

## Chronic poverty reduction in Uganda: National budgets and delivery of social services

### Key issues

- Quality social services – primary education, primary health care, water and sanitation, and agriculture services, is key to addressing chronic poverty in Uganda. However, financial resources for social services inadequately address the issue of chronic poverty. Deliberate action to include the chronically poor need to be put in place.
- Local government plays a crucial role in the delivery of social services, but are faced with many constraints. An increased budget for local governments is needed to build their capacity and to enable them to overcome the issues that adversely affect the quality of service delivery.
- A long-term approach to reducing chronic poverty, especially in rural areas, requires providing chronically poor people with the skills and tools to get gainful employment and enable their participation in economic growth. A focus is needed on enterprise development that would employ chronically poor people.

### What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation. This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

### Introduction

Chronic poverty, wherein individuals, households or regions remain trapped in severe poverty for an extended period of time, and where poverty is transmitted across generations, can only be addressed through deliberate public sector actions. Delivery of quality social services, particularly primary education, primary health care, water and sanitation, and agriculture services, is key to addressing chronic poverty. In Uganda, national budgets have focussed on the delivery of social services in the past,

but a focus on chronic poverty has been inadequate.

Uganda registered significant reduction in headcount poverty from 56 percent in 1992 to 24.5 percent in 2010, mainly due to good macroeconomic policies that saw the economy grow at an average rate of 6.5 percent during the past two decades<sup>1</sup>. More specifically, Uganda implemented the Poverty Eradication Action Plan (PEAP) in 1997, which aimed to achieve the Millennium Development Goals (MDGs), and among other things, focussed on poverty reduction through



the delivery of social services.

Much effort has been placed on improving the delivery of social services to the poor through a decentralisation programme which started in 1997. Universal Primary Education (UPE) and later Universal Secondary Education (USE) were instituted with a view to making education an instrument of social development. In the health sector, the government introduced far-reaching reforms with the intention of bringing health services to poor people in rural areas. For example, health centres were constructed up to the parish level (Health Center IIs). Local governments were expected to play a key role in the delivery of primary education, health, and water supply, agriculture extension services, and infrastructure.

However, after many years of implementation of the PEAP, it is clear that Uganda is unlikely to meet all the MDGs. The eradication of chronic poverty remains a big challenge and the government's focus on poverty reduction seems to be waning. In 2010, Uganda prepared the National Development Plan (NDP), which put more emphasis on the economic growth sectors, particularly the development of power and transport infrastructure. Although the NDP still retains delivery of social services as one of its strategic interventions, the new focus on economic growth sectors may reduce the focus on poverty reduction in general, and in particular, chronic poverty.

Local governments also face many constraints that adversely affect service delivery to the poor. These include but are not limited to: 1) general weakness in strategic planning in the form of delayed activities such as procurement processes; 2) limited capacity in local governments, which include inadequate numbers of personnel and absence of specialised cadres; 3) weak capacity of private sector partners; 4) inadequate supervision, which is partly a capacity constraint but is also due to poor prioritisation by respective agencies; 5) limited channels of effective communication between different levels of implementing agencies; and 6) disproportionate unit costs due to lack of standardised price lists. These constraints, within a broader framework of inadequate financial resources, have led to poor quality of social services – and those most affected have been the chronically poor.

## Evidence of inadequate budget expenditure on reduction of chronic poverty

The budgetary resources released to local government for addressing chronic poverty remain grossly inadequate, especially the non-wage component for health, agriculture, water supply, primary education, and secondary education. The proportion of expenditure in district expenditure to each of these sectors hardly increased during the past decade, and some sectors such as primary education and water supply recorded declining shares. The proportion of district funds that go to financing primary education decreased from 37.2 percent in 2000/01 to 24.7 percent in 2005/06; financing for water supply decreased from 10.3 percent in 1998/99 to 2.1 percent in 2005/06.

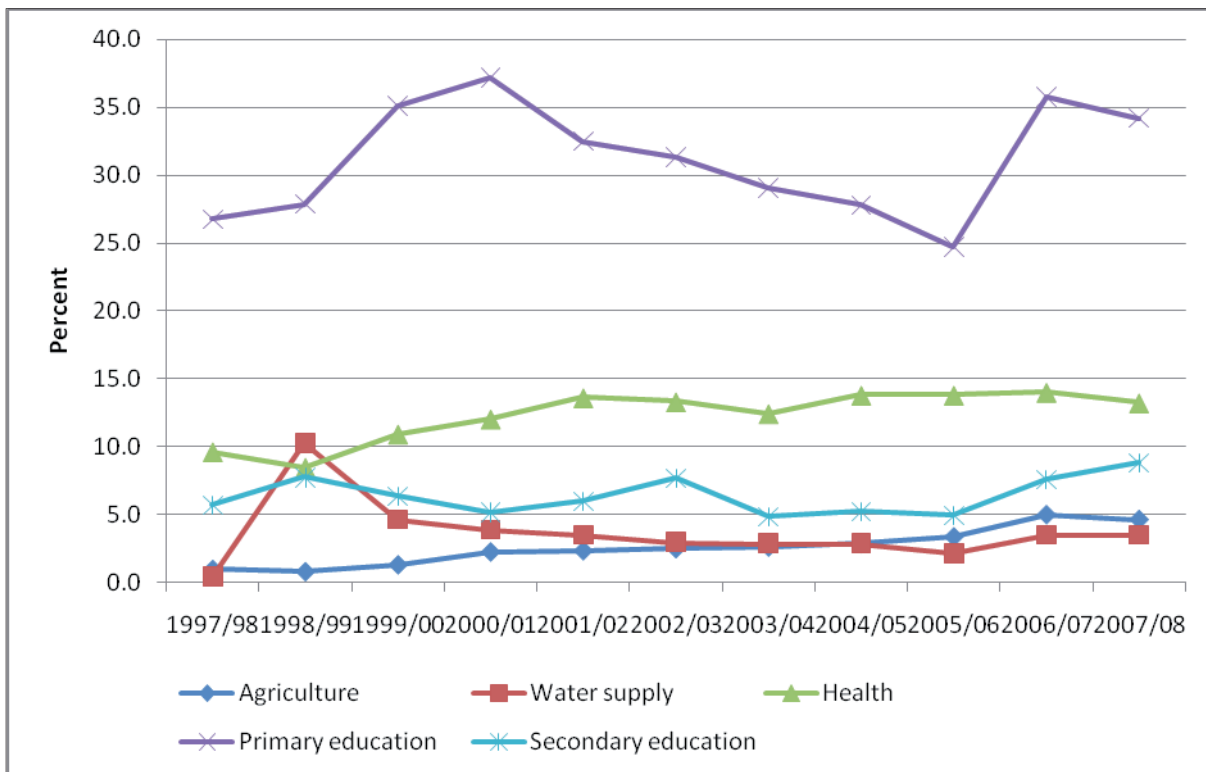
Health, secondary education, and water and sanitation received generally constant shares of the district budget during the past decade (see Figure 1). Although the share of health in district budgets increased initially from 9.6 percent in 1997/98 to 13.6 percent in 2001/02, it remained generally unchanged for subsequent years. The share to agriculture was the lowest for the period 1997/98 to 2002/2003 and thereafter remained almost at par with that for water supply at about only three to five percent of district expenditure. More importantly, the share of each sector in the national budget has remained very low, compared to the recommended best practices (Table 1).

Only 1.7 percent of the national budget in 2007/08 financed agriculture. Yet, the sector employs over 70 percent of Uganda's labour force. Furthermore, the government's interventions in the agriculture sector under the NAADS programme target the relatively better off – and not the chronically poor. Water supply took 1.3 percent of the national budget; health only 4.9 percent; primary education 12.6 percent; and secondary education 3.3 percent.

The national budget should be reprioritised to address the needs of the chronically poor. This would mean increasing the share of agriculture in the national budget from currently below two percent to at least 10 percent; for water supply from 1.3 percent to at least five percent; for health from 4.9 percent to 10 percent; for primary education from 12.6 percent to about 20



**Figure 1: Functional Distribution of Local Government Outlays 1997/98-2007/08: Sectoral share of district budget(%)**



Source: Background to the Budget (Government of Uganda, various issues)

**Table 1: Sectoral share in the national budget 2007/08 (%)**

Sector	Actual Share	Recommended minimum
Agriculture	1.7	10
Water supply	1.3	5
Health	4.9	10
Primary education	12.6	20
Secondary education	3.3	10

Source: Background to the Budget 2010/11 (Government of Uganda, 2010)<sup>2</sup>

percent; and for secondary education to about 10 percent from the current 3.3 percent. This entails increasing central government disbursements to local governments significantly from the current 37 percent of the national budget to about 65 percent. After all, it is at the level of local governments that pro-chronic poverty reduction actions are needed most.

The functional classification of expenditure which gives a breakdown of public expenditure for recurrent and development expenditure, reveals that expenditure at local governments is skewed in favour of wages. Financial resources for non-wage, which are used to facilitate workers to deliver social services, are grossly inadequate.



As Figure 2 below shows, except for trunk road maintenance where non-wage releases were as budgeted, all other sectors received significantly less than 50 percent of their non-wage budget and in some cases almost nothing. For district extension services, releases were less than five percent; for district water conditional grant, it was less than five percent; district primary health care about 20 percent; and district primary education about 30 percent.

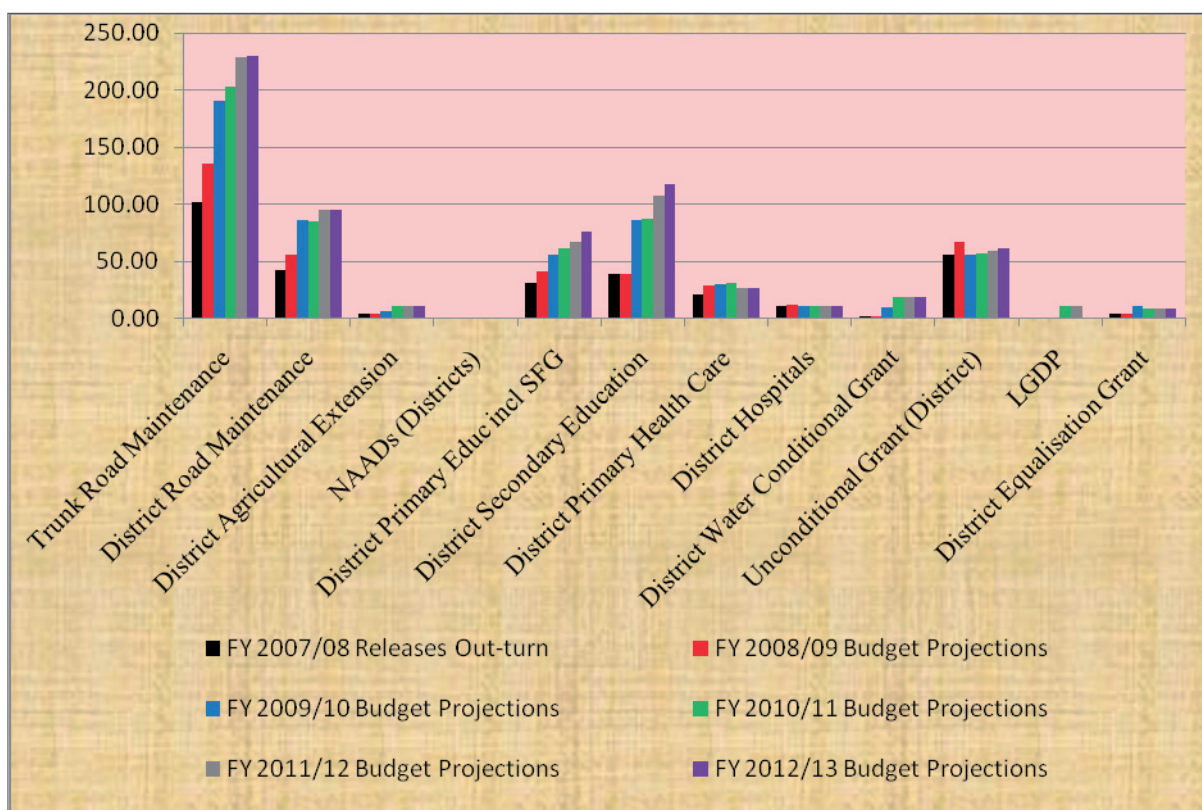
Budget projections show underperformance of the non-wage releases. As local governments receive far below budgeted non-wage resources, it simply means that even the wage budget is wasted because delivery of social services is not possible without facilitating local government personnel to deliver social services. The trend seen in the low financing of the non-wage budget is not consistent with the government's expressed priority to reduce poverty in general, and chronic poverty in particular. Non-wage expenditure in district hospitals, primary health care and agriculture extension services have remained almost constant despite the increasing population of the chronically poor that districts are expected to serve.

The situation becomes compounded when inadequate funding of the non-wage budget is put together with inadequate capacity and other constraints facing service delivery at the district level, as mentioned above.

We are cognisant of government's good intentions to address chronic poverty through district equalisation grants. However, the non-wage component of district equalisation grants have performed very poorly, with releases amounting to less than five percent (see Figure 1 above). The grants fall short of the needs of economically lagging districts (being part of the 37 percent of central government disbursements to local governments in 2009/10) and would need to be significantly increased. At the current level, the grants help only to fulfil a constitutional requirement of having them in place; serious government commitment is required in this regard.

The share of local governments in the national budget should be significantly increased partly with a view to addressing capacity constraints in local governments. Capacity-building of local governments calls for facilitation and providing the tools to enable them to work more effectively and

**Figure 2: Non-wage release and budget projections FY 2007/08-2012/13**



Source: Background to the Budget (Government of Uganda, various issues)



deliver social services more efficiently. Inadequate non-wage funding of the social services renders the released money ineffective in terms of meeting the development needs of the chronically poor people.

## Way Forward

The budget implementation issues at the district level raised above call for immediate action, which is not possible without significant increase in central government disbursements to local governments – at least to a minimum of 65 percent of the national budget. Local governments should be adequately resourced to enable them to attract and retain high calibre personnel for strategic planning and institutional development for service delivery. Inadequate capacity in the private sector in local governments is partly a reflection of ineffective policies that have hardly delivered development at that level.

While mention is made of weak local government capacity to improve service delivery, it is necessary to underscore the issue of inspection and supervision to ensure delivery of quality social services to the chronically poor. Absenteeism of teachers and medical personnel from their duty stations at health centre IIs is adversely affecting service delivery in education and health and renders it ineffective. Consequently, the quality of education in UPE and USE schools has become an issue of ridicule. Government should provide sufficient financial resources for inspection and supervision of delivery of social services at the district level. A longer-term strategy would entail providing chronically poor people with the skills to enable them to participate in the economic growth process.

Additionally, the long-term design for social services has to change from over-decentralisation to manageable decentralisation; one that can be easily monitored, inspected, and supervised. The

current system of decentralising service delivery to the level of the parish (Muluka) is difficult to manage. Government commitment will be needed to develop sub-counties into viable economic growth centres and develop good transport infrastructure to link rural areas to their nearest growth centres.

The provision of social services would be easier with higher population densities, efficient transportation systems, and socially integrated communities.<sup>3</sup> Decentralisation up to the sub-county level may be adequate in the case of health services. Similar consideration needs to be explored in UPE and USE. Development of good rural transport infrastructure would be necessary to support the proposed structure of delivering quality social services in rural areas.

But while the delivery of social services is an appealing approach to the eradication of chronic poverty, it may not offer a long-term solution to the problem. Creation of employment opportunities for the chronically poor and tooling and skilling them to enable them to take advantage of employment opportunities would seem to offer long-term solution to chronic poverty.

Accordingly, a long-term strategy for addressing chronic poverty would focus on enterprise development that could employ chronically poor people. Government would need to support enterprise development in strategic growth centres that are well supplied with the basic amenities, especially electricity, water, school facilities, and health facilities. As the chronically poor gain skills alongside enterprise development, their absorption would be guaranteed. However, this long-term strategy would take deliberate government policies and action to ensure that this remains on course. Meanwhile, the effective delivery of social services is crucial as it remains the only feasible way of eradicating the poverty inflicted on the chronically poor because of unfair allocation of the national budget.

This CPRC Policy Brief was written by Lawrence Bategeka

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### Endnotes

- 1 Government of Uganda (various issues). Background to the Budget. Kampala: Ministry of Finance, Planning and Economic Development
- 2 Government of Uganda (2010). Background to the Budget 2010/11. Kampala: Ministry of Finance, Planning and Economic Development
- 3 World Bank (2009). World Development Report. Washington, DC: World Bank

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