

Why millions of cash go unspent



A woman counts money in a banking hall. Every financial year, billions of shillings allocated to local governments are returned to the Consolidated Fund due to failure to utilise them within set timelines. PHOTO/EDGAR R. BATTE

Poor absorption of allocated funds is blamed on delayed fund releases, protracted procurement processes, and administrative inefficiencies.

BY RICHARD LUYOMBYA

It is troubling when local governments receive millions in public funds for vital services but fail to spend them. This leaves communities without the education, healthcare, and infrastructure they urgently need.

This paradox of low absorption amid dire need dominated the recent Post-Budget Civil Society Dialogue held at Mestil Hotel, Kampala, organised by the Civil Society Budget Advocacy Group (CSBAG) alongside partners. The issue of low fund absorption in Uganda's local governments is both persistent and systemic—a recurring problem that has been documented for years by civil society, government audits, and budget monitoring bodies. Every financial year, billions of shil-

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Poor absorption

Inflexible budgeting. You find a district is taking back a lot of money when some departments urgently need it. At the surface, it may look like a district has failed, but the real issue is inflexible budgeting. Ms Rose Kebirungi, a local government official from Sheema District.

POOR PERFORMANCE

Causes

Several factors contribute to this chronic underperformance, including delayed fund releases, protracted procurement processes, and administrative inefficiencies, all of which undermine service delivery and hinder development at the local level.

The problem is further compounded by delayed fund disbursements, understaffed departments, and procurement bottlenecks. Local officials report that districts often receive funds too late in the fiscal year to use them effectively, or are forced to return development money due to rigid procurement rules and technicalities.

lings allocated to local governments are returned to the Consolidated Fund due to failure to utilise them within set timelines. This happens despite glaring service delivery gaps, particularly in health, education, agriculture, and infrastructure.

For instance, over the past three financial years, Uganda's local governments have failed to absorb substantial portions of allocated funds, leading to significant amounts being returned to the Consolidated Fund.

According to the Auditor General's reports, in the 2020/2021 financial year alone, local governments returned approximately Shs589 billion, including Shs119 billion earmarked for wages, Shs18.9 billion for gratuity, Shs7.7 billion for pensions, Shs35.5 billion for non-wage recurrent expenditures, and Shs40.7 billion for development projects.

This trend continued into the 2021/2022 financial year, with Arua District returning Shs4.7 billion due to low absorption rates, particularly in wage and pension categories. Similarly, in the 2022/2023 financial year, local governments failed to utilise Shs703 billion, including Shs176 billion allocated for wages and Shs40 billion for infrastructure projects under the Uganda Support to Municipal Infrastructure Development-Additional Funding (US-MID-AF) programme.

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opment at the local level.

Ms Rose Kebirungi, a local government official from Sheema District, was candid: “You find a district is taking back a lot of money when some departments urgently need it. At the surface, it may look like a district has failed, but the real issue is inflexible budgeting.”

Dr Arthur Bainomugisha, one of the keynote speakers and the executive director, Advocacy Coalition for Development and Environment (ACODE), noted: “We see a problem of low absorption capacity, with some of the Ministries, Departments and Agencies (MDAs) returning money to the centre. Yet this is happening when the money is never enough to begin with.”

Mr Tagole Ali, the Assistant Commissioner for budget policy and evaluation at the Finance Ministry, is responsible for overseeing budget transparency initiatives.

He noted a recurring challenge with local governments: “Some local governments fail to absorb the funds transferred to them, and by the time June 30th arrives, there are still unspent balances. On July 1, we are required to reprocess those funds to ensure they are returned and reallocated for service delivery.”

Ali also explained that there are strict limitations on budget repurposing: “We can only repurpose up to 10 percent of the budget. So any significant unspent balances remain a major constraint.”

Consequences

The implications of this low absorption are dire for districts in northern and eastern Uganda, where pover-

ty rates are highest. According to data shared at the event, Karamoja region's poverty rate currently stands at a staggering 74.2 percent, compared to just 1.1 percent in Kampala.

In these severely affected areas, vital sectors such as education, agriculture, and infrastructure suffer from inadequate operational funding. One school inspector from West Nile lamented the dismal teacher-pupil ratios in the region—ranging from 1:80 to 1:200—far below the national standard of 1:53.

“In Yumbe District, the school completion rate is just 27 percent. In Maracha, it is 6 percent. This reflects not just poverty, but failure in quality education delivery,” Mr Adinan Anguyo, the District Inspector of Schools for Yumbe District said.

He warned that without investing in education, “We are treating the symptoms of poverty, not the cause.”

Extension services which are crucial to Uganda's Parish Development Model (PDM) and agricultural transformation, are also severely underfunded. Many commercial and production officers have no motorcycles, no fuel, and no funds for outreach. Some districts reported receiving as little as Shs2 million for extension services for a year, barely enough to maintain one motorbike.

In Soroti, only 1.5 percent of the district budget went to climate adaptation and natural resource management, despite the region facing intense drought and erratic rainfall.

The imbalance between wage and development budgets at the local level is particularly problematic. Some districts are spending up to 89 percent of their budget on salaries, leaving less than 11 percent for development and operations. This means roads go unrepaired and extension workers are grounded.

What can be done?

Participants at the dialogue proposed practical reforms to fix this recurring crisis of low absorption and poor service delivery.

They range from increasing the local government share of the National Budget to match the scale of services they deliver to relaxing rigid spending guidelines to allow reallocation within district priorities when needed.

Another is frontload fund disbursements to give districts adequate time to plan and implement; strengthen local capacity, especially in procurement and planning, to avoid delays; invest in operational costs, not just salaries, to enable actual service delivery, and deepen community participation and ensure their priorities reflect in final budgets.

Civil society actors warned that without urgent implementation of these reforms, Uganda's poverty reduction efforts will stall.

Resource allocation challenges

Meanwhile, the underfunding of local government - also hinder service delivery in districts.

Civil Society Budget Advocacy Group executive director Julius Mukunda pointed out that local governments are being asked to do too much with too little.

“Out of our Shs72.3 trillion national budget, local governments are only allocated Shs5.56 trillion—just 7.6 percent—yet they are responsible for implementing more than 70 percent of government services,” Mukunda said. He called this a “gross misalignment of responsibility and resources.”

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