



Opening Remarks

By

Mr. Ramathan Ggoobi

The Permanent Secretary/Secretary to the Treasury

At

**The Meeting with the Local Government Accounting
Officers for FY 2021/22 – Hotel Africana**

On 07th January, 2022

***Ministry of Finance, Planning and Economic Development,
P.O. Box 8147, Kampala***

**Permanent Secretaries,
Chief Administrative Officers,
City and Municipal Town Clerks,
Heads of Departments,
Technical Officers representing Central Government line Ministries,
Departments, and Agencies,
Distinguished Guests, Ladies and Gentlemen.**

INTRODUCTION

- 1.** I wish to take this opportunity to appreciate and thank the Almighty God for enabling all of us, complete 2021. I also wish to take this time to wish all of us a happy New Year, 2022. As you are all aware, this is the first time for me, as Permanent Secretary and Secretary to the Treasury, to meet with the Local Government Accounting Officers in Uganda. I wish take this opportunity to state that, the Local Government System is one of the most critical pillars of development of Uganda since it deals with the provision of front line services to the citizens. This is because all Government Programmes are implemented through and by you. Your importance and contribution cannot, therefore, be over emphasized.
- 2.** The main objective of this Meeting is to discuss with you some of the Challenges affecting service delivery at the Local Government level and agree on measures for improvements, where need may arise. More attention shall, however, be accorded to the ongoing Inter Government Transfer Reform Programme, given its cross cutting impact on the performance of Local Governments.

RE-OPENING OF THE ECONOMY

- 3.** Ladies and gentlemen, records from the Ministry of Health indicate that 146,776 persons have contracted the COVID-19 Virus as at 02nd January, 2022. In a bid to stem the tide of infections, Government put in place a number of measures. However, the surest way of avoiding severe infections and opening the economy is through mass vaccination.
- 4.** Over the last two years, the economy has faced a persistent burden of insufficient demand arising from the low purchasing power in the economy due to loss of livelihood caused by the COVID-19

disruptions. In addition, increase in precautionary savings due to the uncertainties regarding income flows in preparation for reoccurring lock downs also heightened the challenge of insufficient demand. These among others, have held economic growth far below projections.

5. According to Economic Indicators and surveys done, the economic growth momentum is expected to improve in 2022, supported by the expansion in global demand, higher private sector expenditure as economic activity recovers, and continued policy support.
6. As communicated by His Excellency the President in his State of the Nation Address on 31st December, 2021, Uganda's economy is scheduled to be fully reopened on the 24th January, 2022. As such therefore, livelihoods will be secured. The economy is expected to recover thereafter leading to Socio-Economic transformation. It is important to note that there are risks to the growth outlook, consisting of weaker-than-expected global growth, worsening of supply chain disruptions, and the re-imposition of containment measures due to the impact of new Covid19 variants in a number of countries.
7. As part of our efforts to restore the performance of the economy to the pre-pandemic status, focus has been put on the businesses and SMEs through the following interventions:-
 - i) We have EMYOOGA funding to provide seed capital for special interest enterprising groups;
 - ii) Capitalization of UDB; UDC partnering with the Private Sector; and other financing schemes such as the Agricultural Credit Facility;
 - iii) Strengthening Private Sector Institutional and Organizational Capacity by focusing on the establishment of functional Business Development support service centers' regionally;
 - iv) We have set up the **Ushs. 200 Billion** Small Business Recovery Fund; and
 - v) The Parish Development Model, through its seven pillars including the Financial Inclusion pillar.

ISSUES RELATING TO SERVICE DELIVERY IN LOCAL GOVERNMENTS

8. Ladies and Gentlemen, I wish to take this opportunity address some of the issues that have affect service delivery at the Local Government level as raised in the different fora.

Overall Share of Financing for Local Government Services:

9. As observed in the opening remarks by the Hon. Minister of Finance, Planning and Economic Development at the Local Government Budget Consultative workshops for FY2022/23, the nominal funding to Local Governments has greatly improved by over 54% from **Ushs.2,009 billion** in FY 2013/14 to **Ushs.4,835.5 billion** in FY 2021/22, excluding the over **Ushs1,900 billion** that is appropriated to Central Government Votes, but transferred to Local Governments. With the onset of the Inter-Governmental Fiscal Transfer Programme for Results (IGFTR) and the Uganda Support to Municipal Infrastructure Development Programme (USMID), there has been great improvement in the funding for critical investments for improved service delivery. The challenge, therefore, lies not in increased budget allocations but rather increased efficiency gains from whatever little funds have been allocated to the respective Local Government(s).

Low Absorption of Development Budget

10. My Ministry has continually received numerous requests to revote unspent balances for development funds meant for decentralized services at the end of FY 2020/21. The key reasons advanced for the failed absorption include late procurement and poor monitoring and supervision of projects, among others. I call upon the PPDA, Line ministries and respective Local Governments to always commence the procurement process ahead of time. In addition, you should make adequate provisions as you prepare your Budgets for FY 2022/23, to cater for investment service costs including monitoring and supervision in your respective Local Governments.

Dismal Performance of the Uganda Support to Municipal Infrastructure Development (USMID) Programme

11. It is quite disheartening that much as Government secures external funding under stringent conditions to fund interventions aimed at unblocking bottlenecks to service delivery, the USMID Programme has perennially failed to utilize funds between FY2019/20

to date. It is for this reason, therefore, that the Ministry has not revoked any unspent balances under USMID for FY2020/21 until satisfactory absorption of the budget for FY 2021/22 has been achieved. This notwithstanding, however, the Ministry of Lands, Housing and Urban Development should update my Ministry on the performance of the current phase of the USMID programme.

Unfair Allocation of Start-up Funds for Operationalization of Newly Created Administrative Units and Cities

12. During this Financial Year, Parliament appropriated a supplementary budget totaling **Ushs. 29.3 billion** as start-up funds for operationalization of newly created administrative units. Our review, however, indicates that in some cases, creation of new Local Governments has led to displacement/eviction and/or relocation of the Headquarters for the old Local Government. For example, creation of new Cities has led to relocation of Headquarters for the affected District Local Governments. The unfair bit is that in FY 2020/21, **Ushs. 2 billion** was given to each of the new Cities as start-up funds; and no additional funding was given to the District Local Governments that were forced to relocate outside the new Cities.

13. Going forward, therefore, the Ministry of Local Government should ensure that where creation of a new administrative unit leads to relocation of Head Offices for another Local Government, start-up funds should be given to the displaced Local Government.

Coding of Newly Created Administrative Units

14. Relatedly, many of you have persistently questioned the lack of budget codes for newly created administrative units. I wish to inform you, however, that much as Parliament approved a supplementary budget as start-up funding for a number of newly created Administrative Units, granting of budget codes is informed by availability of funding for recruitment and running of operations. Budget codes shall only be created once sufficient funding has been secured to cater for Wage and Non-Wage Recurrent grants.

Delayed payment of Salary, Pension, and Gratuity

15. I am proud that my Ministry has always released all salary, pension and gratuity arrears by the first quarter of every financial year; and all verified claimants should have been paid by now.

16. Relatedly, the Ministry has availed **Ushs. 54.16 billion** to cater for pension and Gratuity arrears arising out of inflation indexation for FY 2019/20 and FY 2020/21.

Unauthorized Off Budget Support to Local Governments

17. I note that in contravention of Sec 44 of the Public Finance Management Act 2015 (as Amended), a number of Local Government Accounting Officers sign Memoranda of Understanding (MoUs) with several Partners without Authority from the Hon. Minister of Finance, Planning and Economic Development. In other instances, such MoUs are signed in the middle of a Financial Year which leads to distortional supplementary budget requests and at times unwanted unspent balances; all to the detriment of the desired budget credibility.

18. Going forward, therefore, all off budget support should be declared at the time of preparing your budgets starting for FY 2022/23, to allow timely inclusion in the Medium Term Expenditure Framework (MTEF). Starting FY 2022/23, no supplementary budget request shall be processed for off budget support that was not declared during budget preparation.

Exhaustion of appropriated Budgets for Locally Raised Revenues

19. Starting FY2021/22, no advance releases were made against local revenue projections. Instead, the Accountant General was required to make releases for locally raised revenue on a daily basis, based on the remittances to the Consolidated Fund. One of the key emerging issues, however, is that a number of Local Governments have exhausted their appropriated budgets for locally raised revenues and therefore cannot be issued further expenditure limits without supplementary budgets.

20. To avoid such anomalies in FY 2022/23 and beyond, all local Governments should be transparent in the management and projection of budgets for locally raised revenues. In the meantime, however, my Ministry is reviewing requests for supplementary budgets relating to locally raised revenues. In addition, the Ministry

of Local Government should fast-track integration of URA revenue collection systems with all revenue collections systems used by respective Local Governments.

PARISH DEVELOPMENT MODEL

Enhancement of the Revolving Fund

21. Effective FY 2021/22, Government is implementing the Parish Development Model (PDM) as an all-inclusive approach for socio-economic transformation of the 39% households still engulfed in subsistence agriculture. Accordingly, **Ushs.200Bn** was provided in the Budget in FY 2021/22, of which only **Ushs. 126 Billion** was earmarked for the Revolving Fund under the Financial Inclusion Pillar. For purposes of accelerated realization of intended outcomes, the Government is committed to increasing allocations to **Ushs. 100 million** for each of the **10,594** Parishes and Wards.

Recruitment of Parish Chiefs

22. The Performance Contracts for FY 2021/22 require the Accounting Officer to implement all identified Government programmes in a timely and predictable manner. Under the Parish Development Model, **Ushs. 29.06 billion** was earmarked for 100% recruitment of Parish Chiefs and Town Agents. As a corrective measure, I authorized all Accounting Officers to pay the recruited Parish Chiefs and Town Agents using staff costs under the Non-Wage Recurrent provision for FY 2021/22.

23. To my dismay, however, I note that by the end of November 2021, only **9,654** Parish Chiefs and Town Agents had been recruited, representing **88.7%** of the targeted **10,594** Parish Chiefs and Town Agents. I request all Accounting Officers, whose Votes still have unfilled vacancies, to expedite recruitment of the outstanding **940** Parish Chiefs and Town Agents; for purposes of seamless implementation of the Parish Development Model.

24. I also wish to inform you that, for FY2022/23, Indicative Planning Figures (IPFs) were revised to provide a wage bill for employment of Parish Chiefs and Town Agents on Permanent and Pensionable terms.

Lack of adequate Sensitization;

25. During FY 2021/22, the Government allocated **Ushs 2.98 billion** to the Ministry of Local Government for popularization of the Parish Development Model. In addition, **Ushs. 8 billion** for Mindset Change was allocated under the Ministry of Gender, labour and Social Development. I have noted however that a number of Local Governments are not adequately equipped with information relating to the Parish Development Model; which will certainly delay the Socio-Economic transformation that the Parish Development Model is meant to facilitate.

PDM Implementation Guidelines;

26. The Parish Development Model was rolled out at the start of FY2021/22 before implementation guidelines could be finalized. This constrained implementation of planned activities in the first half of FY2021/22. The Ministry of Local Government, has however, since provided the implementation guidelines and together with Local Governments; should use all the available resources to disseminate these guidelines.

FINALIZATION OF BUDGET FRAMEWORK PAPERS FOR FY 2022/23

Online submission of Budget Framework Papers

27. To ensure seamless alignment of Budget Framework Papers (BFPs) for FY2022/23 to the Third National Development Plan III (NDP III), a new Budget structure and Vote codes were issued to all Local Governments. In addition, the Programme Budgeting System (PBS) was reconfigured. By 05th January, 2022, however, no single Local Government Budget Framework Papers had been approved nor accepted on the new System. My Ministry shall continuously address any system based challenges to enable all Local Governments submit BFPs on the online System.

Review of Grant Guidelines

28. Following the realignment of Budgets to the Programme Approach to planning and budgeting as envisaged in the National Development Plan (NDP III), all grant guidelines are being revised and updated in time for the Second Budget call Circular (BCC 2). To

enforce alignment of respective Local Government Budgets, any Local Government Budgets that will not be prepared within the issued guidelines will be **REJECTED**.

UGIFT PROGRAM RELATED ISSUES

Delayed completion of Construction Projects

29. The construction of 177 new Seed Secondary Schools and upgrade of 186 Health Centers II to III were expected to have been completed by December 2020. However, to date (a year later), several of these projects have never been completed. I urge you all to ensure timely completion of all ongoing projects.

Low absorption of development grants

30. The Ministry has always released Development Grants by the third quarter of a given financial year to allow for absorption of funds. At the end of FY 2020/21, however, **Ushs. 80.33 billion** of the UGIFT budget was unspent and returned by Local Governments to the Consolidated Fund. Given the significance of the programme, Parliament approved a supplementary budget to enable the affected Local Governments access the unspent funds and these have already been communicated to you. In future, I request that Local Governments should spend all the funds released for increased service delivery and budget credibility.

Abandoned/Stalled projects in Education and Health

31. Following the 4th Joint Monitoring of UGIFT projects conducted in September, 2021, we noted with concern that sites for several construction projects in Education and Health had been abandoned by contractors without reason. In addition, a number contracts were noted to have expired and never renewed.

32. It is necessary that PPDA and Line Ministries, urgently engage the affected Local Governments for timely redress of issues of contractual nature. In addition, the Local Governments and line ministries should resume works on any abandoned sites to ensure timely completion and absorption of funds. However, you should

terminate contracts for non-performing contractors following the due process as guided by PPDA.

Operation and maintenance for Infrastructure and equipment not planned

- 33.** Despite the provision of Discretionary Development Equalization Grant (DDEG) funds, several Local Governments have dilapidated infrastructure on account of low prioritization. This affects the working environment for staff as well as service delivery. Local Governments should prioritize budgeting for O&M needs of these structures. MDAs should strengthen O&M provisions in guidelines and also, develop an assets register and maintenance plan for created infrastructure and equipment like ICT and Science Laboratory equipment.

Failure to operationalize newly Seed Secondary Schools and Health Centre IIIs

- 34.** Government provided funds to operationalize and launch the completed Seed Secondary Schools and Health Centre IIIs beginning January 2020. The funds for recruitment of staff, equipment and operations were provided in the budget beginning FY 2020/21. However, to date, very few of these facilities have been operationalized fully.

Partial or non-recruitment of staff

- 35.** At the function held on 28th December, 2021, to commission Keihangara Seed Secondary School in Ibanda District by His Excellency the President of Uganda and the Hon. First Lady and Minister for Education and Sports, it was noted that Ministry of Education and Sports had recruited and deployed only Eighteen (18) teachers to Keihangara Seed Secondary School, instead of the 31 staff programmed and funded.
- 36.** Failure by LGs to recruit/fill up critical positions affects service delivery and learning outcomes and shall not be tolerated. Functionalization of District Service Commissions is within the mandates of the Local Governments. The Ministry of Public Service is requested to ascertain composition and functionality of all District Service Commissions for better informed decision making.

37. The Ministry of Education should fast-track full recruitment of 31 staff at all newly constructed Seed Secondary Schools as per the approved staff structure. This shall ensure full operationalization of the school and the quality of student outcomes. I wish to categorically state however, that no additional funds shall be provided given that all required funds were released during FY2021/22.

38. It is my sincere prayer to the Ministry of Education and Sports to ensure that pioneer teachers in all new Seed Secondary Schools should not be transferred to other schools for at least the first three (3) years of operationalization of the schools. This is critical for achievement of related Disbursement Linked Indicators under the UGIFT program.

Lack of Land titles for Sites where Government projects are constructed

39. I have noted with concern that a number of on-going projects in Education and Health do not have land titles despite our earlier guidance. We have received several correspondences from Local Governments asking my Ministry to provide funds to save Health Facilities and Seed Secondary Schools from being taken over by claimants because of land disputes. In one case, the original owner of land is claiming that the School Board of Governors tricked him into signing the donation agreement instead of the sale agreement. In another case, a 49 year lease had expired.

40. Moving forward, therefore, no new project should commence without clear proof of land ownership. In any case, the titling of land should be prioritized under the DDEG. Budgets for FY2022/23 which do not take care of titling of land with ongoing UGIFT projects shall be rejected.

Non Compliance to Environment and Social Safeguards

41. My Ministry has noted that whereas there has been an improvement in screening of projects, many Local Governments are not developing Environment and Social Management Plans (ESMPs) as required. In addition, the Grievance Redress Committees (GRCs) are not being constituted and operationalized despite the dissemination of the Environmental, Social, Safety and Health

Safeguard Guidelines for Local Governments. I therefore implore all Local Governments to ensure that Environment and Social requirements in project implementation are given due attention as guided.

CONCLUSION

- 42.** Ladies and gentlemen, please ensure that you allocate resources to the highest priority areas as you prepare the Budget for the coming FY 2022/23.
- 43.** I will take keen interest in the discussions and the agreed solutions from this meeting. I wish you fruitful deliberations, and I declare the workshop open.

FOR GOD AND MY COUNTRY