PRESS STATEMENT

CSOs CALL FOR BUDGET POLICY SHIFT FROM HIGH PUBLIC SECTOR MANAGEMENT COST TO HEALTHCARE AND PRODUCTION SECTORS UNDER NDP III IN UGANDA

Date: 22nd September, 2020

1. ***Preamble:*** We the members of Civil Society Organizations (CSOs) gathered here at offices of Uganda Debt Network (UDN) in Ntinda- Kampala- East Africa, on this day 22nd day of September, 2020, wish to share two main areas as follows:

   I. Concern over unwarranted high cost of Public Sector Management occasioned by the un-ending creation of new administrative units that largely tend to serve the political satisfaction of the day plus other factors, to the detriment of actual service delivery outputs and outcomes to Ugandans; majority of whom live off public services, especially the Women, Youths and the vulnerable populations in low income earning brackets. This situation where a whole quarter of the national budget resources was spent on running Government during NDP II period (FY 2015/16 and FY 2019/20 - i.e. between July 2015 and June 2020) must stop; lest we continue to miss a nationally shared Middle-Income status as was promised by 2017 and by 2020. Even under East African Community alone, our previous peer Low Income Countries have since graduated to lower Middle-Income status, if Kenya and recently Tanzania are anything to go by.

   II. That given the adverse social and economic conditions occasioned by context of Corona Virus Disease (COVID-19) at the dawn of Uganda transitioning from National Development Plan (NDP) II to NDP III (i.e. since January 2020 to-date), the national budget policy should shift to flagship public sector investment in the Social Sectors and Productive Sectors of the economy; to reverse the subdued Gross Domestic Product (GDP) growth rates; as well as the increasing absolute poverty and vulnerability jointly faced by about 60% of Uganda's population.

2. Below are some of the obtaining public finance and investment issues of our concern, if Uganda is to continue on the path of prudent public resources management; towards equitable, gender responsive and sustainable economic development, plus Middle-Income status as soon as possible.

3. We remain concerned that the Shs 150 trillion allocated during NDP II period through respective annual national budgets between (FY 2015/16 and FY 2019/20 - i.e. between July 2015 and June 2020), a whole quarter (i.e. Shs 36 trillion) was spent on running Government (i.e. Public Sector Management; Public Administration; Legislature; Justice, Law and Order; Defence and Security;

Accountability; and Local Government). It is the unwarranted investment that we are, albeit, talking about; in particular regard to elements in:

a) Public Sector Management *(e.g. a huge Office of Prime Minister portfolio that competes with Ministries in implementation rather than supervise them);*

b) Public Administration *(e.g. where a forest of Foreign Missions could shrink, through institutional merging of say Denmark Mission into one in Brussels); and*

c) Legislature *(e.g. stadium-size numbers of Parliamentarians who are poised to consume nearly Shs 900 billion annually under the next Parliament)* that partly contributed to Uganda having the Middle-Income status promised by 2017, 2020 and still counting.

We recommend; that there is still leg-room to shrink/ merge, clean-up and release non-essential Recurrent resources from such 3 Sectors and institutions above that are largely consumptive and lesser productive in nature. Then the country can afford investment in healthcare systems to avert deaths and social protection to avert destitution under the ethical imperative or even COVID-19 and such future pandemics, as well as achieve the Social Contract between Government and citizens.

4. In context of national budget sharing between Central Government and others, we remain concerned that Local Governments (LGs) in Uganda through the NDP II period received dismal funds from approximately 13% share in FY 2015/16 to 9% in FY 2019/20 in nominal terms. Yet the financing to the LGs was also largely Recurrent in nature (mainly Wages and Non-Wage spending), as highlighted in Table 1 below;

Table 1: Sample of FY 2019/20 LG allocations in Uganda

Budget area	**Allocations (Shs in millions)**
GoU Development	736,921,568,522
Non-Wage Recurrent	829,696,265,149
Wage Recurrent	2,116,513,369,644
External Financing	2,685,222,061
Grand Total	**3,685,816,425,376**
	(Approx. Shs 3.7 trillion)

Source: MoFPED, FY2019/20 Approved Budget Local Government
https://budget.go.ug/sites/default/files/National%20Budget%20docs/LG%20%20APPROVED%20ESTIMATES%20BOOK%20%20FY%202019-20%20FINAL%20COPY.pdf

We recommend; that direct financing and programming to Local Governments should increase to at least 25% beginning with FY 2021/22 and 50% by end of under NDP III period (i.e. by 2024/25). This will allow the LGs some leg-room to go beyond merely

Recurrent spending to real Development budget spending in areas where the *Mwananchi* actually lives (majority Ugandans dwelling places).

5. We observe that a quarter of the national budget resources over the NDP II period was spent on debt servicing (principle and interest payments, management charges, penalty fees, etc). Our concern is debt repayment parse, except that Project-based financing was over NDP II period became more dominant than Budget Support. Unless this changes over NDP III, the implication is that Foreign Aid agencies will continue to by-pass Uganda's national budget support to a multiplicity of project-financing and often off-budget. This not only complicates planning and budget execution at national level in aggregate terms but also undermines the Paris Declaration tenets of Aid harmonization, etc.

Uganda must also address itself to the creeping "disease" of supplementary budgets, where 6 supplementary budget approvals in the just ended FY 2019/20 was unprecedented with a risk of short-circuiting budget credibility, accountability standards, absorption and prudent utilization, as well as shady service delivery expectations. The rush in the approvals including days to end of a FY cause discomfort to the tax payer, since the country remains grappling with accountability deficit in management of public resources.

Moreover, instances of low absorption of especially borrowed resources partly arising from low disbursement (thus huge undisbursed debt funds) by some Votes (i.e. Ministries, Departments, Agencies and Local Governments) as highlighted in the sample below, may otherwise continue to happen in Uganda.

See Annex Table-2

We recommend; **i)** that beginning with FY 2021/22 particularly for borrowed funds (loans/ debt), the country should squarely deal with underperformance where a "pass-mark" should be 60% and above, not the current 32% in some of the Ministries, Departments, Agencies and Local Governments (MDALGs).

ii) Accounting Officers who have continued to preside over Government bodies that rejoice in stories of poor project planning and inadequate budgeting (i.e. workplans and budget mismatch), no ex-ante (prior) provision of counter-part funding, exhibited laxity in service delivery through unspent funds and/ or corruption should personally be liable and expeditiously face punitive measures as the Public Finance Management Act 2015 (as amended), Public Service Standing Orders and anti-corruption laws, over the NDP III period of FY 2020/21–2024/25.

iii) The Development Partners to Uganda, too, should respect and adhere to Budget Support financing modality by gradually phasing out of Project-based financing, in order to strengthen Uganda's budget credibility, coordinated planning and increased absorption capacities over the NDP III implementation period.

<u>6.</u> The flagship model of focused financing and programming is welcome and has delivered the country to a relatively good road network, energy supply and others:

i) The Infrastructural development sectors; were budgeted/ allocated about Shs 38 trillion over the NDP II period (i.e. Roads and Bridges- Shs 23 trillion; Energy -Shs 13 trillion; ICT -Shs 608 billion).
ii) The Social Sectors; of Education, Health and Social Development over the NDP II period were budgeted/ allocated Shs 25 trillion.

iii) Production Sectors; There was, nevertheless, less attention to the Production Sectors in Uganda (particularly Agriculture; Industry and Trade; Water and Environment; Lands and Housing; and even Tourism). These sectors jointly received Shs 10.5trillion, thus a paltry 7% out of the said Shs 150 trillion allocated annual budget resources during NDP II period.

<u>7.</u> As such, we recommend that the centrality of the Production sectors in fostering economic growth and extent of the NDP II annual Budget Themes of, *"Industrialization for Inclusive Growth, Employment and Wealth Creation"*, should not be missed in NDP III programs and projects. There should be a shift in Government budget policy from where the Infrastructural development sectors have received flagship financing and programming since FY 2007/08, to having the Productive sectors take the flagship attention through annual budgets and actual implementation. This should begin with FY 2021/22 budget and captured in the annual sector Budget Framework Papers (BFPs) and eventual National BFP; through the NDP III period of FY 2020/21–2024/25.

<u>8.</u> The non-essential elements of Recurrent budgets in some Ministries, Departments, Agencies and Local Governments (MDALGs) that over the NDP II period were taking a lion's share of the total budgets of these institutions and certainly ahead of Development Budget, should in FY 2021/22 release funds for His Excellency President Museveni's *Real Economy* proposals on Uganda's economic recovery and social protection.

We do recommend that; **i)** in view of the fact that the country's development investment interventions need to surpass the current population growth curve, the said *Real Economy* proposals should not be mere speeches. Rather, each of the MDALGs should be assessed (just like under EOC) on the extent to which they translate the *Real Economy* proposals into tangible and feasible Public Investment Projects (PIPs) annually.

ii) Moreover, Uganda Development Corporation and Micro Finance Support Centre should have their lending for Public-Private investment projects and to huge economic multiplier private sector projects at about 7% beginning with FY 2021/22 budget and gradually to 3% over the NDP III implementation period.

iii) In supporting the flagship spending and programming for Production Sectors, particularly Agriculture, the NAADs/ Operation Wealth Creation (OWC) need not simply supply breeding and planting materials; but rather invest in the entire value chain, through synergy with other State and Non-State actors, plus attendant measures. The farmer needs to be looked at squarely from general input supply side and not merely availing only the breeding or planting materials. The OWC must consciously be in tandem with investment in the value chain, including: Water for production, Police environmental protection of wetlands to keep water catchment areas alive or even SACCOs/ MFSC. The public investment in new roads must be linked to OWC interventions that consciously contribute to production capacity to feed into such roads, as well as secure market linkages. OWC must not create enclave production entities but rather expanded productive capacities through linkages with other actors.

9. On the misuse, wasteful expenditure and accountability shortfalls occasioned by some Ministries, Departments, Agencies and Local Governments (MDALGs), it is a shame Government can have qualified Audit reports as was in some of the cases under NDP II implementation period. To a Ugandan taxpayer, such is a manifestation of laxity in service delivery by Public Servants, under-performance, limited reporting standards and corruption.

We recommend: that Accounting Officers that preside over such institutions that have received qualified Audit report opinions should personally be liable (rather than bring entire Government into opprobrium/ disrepute) and expeditiously face punitive measures as the Public Finance Management Act 2015 (as amended), Public Service Standing Orders and anti-corruption laws, over the NDP III period.

10. ***In conclusion;*** despite COVID-19 the civil society actors unlike under NDP II have more faith in NDP III if we keep focused to prudent utilization of public resources, sanctioning specific officers over under-performance and flagship financing and programming for Health sector and Productive sectors (particularly Agriculture; Industry and Trade; Water and Environment; Lands and Housing; and even Tourism), Uganda will reverse the subdued Gross Domestic Product (GDP) growth rates back to high growth performance levels through annual budgets and over the NDP III period.

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