Are Agricultural Sector Institutions in Uganda Complying or Flaunting the Public Financial Management Laws and Regulations?

Overview

Public Financial Management (PFM) refers to the set of laws, rules, systems and processes used by Governments to mobilize revenue, allocate public funds, undertake public spending, account for funds and audit results. Sound PFM ensures aggregate fiscal discipline; efficient allocation of public resources to agreed strategic priorities; accountability and value for money; and effective delivery of public services (Lawson, 2015; World Bank, 2005).

The Government of Uganda has prioritized implementation of PFM reforms since the 1980s to achieve three key outcomes: fiscal discipline, strategic resource allocation, and efficiency in service delivery. Among the prominent recent reforms are: enactment of the PFM Act (2015), automation of financial management systems, Treasury Single Account (TSA), decentralization of payroll and pension management, Programme Based Budgeting, plus budget and public procurement reforms.

This policy brief analyses the extent to which the agriculture sector institutions comply with the PFM Act (2015); the Budget Call Circulars (BCCs) and Budget Execution Circulars (BECs) issued by the Ministry of Finance, Planning and Economic Development (MFPED). Analysis is for the period FY 2015/16 – 2018/19 using primary and secondary data collected by the Budget Monitoring and Accountability Unit (BMAU).

Key Issues

- Agricultural sector institutions are flaunting the PFM regulations leading to poor programme performance and inefficient service delivery.
- The most flaunted areas of PFM: Late initiation of procurements; accumulation of domestic arrears; non-declaration of off-budget revenues; virement of resources above the stated ceiling without authorization and non-compliance with gender and equity guidelines.
- MAAIF, CDO, UCDA, NARO and LGs are the most frequently cited institutions flaunting the PFM laws and regulations.

Introduction

PFM laws and regulations in the agriculture sector are implemented by nine Votes namely: i) Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), ii) Dairy Development Authority (DDA), iii) National Animal Genetic Resource Centre and Data Bank (NAGRC&DB), iv) National Agricultural Research Organization (NARO), v) National Agricultural Advisory Services (NAADS) Secretariat, vi) Cotton Development Organization (CDO), vii) Uganda Coffee Development Authority (UCDA), viii) Kampala Capital City Authority (KCCA), and ix) Local Governments (LGs) - District Production Services.

Key PFM laws, regulations and guidelines

The PFM Act (2015), BECs and BCCs require sector Accounting Officers and institutions to comply with the following provisions:

- Prioritize resource allocations and outputs in programmes to the National Development Plan (NDP) outcomes

- Prepare plans that are gender and equity responsive
- Pay verified outstanding arrears and minimize their accumulation
- Remit all Government revenues including Non-Tax Revenue (NTR) to the Consolidated Fund for appropriation by Parliament
- Ensure that all activities are managed as indicated in the policy statement and all spent funds accounted for
- Not to take credit from a local company; unless it is critical and the institution has no unpaid domestic arrears and capacity to pay for the expenditure
- Virements must be authorized and not to exceed 10% of the money allocated to an item or activity
- Ensure early initiation of procurements
- Ensure timely budget execution
- Adhere to reporting timelines.

Findings

Linkage of resource allocations in programmes to NDPII planned outcomes
An analysis of the compliance of agricultural sector programmes, sub-programmes and outputs in the Ministerial Policy Statement (MPS) and Budget Framework Papers (BFP) to NDPII outcomes showed a moderate level of compliance at 51.33% (Table 1). There was a mis-alignment between the programmes and sub-programmes with the planned NDPII outcomes. Most sector programmes lacked clear measures and strategies focusing on the achievement of the outcomes.

Table 1: Compliance of Agriculture Sector Indicators and Interventions to NDPII Outcomes

Level	Maximum Score (%)	Compliance Score (%)
Sector/programme indicators to NDPII indicators	40	20.40
MPS actions and NDPII Interventions	30	17.93
Sector programmes and NDPII outcomes	10	5.00
Sector sub-programmes and NDPII outcomes	20	8.00
Total sector score	**100**	**51.33**

Source: BMAU Analysis, January 2019

Gender and equity responsiveness of plans
Overall, the level of compliance of agricultural sector institutions with the gender and equity guidelines in budgeting has gradually improved (Table 2). However, CDO, DDA, NAGRC&DB and NARO are poorly complying with this regulation in their Ministerial Policy Statements.

Table 2: Compliance of Agriculture Sector Institution Ministerial Policy Statements to Gender and Equity Requirements (%)

	2016/17	2017/18	2018/19	2019/20
CDO*	62.00	60.00	55.70	-
DDA	40.00	55.00	57.70	53.20
MAAIF	49.00	70.00	79.30	75.00
NAADS	50.00	62.00	61.00	72.00
NAGRC	44.00	61.00	55.70	53.80
NARO	44.00	50.00	56.70	54.00
UCDA	52.00	23.00	54.70	63.30
Average	48.71	54.43	60.11	61.88

****The CDO MPS was not scored as it was submitted late; Source: EOC, 2019***

Non-compliance by sector institutions with the gender guidelines is much more pronounced at budget execution level. For example, by 30th June 2018, the DDA had trained 196 dairy stakeholders in the North-Eastern region, of whom 146 (74.48%) were male and 50 (25.52%) female. Out of the 148 dairy stakeholders trained in the South-Western region, 130 (88%) were male and 18 (12%) female.

Through the NAADS/Operation Wealth Creation programme, there has been an attempt by the sector to address the equity issue by distributing strategic commodities and inputs to all districts and sub-counties in Uganda. There is also adequate regional presence of the NARO institutions in the country as well as CDO and UCDA services in the cotton and coffee growing areas, respectively. However, regional inequalities persist in access to agriculture sector programmes. For example, by 31st December 2018, the regional distribution in access to the Agricultural Credit Facility (ACF) by beneficiaries was: Central (56%); West (32%); East (9%) and North (3%).

Domestic arrears
The Government has implemented several reform measures to control the accumulation of arrears, however the stock of arrears countrywide worsened - the Public Expenditure and Financial Accountability (PEFA) ranking deteriorating from C+ in 2012 to D+ in 2016.

In 2015/16, arrears in the agricultural sector totaled to Ug shs 32.311 billion (bn) contributed by MAAIF (Ug shs 24.094 bn); CDO (Ug shs 7.92 bn); NARO (Ug shs 269m); and DDA (Ug shs 24.141bn). These arrears were due to unpaid contributions to international organizations, rent, taxes and other recurrent expenses (MFPED Directorate of Internal Audit, 2017).

The UCDA and NAADS have continued to have arrears over the years. By 30th June 2016, UCDA arrears that were not captured in official records totaled Ug shs 35.323 bn for seedlings delivered by private nursery operators. By 30th June 2018, the UCDA had arrears amounting to Ug shs 106.099bn for the seedlings. Similarly, by 13th January 2017, NAADS had unpaid arrears (Ug shs 3.08m) for seedlings distributed in Kanungu District in 2013.

Declaration and appropriation of revenues
Some agriculture sector institutions continue to generate and use off budget resources without declaring them for inclusion in the budget estimates and for appropriation by Parliament.

For example, during FY2018/19 semi-annual, the National Coffee Research Institute (NaCORI) of NARO had received off budget support in the institute accounts amounting to Ug shs 383.047m from external partners (World Coffee Research; International Institute of Tropical Agriculture; Partner for Enhanced Engagement in Research; Augmentative Communication and Technology Services), of which Ug shs 184.552 m (48.18%) was spent by 31st December 2018. This was poor absorption of the disbursed funds.

In the same FY, the Mbarara Zonal Agricultural Research Development Institute received off budget support from external partners (Mcknight Foundation; Peoples Republic of Korea; Embassy of the Kingdom of the Netherlands; International Foundation for Science) amounting to Ug shs 576.709 m, of which Ug shs 211.309 m (36.64%) was spent by 31st December 2018. This was poor absorption of the disbursed funds.

Procurement plans and budget execution
The late initiation of procurement plans by implementing departments is a persistent challenge in the sector leading to delayed budget execution and poor service delivery. For example, by 31st December 2018, the performance of the MAAIF Agricultural Cluster Development Project was poor (32.71%) due to delayed initiation of procurements by user departments, among other factors.

In the same period, the performance of the MAAIF Promoting Environmentally Sustainable Commercial Aquaculture Project was poor (18.08%) due to delayed approvals and clearance of procurements (above Euro 30,000) by the European Union, and staffing by Ministry of Public Service.

Virement of funds
During FY 2018/19 semi-annual, the MAAIF received Ug shs 779m (63% of the approved budget) for the Farm Based Bee Reserve

Establishment Project, of which Ug shs 714 m (92%) was spent by 31st December 2018. However, the implementing departments were only able to access Ug shs 392.980 m (55%) of what was disbursed and utilized, the rest (Ug shs 321.02 m or 45%) having been allocated to other activities in MAAIF without their authorization. This led to poor performance of the project at 10.34%. The proportion of diverted funds (45%) was far above the 10% authorized for virements.

In FY 2017/18, the MAAIF targeted to rehabilitate 15 infrastructure and operationalize 10 of them, and procure four vehicles under the Support to Sustainable Fisheries Development Project. The target for infrastructure was not met as funds were diverted mid-year to Fisheries Protection activities by the Uganda Peoples Defence Forces (UPDF). Only two out of the four planned vehicles were procured as part of the disbursed funds were diverted to procuring fishing vessel plats.

Submission of accountabilities and reports

There are still cases of late submission of reports within the agriculture sector. In the recent assessment of the gender and equity compliance of the Ministerial Policy Statement (MPS) by EOC, six (86%) out of seven assessed votes submitted their documents for assessment by the statutory date of 15th March 2019. The CDO submitted its MPS late (EOC, 2019).

The implementation of extension services in LGs was slower during FY 2018/19 semi-annual and performance lower (61.51%) due to delayed accountabilities, reporting and requisitions from sub-counties and districts. For example, the late reporting in Kayunga, Nebbi, Zombo, Oyam and Kamuli districts led to delayed disbursements from the District Collection Accounts to implementing departments and late procurements.

Conclusion

The agricultural sector institutions are partially complying with the PFM laws and regulations. Several regulations and guidelines are flaunted which leads to delayed or non-implementation of planned activities, poor programme performance and inefficient service delivery.

Top on the list of the most flaunted laws, regulations and guidelines are: late initiation of procurements; accumulation of domestic arrears; non-declaration of off budget revenues for appropriation; virement of resources above the stated ceiling without authorization; and non-compliance with gender and equity guidelines.

The MAAIF, CDO, UCDA, NARO and LGs were the most frequently cited institutions flaunting the PFM laws and regulations.

Recommendations

1. The MFPED should enforce sanctions for non-compliance in the affected agricultural sector institutions.
2. The MFPED should not re-appoint Accounting Officers whose institutions have high levels of non-compliance with PFM laws and regulations.

References

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