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# Public Expenditure Management Effectiveness in Uganda's Education System

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# 1. Introduction

This paper describes how the public education expenditure management system works in Uganda. It specifically identifies the formal roles of institutions; the structure and flow of information generated by the public expenditure management system and applies them to the Education Sector in Uganda. It shows the procedures for each stage in the expenditure and budget process, and indicates how on-going reform processes are modifying the system. Efficient and effective public expenditure management is an essential precondition for government to be able to work towards achieving good education outcomes. The purpose of this chapter is to see whether the public expenditure management system itself could be improved to lead to a better and more effective use of public resources on education.

# 2. Institutions/actors in education budget process and their responsibilities

Planning and budgeting for the education sector is a consultative process involving different institutions and actors such as various departments within the ministry of education itself; Ministry of Finance, Planning and Economic Development; district administration/local government council; members of parliament, donors, Ministry of Local Government, civil society, private sector, and community organizations, through the Sector Working Group; and the office of the President, among others.

## 2.1 The parliament

According to current legal system, revenues cannot be raised without the approval of Parliament and neither can any expenditure be made without Parliament's approval. Thus transfer of funds from the Central Government in the form of unconditional grants, conditional grants and equalization grants cannot be made unless Parliament approves the same. The legislature approves the budget and monitors its implementation. [1]

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[1] ***Conditional grant*** consists of moneys given to Local Governments to finance programmes agreed upon between the Government and the Local Governments; and it must expended for the purposes for which it was made and in accordance with the conditions agreed upon (Article 193(1) of the Constitution of Uganda 1995).

***Unconditional grant*** is the minimum grant that is paid to local governments to run decentralized services and is calculated in a manner in the seventh Schedule of the 1995 Constitution of the Republic of Uganda.

***Equalization grant*** is the money paid to local governments for giving subsidies or making special provisions for the least developed districts; and is based on the degree to which a local government unit is lagging behind the national average standard for a particular service.

The 1995 Constitution (Article 15, section 1) provides that the President, as the head of the executive branch of Government will cause the budgetary estimates for each financial year to be prepared and presented to the Parliament, not later than 15 days to commencement of the new financial year (i.e. not later than 15$^{th}$ June every year). Parliament is expected to debate and approve the budget proposals between then and 31$^{st}$ October (same year). These proposals are in the form of Finance Bill in respect of all taxation proposals and in the form of the Appropriation Bill for expenditures of Government. In order to enable Government to raise revenues and to incur expenses during this period when the Parliament is still discussing the budget, Parliament approves proposals for expenditure in the form of a ‘Vote on Account’.

When the Parliament approves the budget, the Finance Bill becomes the Finance Act for the financial year and all expenditures are authorized in the form of an Appropriation Act. The draft estimates becomes approved estimates with both documents reflecting all the changes proposed and approved by Parliament during the debate of the budget proposal. The new Budget Act 2001 now requires that the estimates be submitted to parliament by 1$^{st}$ of April to allow the house (parliament) ample time to study them and give some input before the budget is finally presented in June. The law was instituted after realizing that the parliament was acting as ‘rubber stamp’ with little understanding of the implications of the budget they hurried to pass.

The current law also aims at strengthening the powers of Parliament to monitor the enforcement and control of the national budget and expenditure estimates. The law sets clear guidelines and a timetable that enables the Parliament to effectively participate in the budget process and to pass practical revenue and expenditure provisions within the specified period. The law established a Parliament Budget Office to provide Parliament with timely and apolitical technical advice.

### 2.2 The local government council

Under the policy of decentralization, and according to the Constitution of 1995 and Local Government Acts 1997, the districts (and lower local governments) are responsible for planning and coordinating development activities in their districts (and local areas), of which education is part. Law requires that all revenue and expenditure proposals be presented to Local Council not later than the 15$^{th}$ day of June. The budget has to be approved by the Local Council before any revenue collections can be made for the financial year or any expenditure incurred. As is the case of the Central Government, Local Councils are empowered to approve proposals for expenditures in the form of a ‘Vote on Account’ for Local Governments pending approval of the budget by the council.

Subject to Article 176 (2) of the Constitution, districts are responsible for education services, which covers nursery (pre-primary education), primary, secondary, special education and technical education. District structures are in such a way that they ‘mirror’ the functional set up at the center. In other words, Directorate of Education at the district links the district administration with Ministry of Education. It is through this directorate (or district department) that the line ministry (Ministry of Education and Sports) and donors assist the district to fulfill its education service roles.

In resource allocation decision for example, the Ministry of Education works together with Ministry of Finance, Planning and Economic Development; and Ministry of Local Government in collaboration with Decentralization Secretariat and other stakeholders to determine the overall amount to be allocated to districts as education conditional grant. District planners are required to produce three-year rolling development plans incorporating investment plans from sub-counties and lower level local councils (LC2 and LC1). The MFPED receives the development plans from the districts and incorporates them in the overall national investment plan.

Each District has a Technical Planning Committee where officers of various directorates (departments) make plans for consideration and approval by the District Council. The provision for district planning capacity has been the establishment of specialized unit: the District Planning Unit and the posts of District Planning Officer, District Statistician and District Population Officer. In practice, however, the Technical Planning Committee continues to be responsible for actual planning, and the duty of Planning Unit is mainly to coordinate between these actors (departments) or the activities of the committee. Reports obtained from Hoima and Rakai districts portray district planning unit as the link between the lower local governments and the district, as is responsible for overall coordination of the technical planning activities at the district. The reports also indicate that the planning unit always trains parish development committee (at least once every year) to improve planning at lower administrative levels. The introduction of Local Government Budget Framework Paper has helped to strengthen the process of planning and budgeting by relating resources to district priorities.

## 2.3 Auditor General

Law empowers the Auditor General (on behalf of the Parliament) to examine, inquire into and audit the accounts of all accounting officers and receivers of revenue and public monies and those of statutory bodies where the law so requires. The minister of Finance, Planning and Economic Development (MFPED) then presents the audit report (from the office of the Auditor General) to the Parliament.[2] The Auditor General is also the sole authority to give approval for any money to be withdrawn from Consolidated Fund as well as the general fund account or any other district accounts (Article 83, clause 2 of the Local Government Act, 1997).

## 2.4 Ministry of Finance, Planning and Economic Development (MFPED)

The Public Finance Act Cap 149 requires the minister of finance to supervise the finances of Uganda and to ensure that a full account thereof is made to Parliament.[3] In line with this mandate, every year, the Directorate of Economic Affairs in the MFPED with assistance of IMF, forecasts a three-year resource envelope based on macroeconomic projections. Based on available resource envelope, the Budget Policy Department (of the Ministry of Finance, Planning and Economic Development) sets expenditure ceilings within which all sector plans must conform. Views obtained from technical staff in Directorate of Economic Affairs (MFPED) suggest that introduction of UPE brought about major adjustments in expenditure ceilings. Education ceiling was revised upwards to 31 percent, and other sectors were left to share the remaining portion of the budget.

Prudent fiscal policies, which are needed to maintain macroeconomic stability, mean that the ministry of education (and other sector ministries alike) must contain its expenditures, as set out in the Medium Term Expenditure Framework (MTEF), within the available budgetary resource envelope. The MTEF is kept under constant review as macroeconomic events and the budgetary process unfold. It is also the duty of the Budget Department (MFPED) to organize a budget (consultative) meeting for sector ministries and district local government to refine the ceilings for distribution of resources. The Ministry (MFPED) continues to be

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[2] Section 24, 28 & 29, the Public Finance Act Cap 149
[3] The Public Finance Act Cap 149, Section 3

responsible for coordinating all development plans at the national level. This function is envisaged to change once the proposed National Planning Authority (NPA) is established.

## 2.5 Ministry of Education

Planning and budgeting within the education sector/ministry is a responsibility of the Education Sector Working Group (SWG). The SWG is a forum for consultations within the ministry and for soliciting inputs from stakeholders in this sector. The SWG is the one that prepares Education Sector Medium Term Budget Framework Paper, which reviews the budget issues and makes recommendations for the next budget and the medium term. The Budget Framework Paper presents both the recurrent and development expenditures within the ceilings provided in the MTEF. Additional responsibility of the ministry is to conduct studies to refine sector needs that are addressed in the sector plan/budget. Out of such studies sector policies are derived after wide consultations and debate, involving the parliament, line ministries, local governments, donors, civil society, private sector and other special interest groups. The planning department in the ministry coordinates these studies e.g. school mapping, and head counts and compile statistics. Education Sector Reviews (ESR) have been conducted at six-monthly intervals (since April 1999), designed to recommend actions for the next stage of the planning and budgeting cycle.

## 2.6 Ministry of Local Government

Ministry of Local Government hardly has any direct role in education planning and implementation of education programmes. These responsibilities are taken over by the districts and lower local governments. The few times Ministry of Local Government may have input in education issues is when it participates in activities of Education Sector Working Group and in allocation of education conditional grant (mainly handled by Local Government Finance Commission). Its indirect role in education sector is exercised through Article 98 (section 2) of the Local Government Acts 1997 where the law empowers the Ministry to co-ordinate Local Governments for purposes of harmonization and to co-ordinate activities of a district council in case of taking over of the administration of a district council by the President under Article 202 of the Constitution.

## 3. Linkage between the central and local governments' budgets

As specified in the law (Section 83:1 of the Local Government Act, 1997), no appropriation of funds (at the LGs) is possible unless approved by the Local Government Council. Section 83(4) of the Act also provides that the Chairperson of the Local Government shall not later than the 15th day of June cause to be prepared and laid before the Council estimates of revenue and expenditure of the Council for the ensuing financial year.

Local Governments implement most of the Government's programmes aimed at eradicating poverty in the country. The Central Government's budget, therefore, includes transfers to LGs in form of say, unconditional grants, conditional grants and/or equalization grants. The allocation for each of these grants is decided in consultations involving the Local Government Finance Commission, line ministries (e.g. Ministry of Education), MFPED and LGs. All these transfers are affected from the Central Government's budget. Releases to individual LGs are made periodically by the MFPED based on the budget estimates approved by Parliament.

## 4. The Budgetary process and timetable for the education sector

### 4.1 Planning instruments and education budget reform

***The Education Strategic Investment Plan (ESIP) 1998-2003*** is the principal planning instrument in education sector in Uganda[4]. ESIP constitutes an action-based approach to implementation of the education policies formulated in 1992 from the Government "White Paper", on recommendation of the Education Policy Review Commission.[5] In addition to the "White Paper", the ESIP Framework reflects evolving national and educational priorities, including the Local Government Act of 1997 and the Public Sector

[4] ESIP was prepared through a broad-based consultation involving the Ministry of Finance, the Ministry of Planning, the Ministry of Local Government, the Decentralisation Secretariat, funding agencies and other stakeholders.

[5] The National Resistance Movement Government sets up Education Policy Review Commission in 1987 to review the aims and objectives of education and suggest policy changes. The Commission recommended, *inter alia*, universal access to primary education and enrolment. Based on the Commission's report, the Government appointed a White Paper Committee, who upon its findings recommended introduction of free compulsory primary education and increased educational facilities, instructional materials and teachers.

Restructuring Programme, which address the interim reform of the Ministry of Education and Sports in 1997-98.

The ESIP medium and long-term policies and strategies are consistent with broader previously published development policies as spelt out in the Uganda Vision 2025 and the Poverty Eradication Action Plan (PEAP). Vision 2025 incorporates a commitment to education as a development priority.

The ESIP represents a shift from previous development approaches. Unlike in the past, the responsibility for education planning now rests with the Ministry of Education and Sports, and district authorities. Also, with ESIP, budgets are guided by targets and performance indicators, which enable progress to be monitored objectively. Universal Primary Education (UPE) is the priority policy for the Government of Uganda over the medium term for the education sector, and, therefore, this forms the central core of the ESIP paper, its recommended strategies and investment programmes. Sector policies are formulated and implemented within the ESIP framework and cover the broad goals of ensuring access to primary education, improving quality of primary education, ensuring equity of access to all levels of education (with emphasis on correcting regional and gender imbalances and addressing special education needs).

Other key priorities include the development of Education Management and Information System (EMIS), and the formulation of an Education Standards Agency to strengthen information flows and monitoring. The allocation in the MTEF for the education sector has been set in accordance with these key priorities. The MTEF tables specify the budget ceilings for the sector and District Local Governments. The ministry, therefore prepare its budget estimates for the MTEF period within the set budget ceilings.

***The Medium Term Budget Framework (MTBF)* –** The traditional budget cycle considered each financial year in isolation. The weakness in this approach is that activities that the budget is supposed to support do not conveniently start and finish at the beginning and the end of each financial year. The activities of Government are on going and, therefore, working within a medium term budget horizon was seen to be more helpful in effectively planning for activities that spill over to another financial year. Therefore, the concept of a medium term has been adopted so that those budgets can be planned for and prepared over a rolling three-year period. The Education Sector Medium Term Budget Framework Paper (MTBF) is the main budget tool in the education sector. It spells out the resource envelope, the medium term budget strategy, the priorities and the outputs and performance indicators by which performance in the education sector would be monitored over the medium term. It has also helped in setting realistic targets for education sector.

## 4.2 Links between sector priorities, plans and budgets

Education Budget Framework Paper (EBFP) is an important planning tool. EBFP reviews previous budget issues in education sector and makes recommendations for the next budget and the medium term. Education Sector Working Group prepares the EBFP and also discusses education policies and plan, reviews priorities, including composition of expenditures at all levels and makes recommendations. Because the Sector Working Group handles the entire process this has helped to minimize any inconsistencies that could arise between priorities setting, plan and the budget.

The resource allocation in the medium term are based on output and directed according to the targets identified in the ESIP framework. The broad prioritization based on the Education Medium Term Budget Framework Paper ranks as follows (note that these are subject to constant revision):

| | | |
|---|---|---|
| i) | Primary education | 68.8% |
| ii) | Secondary education | 14.1% |
| iii) | Tertiary education | 11.6% |
| iv) | BTVET* | 04.0% |
| v) | Others[6] | 02.9% |

BTVET = Business, Technical, Vocational Education and Training

Often the ministry through its SWG and ESG come with these priorities, which are approved by cabinet. The job of the Ministry of Finance is to look for resources to finance these priorities (approved by cabinet) and ensure in the end that outputs are indeed delivered by implementing agency.

The increased resources in the education sector following the drive for UPE, the HIPC initiative, and donor support through the Poverty Action Fund (PAF) have facilitated the intra-sectoral resource allocation. Most of the resources were absorbed in primary education – going mainly to classrooms construction, purchase of textbooks, etc. to improve education outcomes. In line with Government policy, the medium term financing

[6] Others include: Ministry of Education and Sports (MOES) HQs, Planning Dept, UNEB, Education Service Commission, Education Standards Agency, National Curriculum Development Center, Capacity Building Programs, and National Council of Sports.

framework accords a growing priority to primary education to secure high quality UPE. . With additional resources coming to education sector, however, the other ‘non-priority’ sub-sector such as secondary education, business, technical, tertiary, etc. maintain their budget portfolio without cuts.

Education Sector Reviews (ESR) has been instrumental in guiding the prioritization of programmes and the allocation of resources to the highest priority areas in the sector. The Local Government Budget Framework Papers, especially the education sector components has been used to determine budget ceilings for district-based programmes, that is, School Facility Grant (SFG), UPE, Capitation Grant, Primary Teachers College (PTC) wage, and Technical School and Institutes wage.

As noted in one of the education sector reviews, budgetary provisions still relate poorly with the planned targets. The review recommends linking planning, ESR, and resource allocations in order to minimize the inconsistency between the planning figures and budgetary provisions. It also recommends closer coordination among key actors i.e. MFPED, MOES, Ministry of public service and Ministry of Local Government to correct these anomalies. According to key informant interviews in Ministry of Finance, Planning and Economic Development, using average salary figures to budget for the teachers’ wage bill at the national level is a potential source of error because it misrepresents the number of teachers in different established posts and salary levels. Views from some accounting officers in the Ministry of Education and Sport were that the budget performance of the local governments based on releases determined by cheques printed rather than actual expenditure by Local Government could be misleading. Sector level budgetary provisions over the medium term need to reflect long-term cost implications of new policy initiatives.

Again, the central principle of a sector wide approach is to integrate planning and financing of all activity within the sector as a single, sustainable process. By this, the ESIP work plans would be expected to contain all activities with the budget incorporating all expenditures, irrespective of the source. However, the application of this principle is incomplete in that projects within the ministry of education continue to be excluded from either the work plan or the budget or both.

### 4.3 Budgetary process in the ministry of education and other government institutions responsible for education

Resource planning takes a long process of consultation between line ministries and the cabinet, MFPED (which coordinates the activities), and between the ministry and the parliament as shown in Table 1 (see also Textbox 1).

The preparation of the budget for the next financial year and the medium terms always begins with the first consultative budget workshop in October when the macro economic assumptions for the medium term are articulated to all stakeholders by the Ministry of Finance, Planning and Economic Development. This workshop also gives broad working outlines to all sector working groups regarding formulation of sector objectives for the medium term with specific attention to the coming financial year.

The second budget workshop held in November involves communication of indicative budget ceilings relating to unconditional grants, conditional grants, and equalization grants to Local Governments. This enables the LGs to begin the process of planning for programmes and activities for the next financial year and the medium term. Indicative budget ceilings are not firmed up figures, but are those based on indications available with the MFPED regarding the availability of funds to the Central Government from all sources for the coming financial year and the medium term. These figures could be revised upwards or downwards during the run up to the budget depending upon the prevailing circumstances. Authorities interviewed in Rakai district felt that indicative figures raise a lot of expectation and when they are revised downwards, the local people complain.

## Table 1. Uganda Budget Process from Education Perspective

**Budget Process**

**Mission:** "To provide for support , guide, coordinate, regulate and promote quality education and sports to all persons in Uganda for national integration, individual and national development."[7]

**Actors:** Ministry of Education and Sports, MFPED (Sector Working Groups comprises the Government, civil society, donor representatives). Cabinet decides and parliament approves.

**Comments:**

1) The mission of Education Sector is a reflection of the objectives of the ESIP framework. The ESIP medium and long term policies and strategies are consistent with broader previously published development policies as spelt out in Vision 2025, and the PEAP.

2) Education, through improving the quality of life, is one of the four pillars of PEAP. The others being security, and governance, raising incomes and enabling environment for fast and sustainable economic growth and structural transformation.

Re-allocations to the ministry are limited to maximum 3% of total budget. Priority programme areas (and since 1998, the Poverty Action Fund, PAF) define expenditure programmes important to the poor, and protects them from cuts: 95-100% of budget disbursed, compared to 75-80% of some none protected areas.

**The Budget Process:**

***1. Budget Planning and approval***

| Activity | Time / period | Who is responsible | Comments |
|---|---|---|---|
| Macro resource forecasting to generate 3 year resource envelope<br><br>& Preparation of MTEF ceilings for each sector and spending department | September / October but continuous up dating | MFPED Directorate of Economic Affairs<br><br>MFPED | Main IMF discussion of budget takes place in May meeting, late in budget year. MFPED staff have suggested it would fit budget calendar better if August mission had formal brief to discuss budget numbers with Government and donors, further discussion of BFP in February MTR, leaving May mission to cover necessary adjustments.<br><br>Incremental budget process, but shifts reflect PEAP priorities |
| Budget Framework Paper workshop<br><br>And<br><br>Preparation of Sector Budget Framework Paper | October<br><br>October - November | MFPED (with secretaries and Accounting Officers from Line Ministries plus donors, NGOs, civil society representatives, Chairs of Sector Committee of parliament<br><br>Line Ministry (Ministry of Education), supported by Sector Working Group[8]. Sector programme planning and reviews should feed in to this process | Presents the MTEF ceilings, initiates sector working groups and explains or agrees with their terms of reference.<br><br>Within line ministries, accounting officers are responsible for recurrent budget, Planning Departments for development budget, accounting officers tend to be invited to sector meetings, can lead to lack of co-ordination between plans and budget, and between investment and recurrent costs. Sector programmes are improving on this<br><br>Reviews budget priorities, this year also identified objectives and indicators. Constant need to ensure sector programmes fully consistent with MTEF, e.g. health adopted 5 year planning frame inconsistent with MTEF and district planning |
| Budget workshop including district planning and accounting personnel as well as line ministry, donors, civil society. Each district is given MTEF ceiling for each grant. | November | MFPED | Presentations of sector reports, opportunity for districts to react. Opportunities for districts to comment on priorities and procedures, e.g. districts were concerned about the strict conditional grant guidelines. |
| Minister of Finance consults line ministries to reach consensus on key issues, identify issues for Cabinet decision.<br><br>Including discussion/consultation with MPs and Standing Parliamentary | .<br>November - April | MFPED (Ministers and senior officials of spending departments). | |

[7] This is a modification of the original mission statement: "to provide for support, guide, co-ordinate, regulate and promote quality education to all persons in Uganda for national integration, individual and national development" contained in the "Post Constitutional Restructuring of the Ministry of Education and Sports" final report prepared by Ministry of Public Service, May 1998. The Top Management Meeting of Ministry of Education and Sports included the word "sports" to the mission statement to reflect the goals of sports development.

[8] Sector Working Group comprises line ministry, donor representatives, selected NGOs, and technical advisors

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| Committee on the National Economy<br><br>Other interest groups are represented | | MFPED, lobby groups | Though formally represented within MFPED, groups representing the poor are not active in political lobbying. Uganda Debt Network is organizing formal budget advocacy group to better represent the poor |
| MFPED aggregates BFP submissions, reconciles with resource envelope, then submits BFP to Cabinet for approval of resource envelope assumptions and spending priorities, and policy decisions on issues identified in the BFP. The BFP includes the MTEF budget ceilings, with any amendments agreed in course of discussion, any changes consequent on revised resource envelope. | March, but the process sometimes is delayed up to April | Minister of Finance, Planning and Economic Development (Cabinet) | |
| Budget call circular is issued, calling for detailed budget submissions to be prepared by each spending department or autonomous body. | | MFPED | If submission to Cabinet is delayed, this may happen before Cabinet approves the BFP ceilings. Ceilings on which detailed budgets are prepared may be subject to subsequent change. |
| Consultative group meeting | Timing varies (Dec-March) | Sector ministries (MOES) | Consultative group provides opportunity for government to explain its policies, donors to raise concerns, and make pledges of support. Pledges can be obscurely expressed, discussion too formal for a clear picture of financing needs and resources to evolve. |
| Donor meeting on MTEF, setting out details of expenditure plans, seeking new pledges, confirmation of earlier budget support indications. | May, after the cabinet has approved BFP | MFPED (Line ministries, donors, media and NGOs also invited to participate). | Better donor reporting, predictable timing to match budget cycle, longer commitment would assist planning. Weak information on donor project flows makes planning difficult. Budget support pledges short term (annual usually). |
| Finalization of the detailed budget | April - June | MFPED, consulting with IMF on any revisions to the macro framework. | Revision may be made right up to the deadline for presenting the budget in Parliament, degree of consultation with those affected by changes is variable, timing constraints and need to keep within macro framework prevent consultation on all changes. |
| Budget speech (budget presented in parliament) | About 15th June | MFPED | |
| Parliament approves release of first quarter's budget within 15 days of speech; subsequent release depends on passing Finance Bill. | End of June | Parliament | Parliament often delays passing the budget to end of October. |
| **3. Budget Execution** | | | |
| Line ministry (MOES) submits quarterly expenditure projections and monthly cash requirements to MFPED. Includes information at detailed line item level on: approval and revised budget, commitments, balance in annual budget; quarterly expenditure limits, payments made, commitments entered into, available quarterly expenditure limit balance; cumulative cash releases, payments made, cash balance (which must exceed the total of unpaid bills). | Not later than 15th of the month proceeding the Quarter | Line ministry (MOES) | Supplementaries are approved by MFPED and reported to parliament within 4 months. |
| MFPED adjusts expenditure projections. The ministry is notified of firm quarterly expenditure limits on non-wage recurrent expenditure, after MFPED ensures non-discretionary items are provided for. | | MFPED | |
| Ministry submit detailed expenditure limits from MFPED, ensuring that fixed expenditures are provided e.g. rent and utilities | By 25th of proceeding month | | |
| Cash releases to line ministries | 1st week of month | MFPED, Bank of Uganda, Uganda Commercial Bank | |
| Ministry may make commitments up to | | | Central payment system prevents accounting officers |

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| the limit of the quarterly expenditure plans they have submitted. UCS keeps records of these final expenditure plans detailed by budget line item for the ministry, and ensures that cheques are only issued within these limits. | | | exceeding vote allocation, provides accurate and timely data on level of payments. |

## 4.4 Changing nature of the budget process in the education sector

The public expenditure reviews conducted since 1991 have primarily been concerned with modalities of managing the budget and with issues like the counterpart funding of donor projects. In 1992 a change of procedure involved presenting a new annual budget strategy to the cabinet. In 1993, a cash budgeting approach was adopted, and in the same year a method for classifying development projects into ‘core’ and ‘non-core’ projects was introduced.

According to an informant in the Ministry of Finance, Planning and Economic Development, the problem with development budget had been the plethora of donor projects making a call on local cost counterpart funding. This would in many cases cover recurrent items rather than true investments. One solution to this was to identify ‘core’ and ‘non-core’ projects, with the former to receive preferential funding under the cash budgeting system. Later, it was realized that this (approach) could not work well because classifying a project, as non-core is a tendency that is likely to upset some donors. Donors particularly did not like this move because it down plays their important contribution and because it was seen to lack transparency and allow limited participation by donors concerned. Nonetheless, the system appears to have been partly successful in terms of budgetary allocations at sector level a part from education sector and a few others. While some sectors witnessed substantial increases in the budget that for education and sports fell by 0.5 percent.[9] Rather than protect projects, the current system protects sectors instead – under PAF.

The system also succeeded in focusing attention to budget constraints and it is from this idea that a more structured medium term expenditure planning developed. Recent initiative in the budget process included the introduction of Output Oriented Budgeting (OOB), which intended to make budget decision for social sector spending such as education, much more out-put based than was previously the case and to provide clear links between objectives, inputs, and outcomes.[10] Other reform initiatives have been the introduction of the Sector

[9] See IDS (1994) Poverty Assessment and Public Expenditure – country field studies

[10] The input here refers to a resource (financial, physical or human resource) that is used in a particular activity. An output is the result of that activity, while the outcome is the stated purpose of the programme or activity, which is meant to meet the objective.

Working Group (SWGs), integration of recurrent and development budgets, decentralization of the budget, consultative process, and mechanism to ensure transparency of the budget and the budget process. The budget process is tending towards output based budgeting, in which sector ministries are challenged to set out objectives and defend their budget priorities in terms of their contribution to achieving the agreed objectives.

The introduction of Local Government Budget Framework Paper has been an important milestone in budget development. It has distinctly brought out detailed costing, activities and outputs and outcomes in the successive Financial Years. It has enabled the district budgets to be resource sensitive unlike in the past. Local Governments budget estimates in the past were characterized by unrealistic revenue estimates in particular. This led to unsustainable expenditure estimates being factored into the budget. The expectations of the people, therefore, could not be met. For the past three years, all Local Governments have been projecting budget estimates based on outturns instead, which has proved to be helpful in making for workable Local Government budgets.

Another important development in budgetary procedures is the closer integration of recurrent and development budgets, introduction of a three-year forward budget and the itemization of project expenditure allocations. Positive changes have also occurred by strengthening financial management and accounting procedures.[11] Government accounting policies and regulations are currently being revised. Also, new financial and management information systems are being developed. All these are aimed at establishing clear and consistent accounting policies and regulations, to improve resource management and financial control, and to support the devolution of responsibility and the move towards Output Oriented Budgeting (OOB) and Results Oriented Management (ROM). These two management techniques are very closely related.

Output Oriented Budgeting (OOB) seeks to measure the success of activities carried out by sectors, while ROM tries to identify and determine the necessary level of output by individuals, departments and institutions to achieve sector level outputs that are consistent with overall objectives (The Republic of

[11] Fiscal transfers to Local Governments have continued to rise with the increased flow of funds under Poverty Action Fund (PAF) and the Local Government Development Programme (LGDP). Decentralization of the development budget started in the financial year 1999/2000. Local Governments have received directly from Government Ush 28 billion last financial year for primary school construction. As part of the process to empower Urban Authorities to exercise the financial autonomy, as per the 1997 Local Government Act, arrangements have been made to send Unconditional Grants directly to Urban Authorities beginning with the 13 Municipal Authorities as independent Votes.

Uganda, 1998). In an attempt to improve monitoring and accountability of PAF programmes, a new District Monitoring and Accountability grant has been introduced.[12] Some technical staff in the MFPED, however, feel that emphasis in education is more on targets, and not looking at critical outputs. Their recommendation is for greater attention on output-by-output style monitoring covering issues like textbooks, quality of teachers, etc.

### 4.5 Effectiveness of the budgetary system and problems with current and previous system

The positive contribution of the current budget system relates to its ability to address or inform various concerns of the stakeholders through the Sector Working Group, which represent diverse interest groups. The cash budgeting approach has helped to reduce the variance (disparity) that used to exist between available resources and actual budget by restricting the budget to approved ceilings. Leaders in the districts visited also feel that the approach has led to more realistic budget estimate. Other area where the current system has worked well is in controlling erratic reallocation of funds from one line item or department to another due to its rigid nature. The process of reallocating resources is a laborious process that involves formal application to MFPED, Auditor General and so on. Often, spending ministries get discouraged in the end, and the system has tried to check the tendencies to divert funds.

The source of problem with the current system is in its ‘rigidity’. The Ministry of Education will not have the right to change any thing in the budget. The matter has to involve the Sector Working Group, MFPED and so on. The guidelines make it practically impossible to, for instance, move funds from class construction to wages even if it is for use within the same sub-sector. Guidelines also require that funds not used by the close of the budget cycle (12 months) must be returned to treasury. Leaders in the two district visited (Hoima and Rakai) complained about this, saying that the new system disregards problem of late releases of funds from the centre. This has made many projects to stall.

The system also requires capacity to plan at all levels – from center to the district and lower local governments. The capacity of the district and lower levels to plan and implement sector activities is low, leading to low absorption of the disbursement from the center. Local Governments recognize the need for technical support to draw up the Local Government Budget Framework Paper (LGBFP).

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[12] Accountability Sector is in the process of being formed, which aims to reduce corruption, improve auditing and streamline financial management systems.

One such aspect is the integration of actual expenditure figures on respective achievements per programme for better monitoring. This has been difficult for the Local Governments. In addition, there is need to aid sub-counties in the planning and budgeting process to facilitate realistic district budget preparation at that level. There have been problems in the flow of information regarding project implementation, use of financial resources, the outputs and outcomes within the district at all levels and between districts and the center. This is an aspect that has to be addressed urgently if better monitoring and evaluation of all activities and better efficiency in district administration is to be achieved.

Other challenges the budgeting process currently faces is, how to increase resource transfer to the lower government levels, on a timely and predictable manner, giving local governments maximum discretion to utilize the resources without ignoring the national priorities. Another one is how to increase resource mobilization keeping in mind the macroeconomic constraints; and how to handle the growing number of local governments – the small unviable units – which may lead to inefficient use of resource due to inability of these units to raise adequate local revenues to meet their local development priorities.

As local governments continue to tackle the problems associated with the budget process, it is noticeable that concentration has tended to be in particular areas such as weak revenue forecast and mobilisation and cash management. It is important to bear in mind that the budget system comprises planning, management and control processes. Therefore, designing and implementing improvements in expenditure controls, expenditure allocations and resource management need to be undertaken as essential ingredients of a good system.

**Efficiency and effectiveness of public expenditure system**

Efficient and effective public expenditure management is an essential precondition for government to be able to do anything significant for achieving good education outcomes. Government needs to improve the efficiency and effectiveness of public expenditure system. The World Bank is assisting with the treasury and accounting systems through the Second Economic and Financial Management Project. Ensuring efficient expenditure control and payments systems with full financial accountability is a fundamental part of ongoing public expenditure reform. The gradual shift towards Results Oriented Management (ROM) and Output and

Outcomes Oriented Budgeting (OOB) is likely to improve the effectiveness of public spending in terms of meeting objectives.

Notwithstanding, efficient budgetary and macroeconomic planning depends on being able to make reliable estimates of all of the main components of the medium term resource envelope, including projections of disbursements of donor budget support. This is not happing in reality. Both of the largest components of the resource envelope, tax revenues and budget support have been subject to considerable volatility in recent years, which has complicated budgetary management. This problem could be minimized if donors were able to give firmer commitments of the levels of budget support they would disburse over the medium term.

**Textbox 1: Summary of budget process**

i) The MFPED forecasts a three-year resource envelope based on macroeconomic projections and draws up a draft terms of reference for the Education Sector Working Group to identify priority project areas within the ministry.[1] It also requires them to identify all sources of revenue, both taxes and non-tax revenues, including the rates and revenue projections.

ii) The MFPED provides ceilings within which the Sector Working Group is expected to budget, and discusses with them various working and policy documents required during the planning e.g. the PEAP, to ensure that the sector and district plans are consistent with the Government priorities. The MFPED also avails the budget codes to help in the costing, and Plans are linked to MTEF to ensure that the main priorities are properly targeted. The MTEF is based on the medium term budget strategies aimed at the eradication of poverty and the structural transformation of the economy. The main vehicle for implementing these strategies are the Priority Progamme Areas (PPAs) and the Poverty Action Fund (PAF).

iii) Ministry of Education and Sports (MOES) prepares a three-year budget bids consistent with ceilings proposed by Ministry of Finance, Planning and Economic Development. As far as possible, donor support is included alongside Government domestic resources. Education Medium Term Budget Framework (MTBF) and work plans are prepared on the basis of PPAs specified in the ESIP, with detailed costing, activities and well defined outputs and outcomes. Work plans form part of the MTBF, prepared separately. A special form (CCS Form 2) is filled and attached to work plan. It specifies the amount of money expected to be released by expenditure item on quarterly basis. When approved, this becomes quarterly expenditure limit, and MFPED will ensure that cheques are only issued within these limits.

iv) The Ministry submits the plan (budget estimates) to cabinet, which forwards it to the (MFED) for technical review.

v) MFPED studies the budget documents, to ensure all requirements are met, including adherence to the MFTEF ceilings and priorities set in the ESIP and MTBF. If it is not satisfactory, the MFPED gives recommendations for improvements, and requests the MOES to resubmit the estimates (plan). If it is ceiling violation, MOES reworks expenditure estimates to fit within the ceilings and resubmit the estimates.

vi) MFPED convenes a budget meeting (called ‘defending the budget’). MOES appears to defend the budget. Relevant departments in the MOES are represented to defend respective requests (components) in the budget that concern their departments.

**vii)** When satisfied, the MFPED submit the plans back to cabinet for approval. The Minister of Finance presents to cabinet the overall BFP together with a Cabinet Memorandum that seeks out summary of the main issues and highlights a series of recommendations to support resource allocation, budget policy decisions or sector level policy priorities and strategic reprioritization. On approval plans are sent back to the ministry for presentation in parliament. At this stage, MFPED consolidates budget estimates from different ministries to be presented together.

viii) After the budget estimates have been presented to the Parliament, an appropriate committee of Parliament may discuss and review the estimates and make appropriate recommendations to Parliament.[1] While the committee discussion is going on, the house in plenary undertakes to pass votes on accounts to allow the MFPED to continue to spend (agreed level of resources) to ensure continued Government business during the consideration stage. The select committee then submits report to the ‘House’, which debates and adopts the report with or without amendments.

ix) Parliament proceeds with the (budget) debate for not more than 15 days as required by Constitution. The House passes the Finance Bill that authorizes the Government to collect revenue to meet the year’s expenditure. This is accompanied by passing of the Appropriation Bill that is concerned with the Consolidated Fund (i.e. sums necessary to meet expenditure not charged on Consolidated Funds as provided for in Article 156, section 1 of the Constitution). In addition, the Supplementary Appropriation Bill is debated and passed to approve the supplementary expenditure of the previous year (as required by Article 156, section 2 of the Constitution). Article 157 of the Constitution empowers the Parliament to make laws to regulate a Contingencies Fund. The estimates are considered approved, and the MFPED is empowered to release the funds and monitor expenditures as required by law.

### 4.6 Implementation/execution, control and monitoring of the budget

#### 4.6.1 Mechanism for disbursement of funds, control and monitoring

*Budget Support Account*

One remarkable achievement connected with ESIP Reviews has been the establishment of streamlined modalities for channeling budget support funds to the education sector. The April 1999 recommended the establishment of a holding account, and a mechanism whereby funding agencies could pool resources for institutional support to the ministry of education and the ESIP planning process (project support). Two holding accounts: the Education Budget Support Account and the Education Project Support Account were eventually established though the concerned parties agreed to use the former (budget support account). In consultation with the Ministry of Finance, Planning and Economic Development and the Education Funding Agency Group, a mechanism has been designed for channeling sector support funds, using the same account.

*Accountability for funds (guidelines for accounting and reporting)*

With increased levels of funding available to the sector, there is increasing concerns about the need for continued improvements in the area of financial management. The audits reports point to the need to strengthen systems of control and accountability. The role of the ministry is to provide strong leadership in this area to assure the partners and funders in the education sector that the guidelines and systems for verification of funds ultilization are in place, and that measures are taken against all financial impropriety in a swift and transparent manner.

A study carried out in 1996 found that 30% of the funds allocated for non-wage spending in education were actually reaching the schools. Accountability is now the central concern of several agencies including the newly established Ministry of Ethics and Integrity, the Auditor-General's Office, and the Inspector-General of Government, as well as Internal Auditing department in the ministry (MoES) and district local administration, the Public Accounts Committee in Parliament, the Director of Public Prosecution and the CID. These bodies are complemented by the work of the press and of civil society organizations.

Addition effort to strengthen accountability include the plan to establish an autonomous National Procurement and Policy Unit (NPPU), use of Ministerial Contract Committees, and enacting of a Procurement Law based on the UNCITRAL model-law, and the new procurement regulations. Inclusion of funds for accountability in the Poverty Action Fund and establishment of the five regional offices of the IGG are part of the effort to improve accountability. The lower-level mismanagement has been tackled by a number of initiatives.

The findings of a tracking study of expenditure in education, where it was found that most of the non-wage expenditure on education was not reaching schools, were used to develop a mechanism where non-wage funds are transferred direct to the accounts of schools, and the timing of transfers for teachers' wages is publicly announced. In 2000, districts' performance in the use of the conditional grant for primary classroom construction was published by advertisement in the newspapers. These mechanisms are designed to give ordinary people the ability to monitor the uses of funds. The use of qui tam legislation, under which private individuals can prosecute corrupt officials and share the gains with the state, has been suggested.[13]

**Output oriented plans for project monitoring**

Since September 1999, the MoES has attempted to improve project monitoring by the introduction of annual and quarterly activity based work plans, providing end of quarter reports on progress against planned outputs. This process has been reinforced by the introduction of the new PAF guidelines for accounting and reporting for conditional grants, affecting the planning and reporting processes for the UPE grant and SFG conditional grant.

*Commitment Control System (CCS)*

During financial year 2000/01 MFPED piloted and implemented a system of commitment control for the development budget, based on quarterly expenditure and commitment ceilings,

[13] Poverty Eradication Action Plan

against which quarterly work plans are drawn. At the time of requesting for funds, MoES makes commitments up to the limit of the quarterly expenditure plans they have submitted. MFPED keeps records of these final expenditure plans detailed by budget line item for the ministry, and ensures that cheques are only issued within these limits. Central payment system prevents accounting officers exceeding vote allocation, provides accurate and timely data on level of payments.

*The MoES submits quarterly expenditure projections and monthly cash requirements to MFPED. Additional information to accompany these includes: approval and revised budget, commitments, balance in annual budget; quarterly expenditure limits, payments made, commitments entered into, available quarterly expenditure limit balance; cumulative cash releases, payments made, cash balance (which must exceed the total of unpaid bills). MFPED adjusts expenditure projections. The ministry is notified of firm quarterly expenditure limits on non-wage recurrent expenditure, after MFPED ensures non-discretionary items are provided for.*

Donor funds are classified under development budget, and comes as a lump some from the Ministry of Finance, Planning and Economic Development (MFPED). Funds are banked on project accounts. The main signatories to these accounts are the Permanent Secretary and the Principal Accountant. In some projects, the commissioner Education Planning and Under Secretary are the signatories. Usual requisition for funds are made on (DB) CCS Form 4, accompanied by a formal MEMO – addressed to the PS through the respective head of department, and endorsed by the accounting officer.

Requests are analyzed by the Principal Accountant and internal auditors, who authorizes the accounting officer to prepare payment voucher and a cheque when they are satisfied. The cheque is forwarded to the PS and Principal Accountant for signing and details of transaction are accordingly entered into the register. The whole process from formal request to collection of cheque takes 2 - 4 weeks, sometimes, 2 months.

Information about financial balances on various projects is made available to all project coordinators on regular basis (by Assistant Commissioner Budgeting and Project Formulation, under directives of the PS). This is intended to inform project staff about the accumulative expenditures and the outstanding balances to allow them to make requisition within the available balances.

For district releases, MFPED releases funds based on advice from the ministry. MFPED may reduce release if plans are unrealistic or district performance on utilization and reporting is weak. For instances, 15 districts were denied some education facilities grants because of this. Funds released are banked at district level. Late reporting districts receive funds at start of following quarter. Funds are released monthly for the first 4months (July-October) and there after, quarterly.

### 4.7 Constraints with current mechanism for disbursement and control of funds

Late disbursement of educational conditional grants have resulted into insufficient time available to Local Government to carry out activities. In compliance (with Public Finance Act), Local Governments have always returned unspent money to Treasury at the end of the financial year, thus bringing to question the capacity of Education Sector to absorb resources that has been allocated. Among the constraints identified as the major causes of inadequate absorption of funds released to some local governments relate to long tendering process to procure contractors under the School Facility Grant (SFG) program, negative interference in the tendering process at all levels of local governments and late releases of funds.

Despite weaknesses in the tendering system, which made the SFG fail to deliver the targeted number of classroom, the general feeling is that, SFG modality is one of the most appropriate delivery system. There is need for continued monitoring of the roles and responsibilities of the various actors at local government level including District Tender Boards, Local Councilors, Office of the Chief Administrative Officers and District Education Officers.

***Late reporting***

All Local Governments have had a problem regarding timely preparation of monthly financial statements. In order to access funds, Local Governments will have to pay particular attention to the need for getting all accountability reports prepared on a monthly basis. Without doing this, Local Government has no chance to access funds on a quarterly basis from the Center and is unable to meet the targets set for development activities. While considerable improvements have been made in the preparation of accountability reports, there is need to ensure that all Local Governments meet the requirements for sending accountability reports timely for the continuous and smooth flow of funds from the Center.

Government recognizes the importance of accountability in improving service delivery and effectiveness of public expenditure. Government is therefore in the process of forming an Accountability Sector with the aim to reducing corruption, improve auditing and streamline financial management systems. In an attempt to improve monitoring and accountability of PAF funds, a new District Monitoring and Accountability grant, totaling Uganda shillings 1.66 billion (approx. US $ 1million), will be introduced next financial year and a total of shillings 1.66 billion will be allocated to monitoring activities within line ministries.

***Delays in procurement***

Delays in procurement e.g. instructional materials due to long procedure has also affected the rate of absorption and utilization of funds. The MOES is considering creating a procurement unit in line with the Public Finance (Procurement) Regulations (Statutory Instrument No. 64 of 2000) in order to meet the reform requirements. The unit is supposed to constitute a secretariat for the contracts committee. The proposal to the Ministry of Public Service has already received a positive response with a possibility of setting up the unit in the next financial year (2002/2003).

Under the decentralized programme, the District Council (LC5) is responsible for interfacing with central government, especially the Ministry of Finance, Planning and Economic Development, with selected donor agencies concerning the identification, design, finance appraisal, etc. of project and institution building components of the development budget. Second, the District Council is responsible for finalizing the inter-sectoral allocation of part of the District’s recurrent budget, which is non-conditional and not earmarked, and part of the recurrent budget funded by Graduated Tax. Third, the District Council is responsible for approving and monitoring both the inter-sub-county allocation of public sector resources, and procedures for allocating those resources between communities within parishes.

*Utilization of Conditional and Unconditional Grants*

The Unconditional Grants remain a vital financial resource injection to districts. However, most Local Governments have not been able to utilize these grants for any purpose other than meeting the salary bill. In many cases local revenues too have to be used to top up the requirement of Local Governments to fully meet the wage and salary bill. The issue of computation of conditional grants has been a matter of debate among Local Governments officials.

The Conditional Grants have in general assisted the districts in combating poverty, and has remained important in spearheading development through support to rural roads, agriculture extension services, primary health care, water development and primary education.

***Budget performance in the Ministry of Education***

The expenditure outturn for the development budget worked at 85.2% of the planned budget of Shs 90.55 billion (i.e. Shs 77.17 was spent). The sub-sectors performed as follows: Primary 87.2 %, Secondary 70.4%, Tertiary 64.7%, BTVET 65.2%, and 'others' sub-sector 92.7%. Despite being a PAF and PPA, the primary education sub-sector performed below 100% because of the following reasons: (i) classroom construction had an outturn of 98.6% with the difference re-allocated to the UPE Capitation Grant. (ii) Teacher Development Management System (TDMS) phases 4 and 5 were constrained by the late disbursement of funds, affecting actual performance; and (iii) delays in awarding contracts for procurement of textbooks resulted into low absorption of 67.7% (i.e. Shs 9.2 billion was utilized from a total development budget of Shs 13.9 billion allocated to this purpose).

The projects of the Poverty Action Fund (PAF) had 100% of the funds releases guaranteed while the non-PAF projects had 70% of releases guaranteed by the MFPED for the financial year 2000/01. The guarantee of funding aided the planning process as work plans were revised and funds released by the end of the financial year according to the commitment.

In the financial year 2000/01, Education Sector witnessed a total outturn (funds released by the MFPED) of Shs 366 billion against the total budget of Shs 403.79 billion (excluding donor projects) allocated to the sector, thus, a performance release of 90.9 percent. The difference is accounted for by the general budget cuts. For the recurrent budget, the total outturn for the expenditure represented a performance release of 92 percent i.e. an outturn of Shs 288.264 billion against the budget of Shs 313.239 billion. The Primary Sub-Sector, a Priority Programme Area (PPA) registered a performance of 90.5 percent. Reason given is, under recruitment of teachers. Only 89.4 percent of the teachers' wage bill amounting to Shs 143.7 billion was released because fewer teachers were able to access the payroll compared to the staff establishments in the districts.

**Project Monitoring and Evaluation**

Development budgets are often accompanied by annual and quarterly work plans, which is intended to guide monitoring both the financial and physical performance of the projects. The Commitment Control System (CCS) for development budget is a new control tool that has been introduced to reinforce the existing CCS for the recurrent budget.

The Ministry of Education and Sports has a total of 30 projects located under different departments. Each of the projects is managed by a Project Coordinator. The mandate to monitor physical output of projects rests with Education Planning Department.

Reasonable progress has been made in developing a set of sixteen sector level indicators to monitor the overall performance and progress of the Education Strategic Investment Plan (ESIP) over the medium term. The indicators are grouped under access, quality and efficiency. However, performance by the different departments to monitor projects has not been satisfactory. As a result capacity utilization has been low, with large balances left on many project accounts. Preliminary analysis of vote books also indicates minimum adherence to work plans prepared by Project Coordinators.

**Reporting on plan implementation**

The Poverty Action Fund (PAF) is now being used to pilot a new system of planning, reporting and release of funds for conditional grants. The aim is to give the Districts more freedom in the planning of the use of conditional grants in line with their needs and priorities. It is also intended to create a system of uniform reporting (in all the sectors), which links funds to outputs and harmonizes the reporting procedures across sectors, and to condition the release of funds to quarterly reporting. Districts are expected to submit a quarterly progress report, accumulative progress report, and a quarterly work plan budget request, not latter than 30 days after the end of the quarter (using standard reporting format). All reports are submitted to the Director of Accounts, MFPED and copied to the Director of Budget, MFPED. The first release of funds takes place in the first month of each quarter and is one-twelfth of the annual budget to cover implementation whilst the previous quarter's progress reports are being compiled, and the second release takes place in the second month of each quarter. Releases are delayed (1 month) in case of late submission of reports.

To ensure transparency in the use of funds under PAF (especially for benefit of end users), districts and sub-counties are required to post mandatory public notices for every conditional grant under PAF each quarter on receipt of funds (notices are posted in public places).

## 4.8 Planning, budgeting, and execution during drive for UPE

Preparation of Annual Budget The annual budget process begins with the budget conference, which is usually held in the month of January. This was rarely adhered to in the past. With the need to integrate the Local Government Budget Framework Paper into the national Budget Framework Paper, all Local Governments are now obliged to hold their budget conferences earlier than before. In the past, Local Governments did not seriously relate their budgets to resource constraints. A few technocrats often drew district budgets, on their own, in a non-participatory integrated manner and as a result, Local Governments were hardly able to contribute effectively to their missions. This has changed.

The Budget Framework paper (which forms the basis of planning and budget) is the result of a series of consultations that start annually in October. At that time, a workshop is held during which he Medium Term Expenditure ceilings for each sector are circulated. In addition, Education Sector Working Group (SWG) is formed as a forum for consultation and soliciting inputs from stakeholders in education sector. These stakeholders include line ministries, local governments, donors, the private sector and other special interest groups. The SWG is required to prepare Education Sector Budget Framework Paper (SBFP), which reviews the budget issues and make recommendations for the next budget and the medium term. This SBFP forms the basis for the overall BFP that is prepared by the Ministry of Finance, Planning and Economic Development.

The introduction of Local Government Budget Framework Paper has helped to strengthen the process of planning and budgeting by relating resources to district priorities.

**Principal problems in planning system**

Capacity constraints within line ministries have been a serious limitation in sector planning. The achievements in recent years in improving planning reflect the institutional strengthening that has occurred with MFPED. It has not been matched by any systematic building of capacities of ministerial planning units in the line ministries such as education. The planning and costing of some sector programmes is relatively weak, partly reflecting the lack of good administratively collected data on the existing performance of the sectors. Split of responsibility between development and recurrent budgets within the ministry is unhelpful. A stronger linkage of programmes to monitorable indicators of output is still needed. This is an area to which MFPED needs to give special guidance and support and one which also deserves donor support. There is current attempt to address this through the spread of outcome based budgeting, through the development of sector programmes together with donor partners, and by moves to strengthen sector level planning.

Another problems relate to difficulties in integrating the long terms plans into the short and medium term plans and the budget process; lack of universally agreed institutional framework for formulating the plans, and publicity. The plan has some support of the legislature though many feel that most aspects of the plan are greatly influenced by the MFPED.

## 5. Problems/achievements related to grants sent to districts & schools

Complaints are common concerning classroom construction and the tendering process at the district. Consensus is that while the quantitative dimensions such as number of classrooms are satisfied, often the quality of the work is poor. In some of the schools visited in Hoima and Rakai, some newly constructed classrooms had cracks on the floor and wall. Officials in the Ministry of Education believe that only 60 percent of the newly constructed classrooms (in the country) meet the physical and minimum quality standards. In order to ensure value for money, every district is supposed to a sign an engineer to undertake close supervision of the classroom construction.

Weaknesses are cited in the tendering process where incompetent firms are chosen. There is an ongoing investigations by office of the IGG in the alleged corruption where massive amount of money has been lost through fraudulent tendering. Much of this money is meant for classroom construction. Political clientelism is breeding corruption and hampering the success of UPE.

Table 2 shows the number of classrooms that have been completed under different projects.

Table 2. Classroom construction/Rehabilitation since 1998

| Source | No of Classrooms | Work done |
|---|---|---|
| 1. SFG | 8,633 | Construction |
| 2. ADRA | 276 | Construction/Rehabilitation |
| 3. TDMS | 2,782 | Construction/Rehabilitation |
| 4. ADA | 212 | Construction |
| 5. Netherlands Government | 820 | Construction |
| **Total** | **12,723** | |

ADA=Austrian Development Agency

The implementation of the SFG Programme, however, been constrained by some Local Governments which continue to default on their obligations in areas such as timely submission of work plans, quarterly progress reports and cumulative quarterly reports. Additionally, the low staffing levels and inadequate equipment have also constrained the capacities of some districts to effectively plan, implement, monitor and supervise classroom construction programme.

Table 4.18 provides information on the releases of *capitation grant* to schools and how it has been utilised.

Table 4.18. Releases and utilisation of capitation grants sent to schools

| Year | Capitation grant release in UShs bn | Percentage Growth | Use | %age |
|---|---|---|---|---|
| 1996/97 | 14.3 | First release | • Instruction materials for all subjects taught<br>• Co-curricular activities for children of lower and upper classes<br>• School management including school maintenance and utilities such as water, electricity etc.<br>• Administration | 50% |
| 1997/98 | 26.2 | 83 | | 30% |
| 1998/99 | 31.7 | 21 | | 15% |
| 1999/00<br>2000/01 | 38.4<br>39.0 | 21<br>2 | | |
| 2001/02 | 41.8 | 7 | | 5% |
| **Total** | **191.4** | **19** | **Total** | **100%** |

## Resource mismanagement

Like several cases of embezzlement in Government departments, there is fear that UPE fund is being mismanaged. There are several allegations of misuse of grants such as capitation grants for purchase of scholastic materials by school head-teachers. Although there are set guidelines for use of such grants, most often it is not followed. Some officials in the Education Ministry think that 50% or more of grants sent to primary schools are not put to intended use.

Misuse of funds takes several forms, including:

- Misappropriation;
- Existence of briefcase schools;
- Inflation of pupils' registers by heads of schools in order to claim more money from the central government;
- Wrong tendering processes and;
- Diversions.

The inflation of registers was not discovered until headcount of pupils and the school mapping exercises in March 1999. By then, an estimated Shs.700 million had already gone missing. Nearly all districts in the country had missing or ghost pupils. The scenarios in Text Box 2 give an idea of the accountability challenges that face the education sector and UPE.

**TEXT BOX 2: SOME REPORTED CASES OF MISMANAGEMENT OF UPE FUNDS**

- In one district alone (Masaka), 47,618 pupils were not found in classrooms during the headcount exercise of pupils.
- By May 1997 (6 months into UPE programme) shs 50m had gone missing in Tororo District. The money was diverted to finance other district activities.
- In Soroti District, 6m was diverted to transport athletes to Kabale for competition.
- In Luwero District, 2 Head teachers were arrested for misappropriating UPE funds.
- In September 1997, Lira District was reported to have diverted shs 72m for buying poor quality exercise books.
- Early in 2002, the Ministry of Education discovered 12 non-existing UPU schools in Mukono District and more than shs 100m was lost as a result of this scam.
- In October 2000, an auditors Generals report discovered that several schools diverted funds for purchase of scholastic materials to administrative work. At least shs.117million was reported missing in the report.

The government has now turned to the SFG programme to investigate suspected losses of money meant for classroom construction and other facilities which occurred through fraudulent tendering and interference by the district leaders.

Because of these irregularities a number of measures have been instituted:

- All schools are supposed to pin accountability of UPE funds in the most convenient places in the school.
- Investigation by the IGG
- Auditing by the Auditor General Office
- School monitoring by stakeholders including the community and Local Council.

There is also the concern that that Local Governments often fail to account in time for funds released to them in contravention of guidelines provided in the Public Finance Act, the Treasury Accounting Instructions and the PAF. The sanctions imposed by the MoFPED and the MoES are to withhold funds from entire districts regardless of whether individual schools within those districts have met their accounting obligations. Yet, it is the innocent children in primary schools who have borne the brunt of the punishment for misdeeds of such irresponsible Local Government officials. Government may wish to review current arrangements for sanctions and incentives and to come up with alternative position on dealing with officials that fail to comply with financial procedures and guidelines. Sanctions could target individual technical and political errant officers if they are to be punitive and effective.

## Conclusion

This paper has shown that the budgetary process in Uganda is influenced by the Medium Term Expenditure Framework, which is presented to Cabinet as part of the annual ‘Budget Framework Paper covering three fiscal years. Education budget is prepared in accordance with expenditure ceilings set in the MTEF and resource allocation are based on output and directed according to the targets identified in the Education Strategic Investment Plan, which is the principal planning instrument in education sector. The plan presents targets and implementation strategies together with outline investment programmes, which fulfills Government policy directions.

The Ministry of Finance, Planning and Economic Development plays an important coordination role in resource planning. The process is consultative involving a number of actors such as the various department within the ministry of education itself, and the sector working group – which represents cross section of the society: the parliament, civil society, private sector, donor community, an so on. The legislature passes the budget and the Ministry of Finance, Planning and Economic Development disburses the funds and ensures outputs have been delivered. Recent advances to integrate recurrent and development budgets and to have a three-year forward budget, output oriented budgeting and results oriented management are likely to improve the public expenditure management in Education Ministry.

However, the reform in the budgetary process placed considerable pressure on the education sector and the district local government to improve operational skills in the areas of financial management, planning, monitoring and implementation.  UPE is therefore, faced with a number of challenges, which include lack of (technical) capacity at the district level to cope with the new budgetary system; delays in release of funds that have constrained revenue utilization in the districts. Poor rate of absorption (performance) of UPE funds have affected primary education outcomes in several ways. For example, fewer classrooms that were targeted got built, and fewer teachers than targeted were recruited within planned period of time.

As local governments continue to tackle the problems associated with the budget process it is noticeable that concentration tended to be in particular areas such as weak revenue forecast and mobilization and cash management. It is important to note that the budget system comprises planning, management and control processes. Therefore, designing and implementing improvements in expenditure controls, expenditure allocations and resource management need to be undertaken as essential ingredients of a good system. Efficient and effective public expenditure management is an essential precondition for government to be able to do anything significant for achieving good education outcomes.

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## Annex 1: Institutions and people consulted

- Ministry of Education
  Mr. George Ouma Mumbe (Mr), Education Officer r*esponsible for the Development Budget of the Primary Education sub-sector*
  Mr. Emanuel Kusemererwa, Assistant Commissioner Primary Education
  Mr. Dhatemwa Godfrey, Assistant Commissioner Budgeting and Planning
  Mr. Mugoya Hyhuya, Senior Education Officer, Primary

- Ministry of Finance Mr. Ogwang Mony, Assistant Commissioner Budget
  Mr. Twesiime Frederick, T.M, Aid Liaison Dept.
- Ministry of Local Mr. F.X.K Wagaba, Chief of Division, Investment
  Government and Development Planning, Decentralisation Secretariat
- Ministry of Public Service
  Miss. Katuramu, Director Administrative Reform

- Parliament of Uganda
  Hon. B'leo Ojok, MP Kioga
- Hoima District Local Government
  Mr. Majara Leonard, Ass. Administrative Officer
  Mr. -District Planner
  Mr. Mugisha Sam, District Population Officer
  Mr. Byakagaba Deogratias, Ag. District Inspector of School
  Ms. Ayesiga Sarah, Ag. District Education Officer
  Head teacher, St. Bernedetta Model PS
  Mr. Muhumuza Semu, Head teacher, Hoima Mixed Primary School
  Mr. Atugonza Selly, Deputy Head Teacher, Hoima Mixed PS
  Deputy Head teacher, Kigede M. Primary School
  Kabonesa Nuriat, Head teacher, Kigede Primary School

- Rakai District Local Government
  Mr Sozi, Chief Administrative Officer (CAO)
  Mr Lubuye, Chief Finance Officer (CFO)
  Mr Kasumba, District Planner
  Mr. Semugabi James, Director of Education
  Mr. Ssali Hassan, Accountant
  Ms. Naluboya Rose, Secretary for Education
  Mr. Mutaya, Inspector of Schools
  Mr. Kimera Yusuf, H/M, Kamengo P/sch.
  Ms. Nakabuye Teddy, Dep.H/M, Kasozi P/sch.
  Mr. Paul .J. Opio, Principal Personnel Officer