97%) spent by semi-annual FY 2018/19. The high release and expenditure is due to the occurrences of supplementary budgets in FY 2015/16 and FY 2016/17, and a relocation in FY 2017/18 for procuring relief and food for drought affected areas in the country.

2.1.1 Operationalization of the Contingencies Fund

Since the enactment of the PFMA (2015), the Contingencies Fund became operational in the financial year 2018/2019. This means that the allocations have up-to-date been made for the previous and the current financial years. The allocation and analyses of the operationalization for the period under review is as below:

Table 2: Showing Budget Performance of the Contingencies Fund (Billion UGX)

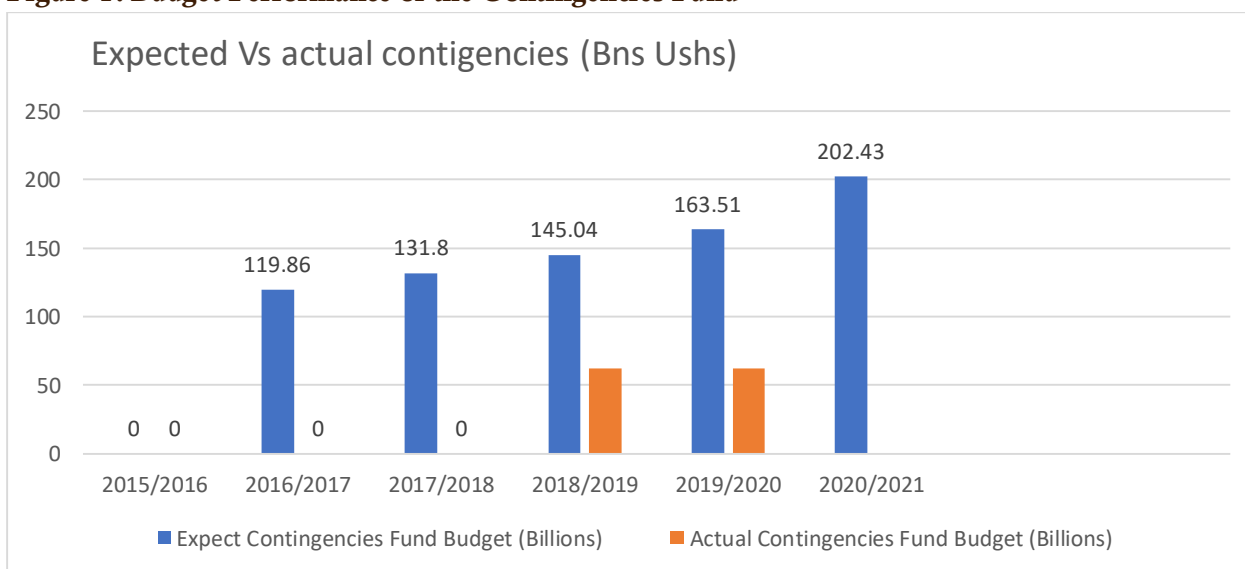
Financial Year	(A) Appropriated Budget	(B) Appropriated Budget less Interest payments	(C) Expect Contingencies Fund Budget (B x 0.5%)	(D) Actual Contingencies Fund Release	(E) Variance (D- C)
2015/2016	23,972.25	17,356.53	-	0	-
2016/2017	26,360.45	19,190.68	119.86	0	-11,986.13
2017/2018	29,008.54	20,424.87	131.80	0	-13,180.22
2018/2019	32,702.82	24,023.16	145.04	62	-14,442.27

2019/2020	40,487.90	30,166.82	163.51	62	-16,289.41
2020/2021	-	-	202.43	-	-

Source: Report of the Auditor General on the Financial Statements of the Contingencies Fund, and Annual Budget Performance Report.

Column B indicates the budget less of interest payments and amortizations. It is logical that the actual funds that finance government recurrent and development expenditure activities is that which remains as per column B. It is therefore realistic that the 0.5% calculation be applied on the remainder after interest payments and amortization on debt, otherwise the calculation will be beyond allowable proportions. It can be seen that the operationalization of the Contingencies Fund was commenced in the financial year 2018/2019, and is in the second year of implementation. It should also be noted that the allocation being made to the Contingencies Fund is fixed and without any logical formula, which is contrary to the 0.5% of the appropriated budget as stated in the PFMA (2015). Column E shows the variances per year between the expected and actual allocations to the Contingencies Fund.

Figure 1: Budget Performance of the Contingencies Fund



Source: Analysis of Report of the Auditor General on the Financial Statements of the Contingencies Fund, and Annual Budget Performance Report

The year 2015/2016 did not have any contingencies allocation because it was year for the enactment of the law. The year 2016/2017, which should have been the first year of implementation of the law, did not have any Contingencies Fund appropriation. The year 2017/2018, which should have been the second year of implementation of the law, did not have any Contingencies Fund appropriation. In the year 2018/2019, 62 billion shillings was appropriated to the Contingencies Fund. However, this is approximately half and far less than the expected 120 billion as per the law. In the year 2019/2020, 62 billion shillings was appropriated to the Contingencies Fund. However, this is far less than the expected 150 billion as per the 0.5% of the annual budget.

Figure 2: Variances between expected and actual releases to the Contingencies Fund



Source: Analysis of Report of the Auditor General on the Financial Statements of the Contingencies Fund, and Annual Budget Performance Report.

Note that the actual allocation for FY 2020/2021 is not yet known, but the expected is known. Much as there were no releases to the contingencies fund in FY 2016/2017, leading to a variance as per Figure 2 above, as a result of natural disasters during that year, supplementary budget allocations to the OPM and to MAAIF were issued, and these funds were authorized and paid as an ordinary supplementary under section 25 of the PFMA 2015. This should have legally been a special supplementary under section 26 of the Act to the Contingencies Fund.

2.1.2 Releases from the Contingencies Fund in Responses to Disaster

Various operations have been undertaken on the Contingencies Fund since it was operationalised in the financial year 2018/2019.

Table 3: Showing Performance of the Contingencies Fund (Releases in Billion UGX.)

Financial Year	Actual Release to the Contingencies Fund	Actual Release from Contingencies Fund	Un Spent Balances in the Contingencies Fund
2015/2016	0	0	0
2016/2017	0	0	0
2017/2018	0	0	0
2018/2019	40	37.37	2.63
2019/2020	62	38	24

Source: Report of the Auditor General on the Financial Statements of the Contingencies Fund.

For the financial years 2015/2016, 2016/2017, 2017/2018, there were no transactions in the Contingencies Fund because it had not yet been operationalized. In the financial year 2018/2019, 40 billion out of the appropriated budget of 62 billion UGX was actually released to the Contingencies Fund. Of the released funds, a total of 37.37 billion UGX was actually released out of the Contingencies Fund to disaster line votes where it was charged and expended on various disaster responses across the country. A balance amounting to 2.63 billion UGX remained unutilized by the end of the financial and was returned to the consolidated fund as unspent balances. In the current financial year 2019/2020, the entire appropriated amount of 62 billion UGX had already been released to the Contingencies Fund by end of the first quarter. Of the released amount, a total of 38 billion UGX had up-to-date been released out of the Contingencies Fund to various entities out of which 5 billion UGX had been released to OPM in line with the responses to the mudslide disaster in Bududa and other neighbouring areas. 22 billion UGX had been released to MAIAF on responses to the desert locusts that have invaded the Karamoja region, 2.3 billion UGX

had been released in response to the students affected by the Corona virus outbreak in Wuhan China to the Consulate in Beijing, but 2 billion shillings was returned on request due to differences in the cabinet memo and the release request by the responsible entity. 5 billion UGX had been released to Ministry of Health in response to the COVID19 outbreak in the country. At the time of reporting, an unspent balance of 24 billion UGX was still available in the Contingencies Fund, awaiting release, although there were also unfunded pending requests reported.

2.1.3 Responses and Interventions to Disaster Using the Disaster Budgets and the Releases from Contingencies Fund

Interventions through Disaster Budgets

Although in the FY 2015/2016 the Contingencies Fund had not been operationalized, Government under OPM facilitated the mapping and conducted risk, hazard, vulnerability and disaster assessment in 109 districts, carried out El-nino rapid assessment for 25 districts, constructed 60 resettlement houses in Kiryadongo, carried out food monitoring assessment in 7 districts and procured and distributed relief items to disaster victims in Karamoja, Bundibugyo Internally Displaced Persons (IDPs) and other disaster victims in other parts of the country.

The Ministry of Health (MoH) participated in weekly national epidemic task force meetings to mobilize response for prevention and control of epidemics and health related disasters. The MoH oriented health workers in the management of cholera cases in Butaleja and Namayingo Districts and supported cholera affected districts including; Butaleja, Budaka, Pallisa, Namutumba and Namayingo, with medical supplies. MoH further supported Masaka District with medicines for management of suspected yellow fever patients. The ministry mobilized financial support for the control of cholera in 5 districts namely; Butaleja, Sironko, Bulambuli, Bukedea and Namayingo. It conducted technical support supervision in Eastern and Central Regions to consolidate cholera control efforts. In addition, it participated in prevention and control interventions for the yellow fever outbreak in Masaka, Kalangala and Rukungiri districts.¹

The FY 2016/2017 which should have been the first year for operationalization of the Contingencies Fund had disaster risk intervention, although not funded through the Contingencies Fund. The OPM handled effective preparedness and response to disasters, risk, hazard, vulnerability profile, prepared maps for 86 districts and initiated preparations of a National Risk Atlas. The OPM undertook training of communities aimed at improving their preparedness for disasters capacities for resilience in; Moroto, Napak, Kotido, Kaabong, Amuria, Bududa, Namayingo, Kitgum, Kabarole, Kyegegwa, Kyenjojo, Bududa, Bulambuli and Sironko. Under Refugees Management, OPM received and settled 465,330 new refugees on land, demarcated 93,665 plots for settling new refugees and produced the policy draft document. Under grant of asylum and repatriation refugees, the institution handled 27,491 asylum claims, granted 15,093 asylum seekers refugee status and issued 625 convention travel documents to refugees. Under resettlement of landless persons and disaster victims, OPM demarcated and allocated 1,396 plots of land in Kyaka District and Kyegegwa District to Ugandan expellees from neighboring countries, registered families affected by Earthquake in Rakai District and registered 500 households at high risk of landslides in Bududa, Sironko and Bulambuli.²

Although the FY 2017/2018 which should have been the first year for operationalization of the Contingencies Fund, the disaster risk interventions were again not funded through the fund. The OPM resettled a total of 30,100 displaced and landless persons affected by floods, waterlogging and landslides. It distributed 2,400 metric tons of relief food and 68,000 assorted (4,000 pcs of

¹ As reported in the ANNUAL BUDGET PERFORMANCE REPORT FY 2015/16

² As report in the ANNUAL BUDGET PERFORMANCE REPORT FY 2016/17

blankets, 8000pcs of tarpaulins, 5500 pcs of jericans, 5,500pcs of basins, 33,000 pcs of plates and 12,000 pcs of cups) non-food commodities for disaster victims across the country. OPM conducted 912 Disaster Risk Assessments at district and sub-county levels in 126 District Local Governments, prepared 122 Risk, hazard, vulnerability profile and maps for all DLGs, and trained 44 resource persons on data collection in the sub-regions of; Teso, Karamoja, Elgon, Kabarole, Buganda and Bunyoro. On the Refugee management, OPM received and resettled 231,302 new refugees in conformity to international laws.

Interventions through Releases from Contingencies Fund

The FY 2018/2019 is the first year for operationalization of the Contingencies Fund. The disaster risk interventions were funded through releases from the fund as per table 2 above. The OPM received and settled 258,371 new refugees, issued 1,029 conventional travel documents and 29,285 identification cards to refugees. OPM distributed 65,684 seedlings in Adjumani to address environmental issues in refugee hosting communities, conducted 585 disaster risk assessment at district and sub-county levels, prepared risk, hazard, vulnerability profile and maps for 42 districts. OPM conducted training for key personnel on data collection to improve the country’s preparedness and response to disasters. Relief food and non-food items were availed to disaster affected persons across all sub regions of Uganda and households were resettled in resettlement communities.³

The FY 2019/2020 is the second year for operationalization of the Contingencies Fund. The disaster risk interventions are being funded through releases from the fund as per table 2 above. Some of the disasters that have been funded include the mudslides, desert locusts’ invasion and the most recent being the COVID-19 outbreak. The Inter-Ministerial Task Force was set up with coordination from OPM and is led by MAIAF, with support from the Food and Agriculture Organization of the United Nations, Uganda People's Defence Forces and Desert Locust Control Organization for Eastern Africa.



Coordination and planning meetings for field team leaders of the Desert Locust Control Operations in Karamoja sub-region and Teso sub-region by MAIAF



UPDF and MAIAF Joint spraying and surveillance operations on Desert Locusts

The COVID19 has seen funding to the Consulate in Beijing to a tune of shillings 200 million for assistance to students in Wuhan, Hubei Province and 5 billion to Ministry of Health in awareness campaigns, prevention measures, as well as response to the infected persons across the country. It is important to note that all initial responses by Ministry of Health to the biggest disaster risk of

³ As report in the ANNUAL BUDGET PERFORMANCE REPORT FY 2016/17

recent times have not been made by funding from the Contingencies Fund, but by Contingent Emergency Response Component (CERC), an arrangement incorporated in MoH projects which allows activation of an emergency funding to respond to disaster. CERC is a financing mechanism by the World Bank Group (WBG) which permits rapid access to funds in existing bank-financed projects. This mechanism allows reallocation of WBG Investment Projects' uncommitted funds among emergency response components (World Bank / Vincent Tremeau 2019). It has been critical in Ebola and Marburg disasters related responses but currently being activated for COVID 19 pandemic too, majorly because of its flexibility in generating critical timely financing. Nonetheless, it is safe to say that this mechanism too undermines the operationalization of the Contingencies Fund.

3.0 CHALLENGES AND RISKS

- I. The operationalization of the Contingencies Funds is in its second year running and yet the information is not published nor is it readily available to the general public. This prompted the use of high confidentiality in accessing some of the key documents and information, although others could not be accessed. With limited access to information, it becomes hard to authoritatively state with fair accuracy the real reasons for the trends.
- II. The study was done at the time when the Contingencies Fund was undergoing the highest peak of activity since its operationalization. This led to constant changes in the information for this report.
- III. The report writing phase was much affected by the country shut down of business due to the COVID19 pandemic scare by Government.

4.0 RECOMMENDATIONS

1. The ministry of Finance should comply with the law, to fully operationalize the Contingencies Fund as per section 26, of the PFMA 2015 (as amended). The current practice violates the Act, and deprives the country of an appropriate organized mechanism of responding to disasters. This also distorts the budgeting process when special supplementary budgets are issued to Votes rather than released to the Fund.
2. The Accountant General should give special permission to all line ministries, and agencies of government with vote status to operate an active contingencies account with Bank of Uganda in order to ensure prompt requests and transfers of funds when the disaster occurs. A case in point is UNMA has not been able to process funds up to date intended for their role in providing real time data for early warning advisories as advised by cabinet since December 2019.
3. The Ministry of Finance should liaise with Bank of Uganda to provide for special status full time active Bank accounts for all disaster response line votes of government. This will ease the release of fund to the line agencies. Current practice is that an account is opened when the disaster occurs, and is closed when dormant.
4. The application of the 0.5% should exclude the interest payments and amortization for the loan repayments by Government. This should cleared be spelt out rather than being implied.
5. In circumstances that the required 0.5% cannot be appropriated to the Contingencies Fund due to non-availability of resources, the entire previous year's allocation plus any unspent balances should be appropriated, until the total equals to the expected amount.
6. The post disaster Budget Call Circular under section D, should provide guidelines for Ministries Agencies and Local Governments (MALGS) on budgeting for sustainable intervention for any most recent disasters. The future budget should provide for sustainable response interventions, separate from those done using the Contingencies Fund. Although disasters occur as events, solutions should be permanent. Only newly registered disaster should take precedence on the Contingencies Fund so as to avoid abuse.

7. The OPM should ensure that the National Disaster Preparedness and Management Institutional Structure and the National Emergency Coordination and Operations Centre in section 1.3.2 above are functional.
8. MoFPED should ensure that funding at Local Government level is directed towards disaster management, preparedness and prevention is highly considered, in order to enable the District Contingency Plans to remain practicable. The case of locusts' invasion in the Karamoja region revealed that a number of Accounting officer are not in control of activities yet the National Disaster Management and Institutional Structure (NDMIS) states roles for the District / city Disaster Policy Committees, District/City Disaster Management Committee, Sub-County Disaster Management Committee. The OPM can guide on indicative planning figures.
9. The Financial performance in respect to operations of the Contingencies Fund should be captured in the Programme Budgeting System (PBS) and Integrated Financial Management System (IFMS) on the fund code to Contingencies Fund. This can be either by **i)** by Accountant General who is mandated with preparation of the accounts, and to whom the funds are released or **ii)** A Contingencies budget be issued for this purpose to the spending entity under fund 03 and as per the audited account for book keeping purposes and future decisions in respect of related disaster occurrences.
10. The Ministry of Finance should incorporate a section about the Contingencies Fund in the (BCCs) and the sectoral (BFP) for forthcoming interventions. This will provide a clear guide for future budgets on sustainability of the response interventions.

FOR MORE INFORMATION

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