



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



Finance Ends LG Budget Consultations- advises local Governments on alternative revenue sources

The last round of the regional budget consultative meetings was held 26th -27th September 2015 in Seeta, Jinja, Mbarara and Lira. This week we focus on one key issue that has dominated these discussions throughout the 20 workshops and this is the issues of local government financing.



Local Government officers during the regional LG budget consultative workshop for Western region held in Mbarara.

This week, Ministry of Finance concluded its Local Government Budget consultative workshops which have been going on since 13th September 2016. A lot has been exchanged between Finance and the Local Governments in relation to improved budget efficiency and quality service delivery.

Local Governments receive about 16% of the National Budget, which they deem inadequate for funding local government programs since local governments (LGs) play a major role in ensuring service delivery.

While in Mukono, the Chief Accounting Office Mukono, Mr. Geroge Nkulume requested that in the next financial year, we want our budget to be increased in order to fund different activities. He complained that for example, the district only get money for maintenance and not rehabilitation of roads and this limits their capacity have good road networks.

This was also echoed by Mrs. Monica Malega. "Whereas government is providing resources for salaries, it is also imperative that government provides adequate resources for non-wage and development expenditure, to achieve the desired services outcomes," Monica Malega, the regional program officer SEATINI-Uganda mentioned. Ms Malega made the remarks on 19th September 2016, while delivering the civil society position paper, on the opportunities and challenges to service delivery and budget implementation, at Rider Hotel in Seeta, during a consultative meeting for local governments and CSOs on the 2017/18 financial year budget.

Local government funding includes Grants (Unconditional, Conditional and Equalization) as per Article 193 of the constitution; Local Revenues as per Article 191; donations and contributions. Besides, LGs are allowed to borrow from financial institutions as per Article 195.

Article 176(2) (d) of the Constitution stipulates that there shall be established for each local government unit a sound financial base with reliable sources of revenue. Despite these legal provisions local government financing has overtime been faced with numerous challenges leading to funding shortfalls in most local Governments.

Due to the funding shortfalls, crucial actions like monitoring of service delivery, functionality of statutory institutions and oversight functions, are insufficiently catered for and for Uganda to avoid this gap, there is need to work with local government to increase their capacity to generate local revenue and to at least increase the percentage share of the national budget to enable them implement critical actions necessary for development and efficient service delivery.

Only Gulu district in the north that has about **34%** share of local revenue to the overall budget, rest of the district are between **1% to 3%**.

According to statistics available, growth in local revenue performance is generally slow. There is a slight increase registered from **UGX 111bn** in FY2010/11 to **UGX 153 bn** in FY 2013/14, however, this little increase, if adjusted for inflation, it shows a declining trend of local revenue performance.

The performance of local revenue is still contributing on average to **2.1%** (for rural LGs) and **20.6%** (for

(for urban LGs) to the total financing of the local governments.

Information gathered from the just concluded Local Government budget consultative workshops its only Gulu district in the north that has about 34% share of local revenue to the overall budget, rest of the district are between 1% to 3%.

Despite the gloomy picture, Ministry of Finance Position is very clear, responding to the requests from the Local Governments, for example, the Under Secretary/ Accounting Officer Ministry Of Finance, Betty Kasimbazi said there is no such plan by Government , to consider revising the budget for Local Governments, adding that there are other pressing issues that government need to fund.

Local Governments are instead being advised, to come up with alternative tax initiatives, to supplement government's budgetary support to local governments.

"Districts like Mukono, are very rich, me when I was still CAO masaka district, I never got money from the Central Government, I didn't need it, local taxation was enough. We used to construct roads using our own money," Kasimbazi said.

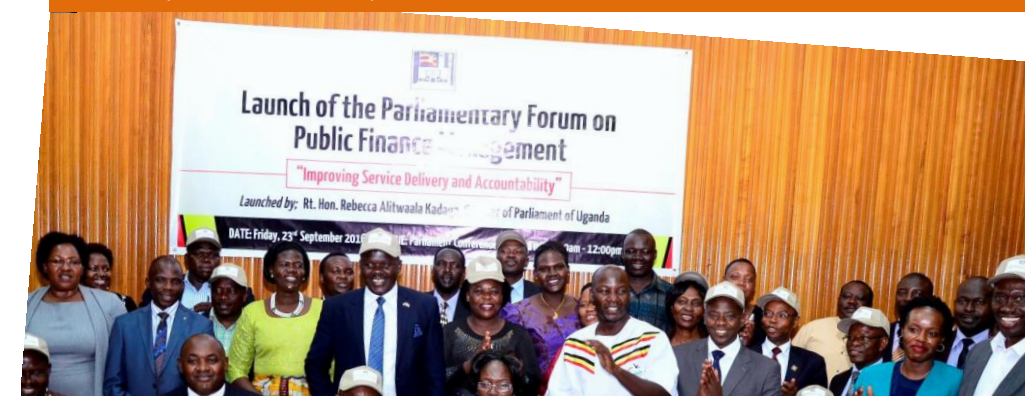
To improve local revenue management and realize its potential a number of critical strategies have to be deployed to have a systematic mechanism of generation and mobilization of local revenues need to be adopted in the coming FY 2017/16; these will include among others the approval of the guidelines for LST on commercial farmers/ farm income that have taken long without being approved, Central Government and LGs should expand and strengthen the collaborative arrangement with URA to collect some sources like licences and property rates, government should roll out and enhance local revenue database system to all the LGs, the review of the relevant legal provisions on local revenues should be fast tracked by government, to provide a favourable environment for local revenue collection.

Further to the above suggestions government should as a matter of urgency partner with civil Society Organisations (CSOs) to create awareness to the taxpayers on their rights and obligations in local revenue management and also provide adequate staffing to enhance local revenue collection.

CSBAG SEPTEMBER MILESTONES



CSBAG submitted the Quarter 4 budget performance monitoring CSO report on 30th September 2016 to Ministry of Finance Offices. | © CSBAG 2016



CSBAG in Partnership with Members of Parliament launched the Parliamentary Forum on Public Finance Management on 23rd September 2016. | © CSBAG, 2016



CSBAG presented CSO positions to the Accountability Sector Annual Review on 16th September 2016 and CSO statement on National Budget Strategy FY2017/18 at the National Budget



CSBAG launched a long-term campaign for a fair bank interest rating system in Uganda on 3rd September 2016

