



Are Agricultural Sector Managers Complying with the Public Finance Management Laws and Regulations?

Overview

The Government of Uganda (GoU) has since 2005 sequentially implemented Public Finance Management (PFM) reforms to improve effectiveness, efficiency and value for money in public resources utilization. The PFM reforms focus on systems development, personnel capacity building and putting in place the enabling environment of policies, laws and regulations.

For the reforms to deliver the expected outcomes, it is necessary that Sector Managers comply with the PFM laws and regulations during budget preparation, execution, monitoring and evaluation.

This policy brief analyses the extent to which Agriculture Sector Managers comply with the Public Finance Management Act, 2015 with amendments and Public Finance Management Regulations 2016. Sector Managers include Accounting Officers, Chief Executive Officers (CEOs), Heads of Departments and Units, and Project Coordinators in Ministries, Departments, Agencies and Local Governments (MDA&LGs).

The analysis covers the period FY2012/13 – mid FY2017/18. The brief uses both primary data from the Budget Monitoring and Accountability Unit (BMAU) and secondary data from the Office of the Auditor General, Treasury Memoranda and other research reports.

Key Commitments for PFM

The PFM Act 2015 as amended and PFM Regulations 2016 commit Sector Managers to comply with the following rules:

- Gender and equity responsiveness of Budget Framework Papers (BFPs), Annual Budgets and Ministerial Policy Statements (MPS);
- Compliance of the BFPs and Annual Budgets with the second National Development Plan (NDPII);

Key Issues

- Overall, **Agriculture Sector Managers are not complying** with the PFM laws and regulations.
- Most common areas of non-compliance are: expenditure mischarges and re-allocations, unauthorised use of non-tax revenue (NTR), domestic arrears, delayed approvals and disbursement of funds to spending units, poor planning, low absorption of funds and gender and equity requirements.
- Non-compliance to PFM laws and regulations remains persistent due to lack of sanctions and corrective measures.

- All non-tax revenue (NTR) paid into the Consolidated Fund;
- Not to take credit from any local company outside the approved estimates;
- Effective management of assets;
- Control the regularity and proper use of money appropriated to the spending entity; put in place effective systems of risk management and internal control;
- Accounting Officers commit an offence when their entities borrow or lend money on behalf of Government; incur unauthorised expenditures; fail to comply with the Act and regulations; and divert Government funds.

Compliance to PFM by Sector Managers

A Sector Manager is compliant when no issues of non-compliance are identified in the sector he/she is managing. The extent of compliance/non-compliance is shown in tables 1, 2 and 3.



Table 1: Agriculture Sector Compliance/Non-compliance with PFM laws from FY 2012/13 to FY 2016/17

Institution	2012/13	2013/14	2014/15	2015/16	2016/17
Cotton Development Organisation (CDO)	-Unrecovered debts -Late submission of accounts		-Hiring of incompetent contractor – stallment of works -Low absorption of funds -Poor recovery of credit from farmers		
Dairy Development Authority (DDA)	-Unauthorised expenditure of NTR -Mischarge of expenditure -Unaccounted for funds		-Low absorption of funds -Delayed initiation of procurements -Late disbursement of funds -Hiring of incompetent contractors		
Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)	-Undisclosed NTR projections -Financial loss (Ug shs 2.060 bn) due to poor contract management -Irregular payment to contractor -Mischarges -Cost-overruns -Low value for money in some projects -Unspent balances -Delayed payment of salaries and allowances	-Delayed disbursement/transfer of funds to projects -Delayed payment of salaries and allowances to field based staff -Budget overruns -Late initiation of procurements	-Delayed initiation of procurement processes -Unauthorised re-allocation of department funds to other ministry activities -Inadequate supervision of project funds and activities -Delayed works due to hiring of incompetent contractors - Low value for money in some programmes - Audit queries due to non-issuance of receipts for NTR - Delayed payment of salaries and wages for field staff -Late disbursement of funds -Poor absorption of resources	-Irregular borrowings from project funds -Over and underpayment of pension funds -Late initiation of procurements -Untimely disbursement of funds -Low absorption of funds	-Slow approval of documents and requisitions by Accounting Officer and Accounts Office -Arrears due to non-payment of field allowances (Ug shs 490 million) -Unauthorised spending of NTR -Poor accountability for donor funds (USD 346,500) -Delayed disbursement of funds to projects
National Agricultural Advisory Services (NAADS)	-Low value for money -High unspent balances - Unaccounted for funds	-Untimely release and disbursement of funds -Late initiation of procurements -Poor funds	-Low value for money due to limited follow up and supervision	-Retrospective approval of input supply documents -Unreported loss of two vehicles	-Deviation from approved work plans -Budget re-allocations -High arrears for tea



		absorption			seedlings
National Animal Genetic Resource Centre and Data Bank (NAGRC&DB)			-Low value for money due to poor farm management		-Unauthorised use of NTR by ranches -Late initiation of procurements -Disbursement of operational funds to Farm Managers personal accounts
National Agricultural Research Organization (NARO)	-Domestic arrears -Over expenditure -Irregular procurements -Unspent funds (USD 5.264m) -Lack of approved work plans -Expenditure mischarges	-Poor planning for asset disposal	-Late funds disbursement to Institutes and Zonal Agricultural Research Institutes (ZARDIs) -Slow absorption of resources -Unauthorised diversion of funds	-Late disbursement of donor funds -Delayed procurements -Low funds absorption -Ineligible expenditures	
Uganda Coffee Development Authority (UCDA)	-Unauthorised expenditure of NTR (Ug shs 10.726bn) -Unaccounted for funds (Ug shs 161.092m)	-Poor accountability and monitoring of programmes -High arrears for procured seedlings		-High arrears for procured seedlings	-Late procurement of planting materials - High arrears (Ug shs 32.325bn)
Local Governments (Agriculture)		-Delayed releases and disbursement of funds to Departments -High unspent balances -Late payment of staff salaries	- Low value for money - Unpaid debts under NAADS -Delayed requisition and release of funds to departments -Procurement anomalies (Ug shs 11.493bn) -Overpayment of salaries -Unaccounted for funds (Ug shs 5.524bn)	-Delayed transfer of funds to departments -Late initiation of procurements	-Delayed submission of procurement plans to NARO -Delayed approval (2-3 months) of requisitions by Accounting Officers and Finance Departments

Source: MFPEd, 2017 Treasury Memoranda; Office of the Auditor General Annual Reports; Annual and Semi-Annual BMAU Monitoring Reports



Over the five-year period, all agriculture sector entities have continued not to comply with PFM laws and regulations, with the most non-compliant being MAAIF, NAADS, NARO and LGs. In the last two years, CDO and DDA did not have any non-compliance issues. The most common areas of non-compliance were: expenditure mischarges and re-allocations, unauthorised use of NTR, domestic arrears, delayed approvals and disbursement of funds to spending units, poor planning and low absorption of funds (Table 1).

Gender and Equity Compliance

Overall, the agriculture sector compliance declined from 54% in FY 2016/17 to 51% in FY 2017/18 and improved to 70% in 2018/19. The MAAIF and Kampala Capital City Authority (KCCA) are the most compliant and UCDA, CDO and NAGRC&DB the least compliant with the requirements (Table 2).

Table 2: Compliance to gender and equity requirements by Agriculture Sector Entities

Vote	Compliance (%)		
	2016/17	2017/18	2018/19
CDO	62	60	55.7
DDA	40	55	57.7
KCCA	58	78	79.0
MAAIF	-	-	79.3
NAADS	50	62	61.0
NAGRC&DB	44	22	55.7
NARO	44	50	56.7
UCDA	52	23	54.7

Source: Equal Opportunities Commission (EOC)

Compliance with the NDPII

The agriculture sector’s BFP and Annual Budget compliance to the NDPII rose modestly from 56% in FY 2015/16 to 58% in FY 2016/17; but remained substantially below the minimum target of 70% (National Planning Authority, 2017 and 2016). In FY 2016/17, compliance was highest by UCDA and lowest in MAAIF (Table 3). Non-compliance was due to poor sector planning, implementation of projects that were not prioritized in the NDPII, low absorption of released funds, poor adherence to project timelines and delayed implementation of programmes.

Table 3: Compliance of Agriculture sector institutions with the NDPII

Institution	Planning	Budget performance	Total score*
CDO	75	50	73
DDA	75	40	71
MAAIF	25	0	39
NAADS	25	60	71
NAGRC	25	50	65
NARO	50	60	70
UCDA	100	50	80

Source: NPA, 2016; NPA, 2017.

**The total score assesses compliance to macro-economic targets and alignment of the sector plans, budgets and expenditure out-turns to NDPII targets and outcomes*

Conclusion

Overall, Agriculture Sector Managers are not complying with the PFM laws and regulations. Compliance was lowest with regard to observing revenue and expenditure controls and integrating gender and equity concerns in planning and budgeting.

Recommendations

- i. The MAAIF, NAADS, NARO and UCDA Sector Managers should improve supervision of staff to adhere to PFM laws and regulations.
- ii. The MFPED should strengthen the Internal Audit function in MDAs to ensure timely compliance.
- iii. The MFPED and Ministry of Public Service should strengthen enforcement of rewards and sanctions for compliance/non-compliance by Agriculture Sector Managers

References

EOC Gender and Equity Assessment Reports
 GoU, 2016. The Public Finance Management Regulations 2016; GoU, 2015. The Public Finance Management Act 2015
 GoU, 2015. Second National Development Plan (NDPII) 2015/16 – 2019/20.
 MFPED 2017. Treasury Memoranda for financial statements of 2012/13
 MFPED Budget Monitoring Reports various financial years
 NPA Certificate of Compliance to Annual Budget