



# CSBAG BUDGET NEWS BRIEF



208<sup>th</sup> EDITION | 19<sup>th</sup> - 25<sup>th</sup> September 2016

Advocating for a People Centered Budget that Dignifies Humanity



## Budget Consultations Continue, Local Governments challenge PFMA, 2015

### UPCOMING CSO BUDGET EVENTS

#ULGBUDGET16

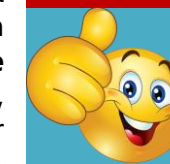
EVENT: Presenting CSO Position at the Local Government Budget Consultative meetings FY2017/18

DATE: 26<sup>th</sup>-27<sup>th</sup> September 2016

CONVENER: Ministry of Finance Planning & Economic Development

### OUR WEEK IN PICTURES

CSBAG was selected Chair of the African Health Budget Network Steering Committee



The Rt. Honorable Speaker Rebecca Alitwaala Kadaga launched the Parliamentary Forum on Public Finance Management at the Parliament Conference Hall, 23rd September 2016. | © CSBAG, 2016



Prof. Augtus Nuwagaba addressing members of the Parliamentary Forum on Public Finance Management on 23<sup>rd</sup> September 2016, where he emphasized that Government must reduce on its increased borrowing, for the country to realize low interest rates on commercial loans. | © CSBAG, 2016

**The Local Government Budget consultations continued this week in Lira, Mbale, Mukono and Jinja districts. Among the key issues arising from these consultations are the challenges of Local Government compliance to the public finance management act, 2015. Which we share with you in this week's Edition.**



Left- Asst. Commissioner Budget Mr. John Muhiroha and Director Budget, Ministry of Finance Mr. Kenneth Mugambe addressing the Local Government budget consultative workshops at Lake View Resort in Mbarara District. | CSBG 2016

Local government claim all functions which were vested in council are now vested in MoFPED. Therefore this slows the process of service delivery.

#### Cut – off points/unapplied EFTs at year end.

There should be a time frame to allow EFTs which is unapplied because of reaching Bank of Uganda late, when transactions have been closed. Sometimes the delays are due to network failures, and the transactions reach Bank of Uganda, in 1<sup>st</sup> week of July. Unapplied EFTs eventually cause unnecessary burden to the next F/Y budget since they should get first call.

**New Fiscal Transfer reform;** whereas the reform on fiscal transfer was meant to effect equity, many LGs were left with inadequate funding esp. under the unconditional (non-wage). This means the district will not be in position to pay ex-gratia to LC 1 and 2. **Local Governments are recommending to Finance that** on a case by case basis, they should be allowed to put submit requests for supplementary budgets in line with sec 25 of the PFMA 2015

#### Ministry of Finance Responses

The Ministry of Finance urged Local Governments to absorb the resources allocated to them within the Financial Year. For example the Director Budget Mr. Kenneth Mugambe while addressing the Western region workshop, he emphasized that Government money is not for saving but for spending to deliver services. This if done, would help the Ministry address one of the biggest challenges of poor absorption of loan funds that the country is facing.

In respect to the system Failure, Local Governments are being informed that Ministry of finance is working with NITA Uganda to use the National back bone system to solve all the issues of system failure for better service delivery.

The Ministry of Finance acknowledged the need for further trainings on PFMA to ease implementation of the law. And to this, Local Governments were informed planned trainings will commence October 2016. Ministry of Finance however emphasized that Local Government have a responsibility of training their district leaders.

In respect to local revenue, Ministry of Finance emphasized that Local revenue must remain at Local Government.

**In conclusion,** the Local Governments are not comfortable with the PFMA and they recommend amendments of PFMA to suite mandate of LGs as enshrined in the constitution which will enable them eliminate inefficiencies in local service delivery which will see Uganda as a whole attain the middle income status by the set target of 2020. Mr Nyeko the Assistant Commissioner from the Accountant General's Office said that the Local Government Act has not been repealed and if there is inconsistency between the Local Government Act and PFMA, 2015, the PFMA will take precedence to the extent of the inconsistency.

this undermines project implementation and also acts as a discouragement to local revenue mobilization. The LG's recommendation was that Accounting Officers should be one to remit the money back to the consolidated fund, because some of the funds are local revenues, retention funds or donor funds.

**Continuous problems cropping from the IFMIS.** Local Governments are complaining about inadequate information from the IFMIS help desk and delayed update and responses to LG responses. Specifically its mentioned that sometimes Local Governments are not aware when the funds are released which delays the operation of activities hence hindering service delivery.

Secondly, the Unreliable IFMIS network was another challenge discussed by Local Governments throughout all the regions. It is mentioned that on many instances this has created delays in processing payments and Delays of EFTs and implementation of activities, which greatly undermines efficient service delivery. The Ministry of Finance acknowledged this challenge and promised that when the national backbone infrastructure is done the problem of network fluctuation will be no more. The local government's however requested that as they wait for that process, alternative service providers should be concurrently procured to ease switching networks in case one is off.

**IPPS, IFMS & OBT-Systems aren't interfaced.** To the local governments this is causing inconsistencies and delays in the generation of information and production of Financial and Budget related reports which affect proper service delivery to their people. The local governments recommended integrated automation of government systems to accelerate efficiency in service delivery. To this Ministry of Finance is promising to review and adopt the Local Government recommendation which is believed to provide a lasting solution to this challenge.

**PFMA, 2015 undermines the Decentralization policy.** Most Local Governments pointed out that the Act does not respect the policy of decentralization as it centralized almost everything single thing. "This makes service delivery very difficult since everything one needs to come to Kampala". Said Thomas Kategere the Chairman LC5 Kamuli District.

The PFMA 2015 (as amended) was approved to address key gaps identified in Public Finance Management legislation leading to a repeal of the Public Finance and Accountability Act 2003. Specifically, the new law is intended to strengthen accountability and transparency in the use of public resources through increased Parliamentary oversight over the Executive, restore credibility and predictability of the national budget given a new financial reporting calendar and alignment of budget preparation, implementation and oversight.

Whereas this is a good intention, the Local Governments in Uganda have a completely different view of this act. According to many of the opinions picked from Local Governments, to them, the act was as a surprise, and lacked a clear transition plan which was essential for its effective implementation of this law. For example the PFMA, 2015 took immediate effect and sensitization took place much later (July) when expiry of appropriation had adversely affected LGS, Likewise TSA came into effect mid-way the financial year therefore, the act did not take into consideration the state, capacity, location\accessibility, staffing of LGs.

Right from the National Budget Conference to the Local Government Budget Consultative meetings which commenced 13<sup>th</sup> September 2016, Local Governments are continuously engaging Ministry of Finance of some of the challenges they interface while implementing the law and these among others include

**Weaknesses of PFMA highlighted by LGs in the ongoing budget consultative workshops across the country.**

**Council powers usurped:** The Act does not recognize councils as enshrined in 1995 Constitution and Local Government Act Cap 243. To Local Governments, the Act does not vest some responsibility to them and this greatly weakens efficient service delivery at the local government level. For example, all the functions which were vested in the councils are now vested in Ministry Finance e.g. opening of account and appointment of board of surveys.

**Unspent balance,** whereas the law provides that all monies that remain unspent at the end of the financial year should be paid back to the consolidated fund, the MoFPED unilaterally swept the TSA. To the local governments,

# PICTORIAL

## LG BUDGET CONSULTATIONS

CSBAG (csbag.org) @CSBAGUGANDA · Sep 22  
 Moses Odur @LiraNGOForum discussing at the #ULGBUDGET17 in Lira district @JuliusMukunda @ngoforum @jomark27

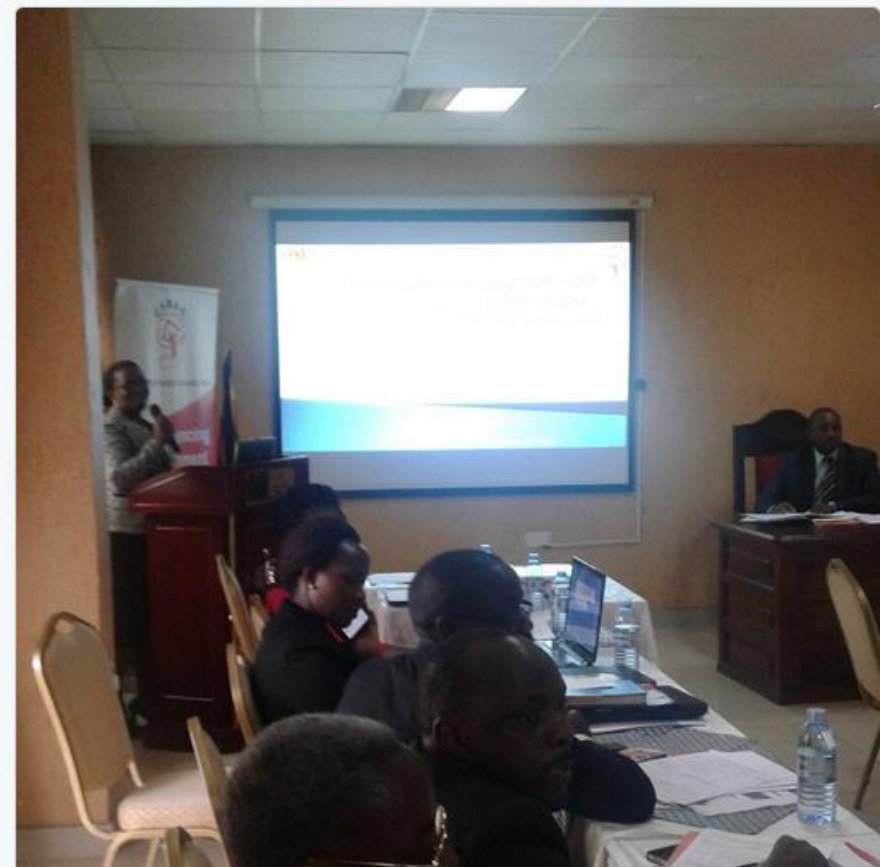


CSBAG (csbag.org) @CSBAGUGANDA · Sep 22  
 Samuel @lacteso presenting CSO service delivery concerns in Mbale #ULGBUDGET17



Mr Frank Twinamatsiko presenting CSOs position paper at the LG Budget Consultative workshop at Igongo cultural centre in Mbarara.

Katabaazi Patrick @kicokat · Sep 19  
 Local Govt National budget consultative workshop for 2017/18 underway at Ridah Seeta @CSBAGUGANDA @JuliusMukunda



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 Mugena Stella @StellaMugena · Sep 19  
 Csos presentation by @Alanyoimmy @#ULBUDGET17 @jomark27 @CSBAGUGANDA @ugandadebnet @lydiaglm @waks83



CSBAG (csbag.org) @CSBAGUGANDA · Sep 19  
 Julius Kapwepwe presents notable milestones for prudent PFMA #ULGBUDGET17 in Mbarara. @ugandadebnet

**Local govts urged to get new sources of revenue**

By Henry Sebuziza

The Ministry of Finance, Planning and Economic Development has urged local governments to seek new sources of revenue to fund their operations, saying they should not depend on central government support.

Speaking at a meeting in Mbarara, the minister said that while the central government has increased its support for local governments, it is not enough to cover their operational costs. He urged them to explore other revenue sources like property taxes, market fees, and user charges.

He also mentioned that the government is looking at increasing the local government share of the national revenue to 30% by 2020, but this will take time. In the meantime, he urged them to be prudent in their spending and to ensure that their budgets are balanced.

**BETWEEN THE LINES**  
 Members of the civil society have asked the Government to increase funding for local governments from 50% to 30%. However, the finance minister said that the government is looking at increasing the local government share of the national revenue to 30% by 2020. He also mentioned that the government is looking at increasing the local government share of the national revenue to 30% by 2020.

CSBAG (csbag.org) @CSBAGUGANDA · Sep 20  
 Dr Bamwine, DHO, Ibanda district raises a concern about understaffing at HC1s & 11s plus underfunding. #ULGBUDGET17



CSBAG (csbag.org) @CSBAGUGANDA · Sep 22  
 RDC Mbarara\_Asiimwe attributes poor service delivery and inefficiency to poor system or late release of funds.

