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Public expenditure for Uganda from a chronic poverty perspective

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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.

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Abstract

This paper attempts to assess the extent to which Uganda's national budget is responsive to the welfare and development needs of the chronically poor people. The paper is developed on the understanding that there may be a gap between the needs of the poorest and what is articulated in the national and local government plans and budgets. Although the main focus of the paper is not on such gaps but on the extent to which national budget expenditure and budget priorities respond to needs of chronically poor, the paper briefly looks at the policy frameworks and their relevance to the eradication of chronic poverty. This is done on account of the strong links budgeting and policy frameworks have on development outcomes, including the eradication of chronic poverty.

Keywords: Uganda, poverty eradication, inequality

Acknowledgements

Lawrence Bategeka has over 20 years experience in economic policy practice and research particularly in the areas of: i) development economics; ii) macroeconomics; iii) public finance; iv) human development; and v) service delivery (health, education, and water and sanitation). He has many peer-reviewed publications, working papers, and commissioned policy studies in these and related research areas. At the time of writing this paper, Lawrence Bategeka was working as acting Principal Research Fellow with the Economic Policy Research Centre (EPRC), located at Makerere University in Kampala. He previously worked for the United Nations Development Programme (UNDP) as Senior Economist; for Uganda's Central Bank as Principal Banking Officer; and for Ministry of Finance, Planning and Economic Development as Senior Economist. He is a graduate of the University of Bristol (U.K) and Makerere University in Kampala.

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Contents

List of acronyms

DSIP	Agriculture Development Strategic Investment Plan
DRT	Development Research and Training
FY	Financial Year
GDP	Gross Domestic Product
HSSP	Health Sector Strategic Plan
IMF	International Monetary Fund
LC	Local Council
LGDP	Local Government Development Programme
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NAADS	National Agricultural Advisory Services
NDP	National Development Plan
PEAP	Poverty Eradication Action Plan
PMA	Plan for the Modernisation of Agriculture
UPE	Universal Primary Education
USE	Universal Secondary Education

1 Introduction

This paper attempts to assess the extent to which Uganda's national budget is responsive to the welfare and development needs of chronically poor people. The paper is developed on the understanding that there may be a gap between the needs of the poorest and what is articulated in the national and local government plans and budgets. Although the main focus of the paper is not on such gaps but on the extent to which national budget expenditure and budget priorities respond to needs of chronically poor, the paper briefly looks at the policy frameworks and their relevance to the eradication of chronic poverty. This is done on account of the strong links budgeting and policy frameworks have on development outcomes, including the eradication of chronic poverty.

To put the discussion in perspective, the paper begins by stating what chronic poverty is, and where chronically poor people live. Prior to delving into assessing the extent the national budget addresses chronic poverty, the paper gives an overview of Uganda's policy frameworks, especially for agriculture from which majority of the chronically poor people eke a living. Then expenditure analysis for the chronically poor people follows. It uses simple analysis of public expenditure trends in critical areas that would ordinarily benefit the chronically poor, being mindful of the limitations policy frameworks impose on the effectiveness of such expenditure. Ordinarily, chronically poor people should benefit from service delivery including primary education, secondary education, agriculture extension services, water and sanitation, and health.

The paper is written with full understanding that Uganda has national plans in which national needs are articulated. It briefly looks at the extent to which Uganda's national development frameworks at the macro and sector levels during the past decades have been geared to the needs of the chronically poor. Drawing on the provisions in the 2011/12 national budget, the paper assesses the extent to which the country is responding to eradication of chronic poverty. The analysis is based on the assumption that the national budget is made in such a way as to respond to the needs of poorest persons and that the poorest quintile (bottom 20 percent) of the population is a good proxy for chronic poverty.

Finally, the paper is written with the understanding that in all its policies and expenditure plans, the Uganda Government is committed to ensuring that the share of directly poverty reducing services, which are protected from expenditure cuts under the Medium Term Expenditure Framework (MTEF), continues to grow over time. Findings in this respect give an idea about the implications of the national budget on addressing chronic poverty.

2 Chronic poverty – What it is and where the chronically poor live

To assess the extent to which the government budget is meeting the needs of the chronically poor, it is first important to define chronic poverty, understand of where the chronically poor live, and also obtain thorough understanding of their economic characteristics. The 2005 Uganda Chronic Poverty Report gives good definitions of chronic poverty. The following three definitions are borrowed from that report:

> ‘Chronic poverty occurs when individuals, households, or regions are trapped in severe poverty and multi-dimensional poverty for an extended period of time, and where poverty is transmitted across generations, so people are born in poverty, live in poverty and pass it on to their children’ (CPRC Uganda, 2005: 5).
>
> ‘The poor describe chronic poverty as when you have nothing and cannot get anything and there is no means of getting anything? (CPRC Uganda, 2005: 5).
>
> ‘In Uganda, the poorest 20% of the population can provide a proxy indicator for chronic poverty’ (CPRC Uganda, 2005: 5).

From the three definitions of chronic poverty given above we infer that the chronically poor lack the means to emancipate themselves from poverty. Some external intervention would be necessary to help the chronically poor to either have a better standard of living or lift them out of poverty. The Government, through its annual budgets is ordinarily expected to make the necessary interventions to assist the chronically poor.

3 Uganda policy frameworks and performance

3.1 Macroeconomic policies and performance

In 1986 the National Resistance Movement inherited an economy that had virtually collapsed. Negative growth, high inflation, an overvalued exchange rate, export concentration with coffee accounting for over 80 percent of export receipts, and very low tax/GDP ratio of about seven percent were some of the key characteristics of the Uganda economy at that time. Poverty was almost a universal phenomenon and it was not until 1992 when Uganda conducted a household survey that Uganda knew the extent of head count poverty; it stood at 56 percent then.

There is no doubt that since then Uganda has registered significant achievements in terms of economic performance. The country has been applauded for its impressive GDP growth rate that has averaged about seven percent per annum for the past two decades. Inflation was controlled in single digits for most of the years from 1992. The country's export base has been diversified and export receipts increased significantly from US$254 million in 1992/93 to US$ 3,524 million in 2009/10 (Bank of Uganda).

The turnaround was mainly on account of the good policies that the country implemented at the macro level. Liberalisation and privatisation were the broad macroeconomic policies that Government implemented with a view to optimising economic growth through efficient allocation of resources. Liberalisation meant removal of controls of any form in all sectors.

Other macroeconomic level policies that Government implemented included prudential monetary and fiscal policies that saw inflation controlled in single digits and the tax/GDP ratio increase to about 12 percent. Again in the spirit of efficiency in allocation of resources, Government liberalised all markets including financial markets, interest rates, and exchange rates. The argument then was that the policies of liberalisation were not only good for economic growth but for poverty reduction as well. It is not the interest of this paper to examine fully Uganda's economic performance under the macroeconomic policies she implemented during the past three decades. Suffice to point out that Uganda's economic performance has been phenomenal in terms of growth, price stability, exchange rate stability, and poverty reduction.

3.2 Poverty Eradication Action Plan (PEAP), decentralisation, and service delivery

In 1997 Uganda prepared an action plan called the Poverty Eradication Action Plan (PEAP). The PEAP was then the country's broad development framework that was intended to address the critical challenges, which were summarised in the following four pillars:

- economic growth and structural transformation;
- good governance and security;
- increasing the incomes of the poor;
- improving the welfare of the poor through delivery of social services.

Implementation of the PEAP was through sector wide approaches and decentralisation, which government introduced with the view to improve service delivery.

3.3 Agriculture sector policies

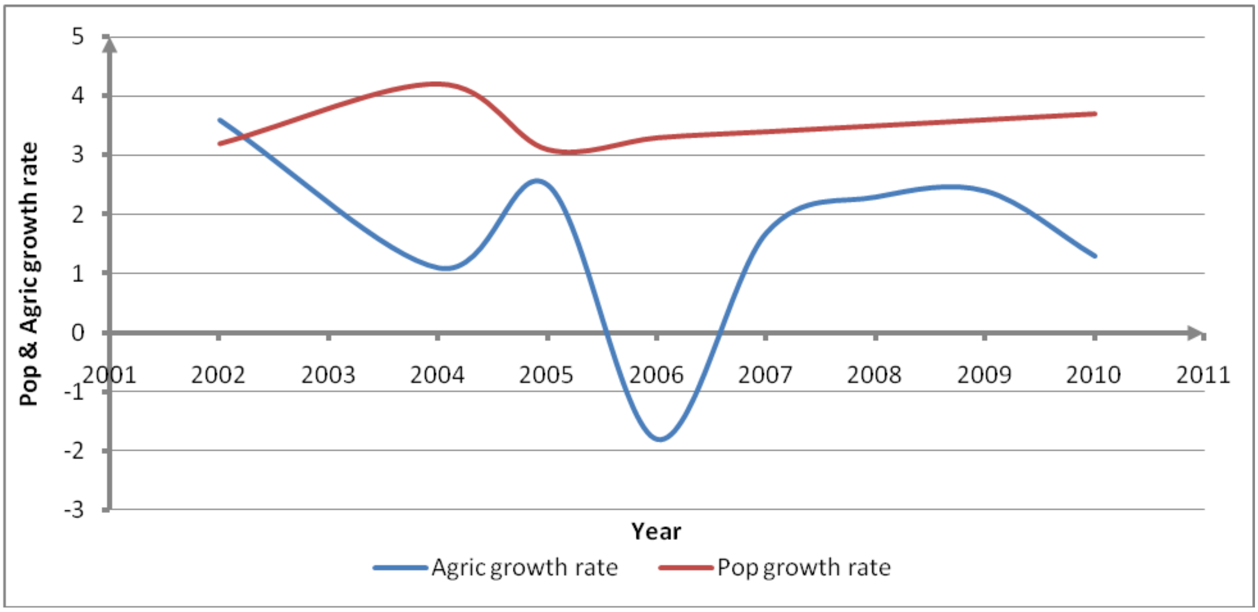
In agriculture the policies of liberalisation and privatisation took centre stage. The Plan for Modernization of Agriculture (PMA) of 2000 as well as the Agriculture Sector Development Strategy Investment Plan (DSIP) of 2010 mainstreamed liberalisation with improvement of household income being the driving objective of these policy documents. The Government formulated PMA was intended to address the challenges that face rural development in general. The thinking was that agriculture is a business requiring selected public sector interventions. In this way, the PMA left out the chronically poor, and the DSIP has not helped close the gap. At the implementation stage only one of the seven pillars was implemented – the National Agriculture Advisory Service (NAADS).

The thinking was that by allowing market forces to determine output prices, the farmer would get a higher share of the farm gate price compared to the days of the cooperative movement when Government would fix prices of agricultural output commodities. Liberalisation appeared, in this regard, the best way of maximising incentives in agriculture. The expectation was that agriculture would become very attractive to investors. In the input market, liberalisation meant allowing increased competition in the supply of inputs. Here too, the thinking was that with increased competition in the input market, prices of agricultural inputs would be low and affordable to farmers, which would auger well for agricultural profitability.

Accordingly, both the agricultural produce markets as well as input markets have been liberalised since the very early 1990s. However, from the perspective of chronic poverty, Government interventions in the agriculture seem to be tuned at a relatively higher income level - with hardly any likelihood of assisting the chronically poor, let alone those people on whom the chronically poor people depend on.

Broadly, the policies of liberalisation and privatisation in agriculture have produced mixed results. While farm gate prices of agricultural products increased, the price of inputs also increased mainly due to supply constraints. Whether farmers were left better off or worse off because of liberalisation is at best a research issue that needs empirical verification. What we know is that the performance of agriculture has been poor and lagged that of the population (see Figure 1 below). The consequence has been widening income inequality. These developments did not auger well for chronically poor people.

Figure 1: Population and agriculture growth rate



Source: Annual Statistical Abstract (UBOS,various issues)

3.4 Social policies in the education sector

The policies of liberalisation were extended to the education sector. However, to cater for the needs of the poor, Government introduced the Universal Primary Education Programme (UPE) starting in 1997. Later in 2007 Government introduced the Universal Secondary Education (USE) Programme. However, the quality of education in UPE and USE schools remains poor as Government continues to explore ways of improving it. Of course there is the argument that UPE and USE benefited the poor, and particularly the chronically poor, who were not receiving any education. While that argument cannot be contested, completion rates in UPE are as low as 30 percent, which negates achievements of the expected benefits by the poor.

3.5 Social policies in the health sector

Similarly in the health sector, the policies of liberalisation applied. The merits of the policies aside, Government instituted measures to increase access to health services by the poor. The Health Sector Strategic Plans (HSSPI, HSSPII, and HSSPIII) were prepared with a view to taking appropriate health services to the poor. The health delivery system was expanded to take advantage of decentralisation. However, health centres IIs, which are located at the Local Council II (LCII) level suffer from a host of inefficiencies including absenteeism of medical personnel and lack of medicine. Yet, those medical facilities are expected to benefit the poor, particularly the chronically poor whose condition can only be eased through Government provision of social services.

3.6 Social policies in the water sector

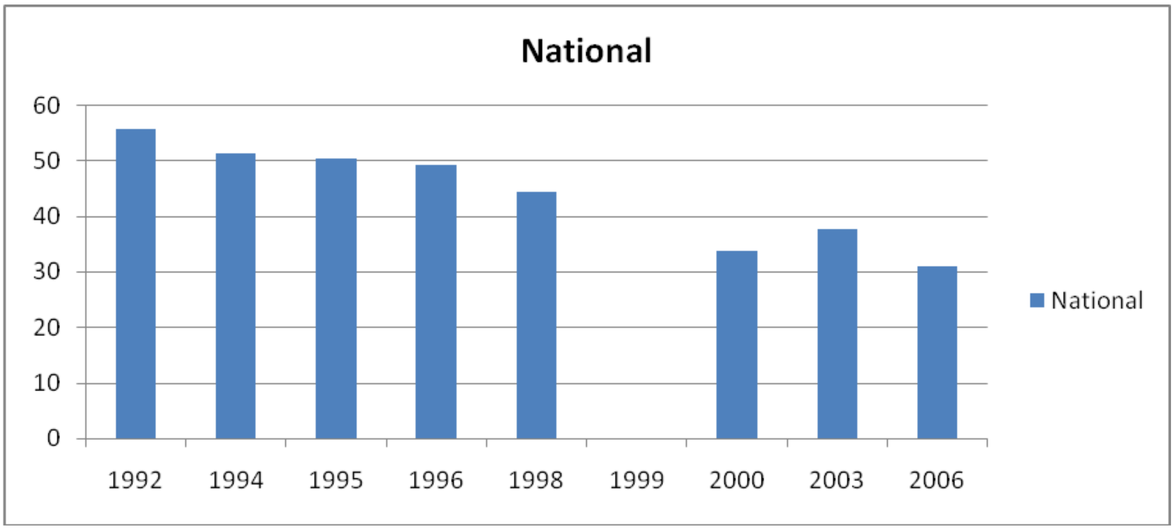
In the water sector, Government increased its focus on provision of safe drinking water to the poor in rural areas. Water points put in place included boreholes, water gravity flow systems, and protected water springs. The measures led to an increase in access to safe water from 64.2 percent in 2005/06 to 68.9 percent in 2009/10 (UBOS).

3.7 Poverty and inequality

The statistics indicates a general decline in the poverty levels in reference to one US$ a day measure. The decline observed in the 1990s is attributed to relatively high economic growth rates resulting from the various economic reforms undertaken by the government (with support from Washington Institutions, that is, the International Monetary Fund (IMF), the World Bank and bilateral donor governments), the relative peace and stability in most parts of the country, infrastructural improvements, international coffee prices, economic policy reforms and interventions which included the structural Adjustment Programs and the adaptation of the Poverty Eradication Action Plan (PEAP) that guided policy formulation and public spending towards poverty eradication.

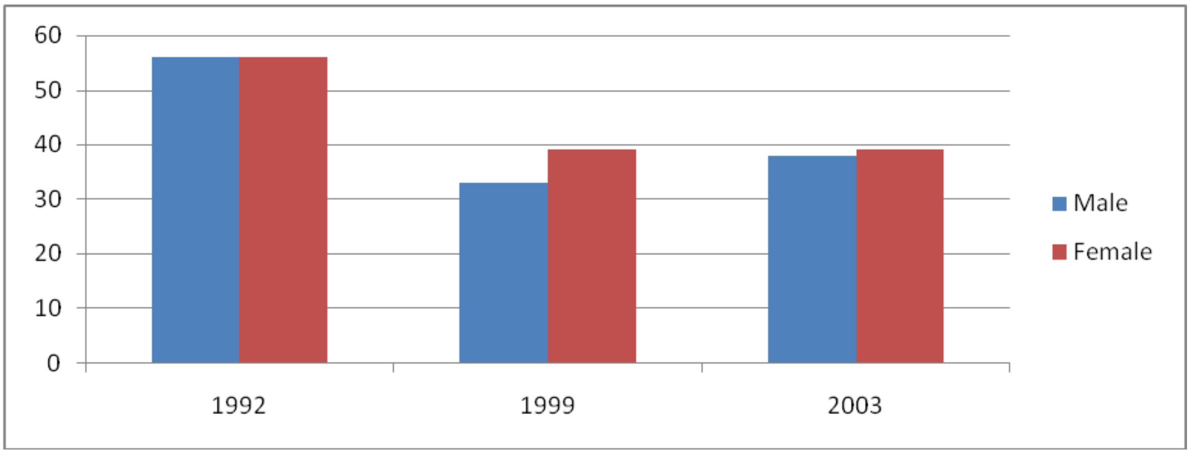
Taking one dollar a day measure, overall absolute poverty (national) declined from 55.7 percent in 1992 to 33.8 percent in 2000, showing a 6.9 percent annual reduction. Between 1992 and 2003 poverty declined from 56 percent to 33 percent and from 56 percent and 39 percent amongst the male and female population respectively. The figures however, show an increase in poverty levels to 37.7 percent in 2003 before declining to 31 percent in 2006 (see Figure 2). This increase is attributed to deteriorating terms of trade of agricultural commodities, falling international coffee prices and insecurity that engulfed the North and parts of Eastern Uganda.

Figure 2: Poverty trends, National



Source: Statistical Abstract (UBOS,Various Issues)

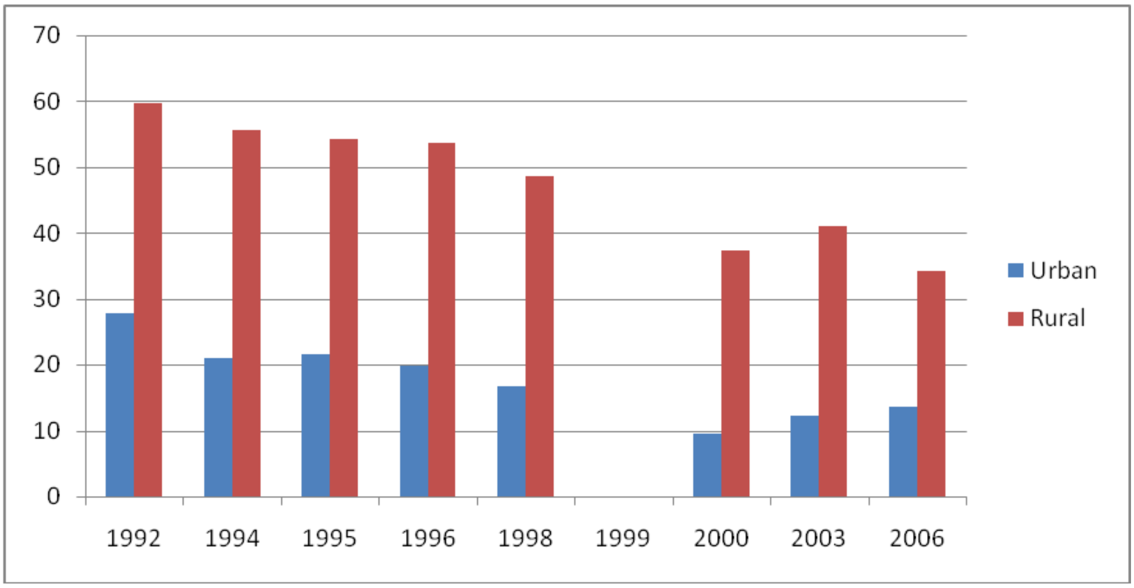
Figure3: Poverty (less than 1US$ a day)



Source: Statistical Abstract (UBOS,Various Issues)

Poverty is mainly concentrated in rural areas which mainly depend on agricultural produce. Rural poverty was recorded at 59.7 percent in 1992 and 34.2 percent in 2006 compared to 27.8 percent and 13.7 percent recorded for Urban poverty.

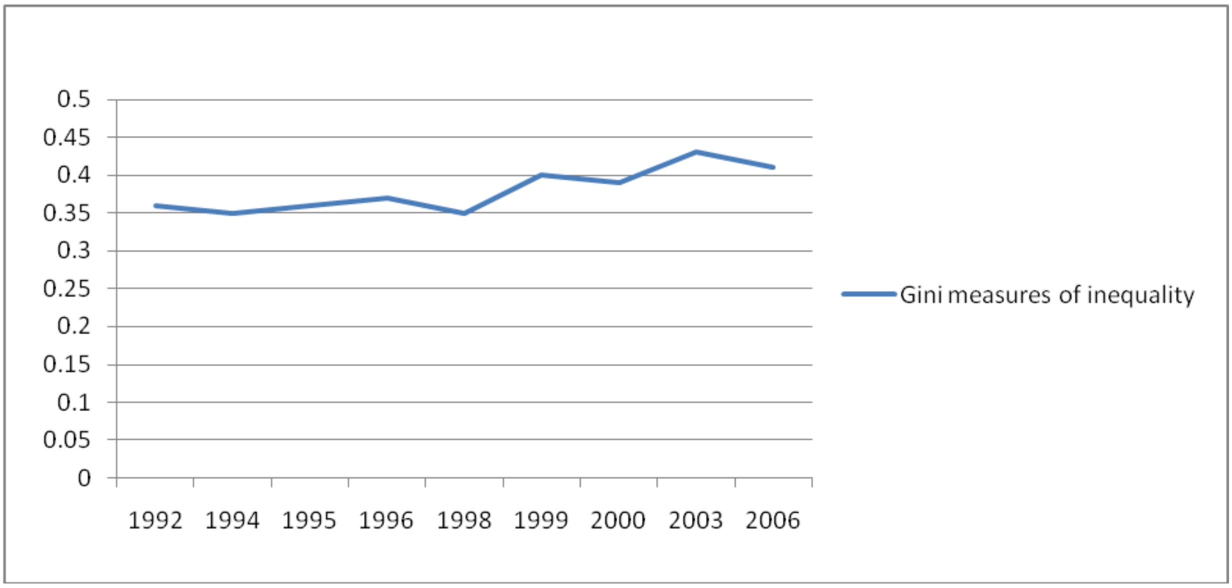
Figure 4: Rural and urban trends



Source: Statistical Abstract (UBOS,Various Issues)

3.7.1 Gini Measures of inequality

Figure 5: Gini Measures of inequality



Source: Statistical Abstract (UBOS, Various Issues)

Looking at the Gini coefficient measures, the gap between the rich and the poor has been widening since the early 1990s with a sharp increase recorded in 2003. This sharp increase can be explained by the unfavorable terms of trade for agricultural produce, the collapse of world coffee price and insecurity in some parts of the country.

Improvement in service delivery has been the means by which Government has tried to reach out to the poor in general – including the chronically poor. Government embarked on decentralisation in 1997 with a view to taking services nearer to the people. However, local governments have remained highly dependent on grants from central government as their capacity to raise their own revenues remained limited; on average, about 90 percent of budgets of local governments are funded by grants from the central governments. Furthermore, the central government dictates the use of the grants. Grants are based on priority Government social service programmes, which include UPE, USE, health, and water.

4 From PEAP to NDP – refocusing expenditure priorities

As pointed out already from 1997, the PEAP was Uganda's overarching national development framework. The PEAP had specific mention of poverty reduction as the overarching objective of economic management. It was developed in the spirit of helping Uganda to achieve the Millennium Development Goals (MDGs). Its explicit focus was on service delivery and that was very appealing to advocates of poverty reduction, including donors. With stronger partnership between Uganda and her development partners, there was hope that the MDGs would be attained within the specified period of time.

However, as the deadline for achieving the MDGs gets nearer, there is worry that Uganda may not achieve all the goals, save for two or three of the eight goals. The three MDGs that Uganda may achieve are those relating to halving of poverty; reversing the trend of HIV/AIDS infection; and achievement of universal primary education. Although there are expenditure inefficiencies within Government, which the Uganda Government acknowledges, financing of delivery of social services remains inadequate. For example, annual expenditure per capita in health that is estimated at US$8 falls short of the internationally agreed minimum of US$30, which the Uganda Government cannot afford. Yet, donor financing too has fallen short of expectations.

Without setting aside its desire to spend on social services, the Uganda Government, in its National Development Plan (NDP), puts more emphasis on the economic growth sectors, especially the development of the requisite infrastructure for higher and sustainable economic growth. Key infrastructure requirements identified in the National Development Plan in this regard include power generation, transmission and distribution; and transport infrastructure especially roads, rail, and water transport. Some sceptics have expressed fear that Uganda seems to be relegating it commitment to poverty reduction and more so, its focus on addressing chronic poverty.

5 Public expenditure analysis from the perspective of chronic poverty

We classify public expenditure with the intention of assessing the trends of public expenditure to the chronically poor. However, the analysis ts limited by the fact that national budget figures do not give a breakdown of expenditure per quintile – hence making it absolutely impossible to state with certainty the expenditure trends on the chronically poor. However, data is available in aggregate terms about expenditure to specific functions (from functional classification of expenditure). Furthermore, the functional classification of expenditure gives a breakdown of expenditure both for recurrent and development expenditure, which allows us to assess the effectiveness of expenditure in specific expenditure categories.

We use disbursements to districts for education, health, water and sanitation, roads, and agriculture to tell a story on public expenditure to the poor. Before going into the specifics, we start with the aggregate figures as reported in the 2010/2011 Background to the Budget.

Since 1997, decentralisation has played a key role in implementing the PEAP, which has been replaced by the NDP starting financial year 2010/11. Since then, central government transfers to local governments have increased significantly over a ten year period (GoU, 2010d). Transfers to local governments were estimated at UShs2,334 billion in fiscal year 2009/10 accounting for 37 percent of total government expenditure. However, of this only 5.3 percent or UShs338 billion is estimated to have been spent on local government development programmes. Overall, only two percent of the total central government expenditure is devoted to capital formation at the level of districts (GoU, 2010d). The rather too little proportion of the development budget in transfers to districts limits the effectiveness of expenditure at that level, where majority of the chronically poor people live.

A look at Table 1 showing disbursements to financing agriculture, water supply, health, primary education, and secondary education at the district level shows that these sectors have been receiving increasing financing for the past decade. From 1997/98 to 2007/08 disbursement increased as follows: Agriculture from UShs2.6 billion to UShs52.1 billion; water supply from UShs1.0 billion to UShs38.6 billion; health from UShs26 billion to UShs147.9 billion; primary education from UShs72.2 billion to UShs382.3 billion; and secondary education from UShs15.5 billion to UShs98.5 billion. The absolute figures give the impression that more and more resources have been going to financing the social services that benefit the chronically poor people. However, as the saying goes, the devil is in the details as will be shown further below.

Table 1: Functional classification of local government outlays (Billions of shillings)

	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08
Agriculture	2.6	3.2	5.9	12.8	16.3	19.1	20.6	26.3	33.0	52.7	52.1
Water supply	1.0	40.9	20.6	21.7	24.0	22.3	22.3	26.1	20.7	36.5	38.6
Health	26.0	33.8	49.1	68.1	94.3	101.2	97.4	125.9	134.7	147.2	147.9
Primary education	72.2	111.0	157.7	210.3	225.1	238.1	227.6	253.3	240.9	375.5	382.3
Secondary education	15.4	30.8	28.5	29.1	41.3	58.3	37.9	47.2	47.7	79.6	98.5
Other functions***	153.1	179.1	187.7	223.8	292.2	321.8	378.1	434.0	499.7	359.7	399.0
Total outlays	270.3	398.8	449.5	565.8	693.2	760.8	783.9	912.8	976.7	1051.2	1118.4

Source: Background to the Budget 2010/2011, (GoU, 2010d).

Further analysis of disbursements to these sectors at the district level shows that the proportion of expenditure to each of these sectors has hardly increased during the past decade. In fact, some of the sectors such as primary education and water supply recorded declining shares in district expenditure (see Table 2 below). The proportion of district funds going to financing primary education decreased from 37.2 percent in 2000/01 to 24.7 percent in 2005/06; that going to financing water supply decreased from 10.3 percent in 1998/99 to 2.1 percent in 205/06.

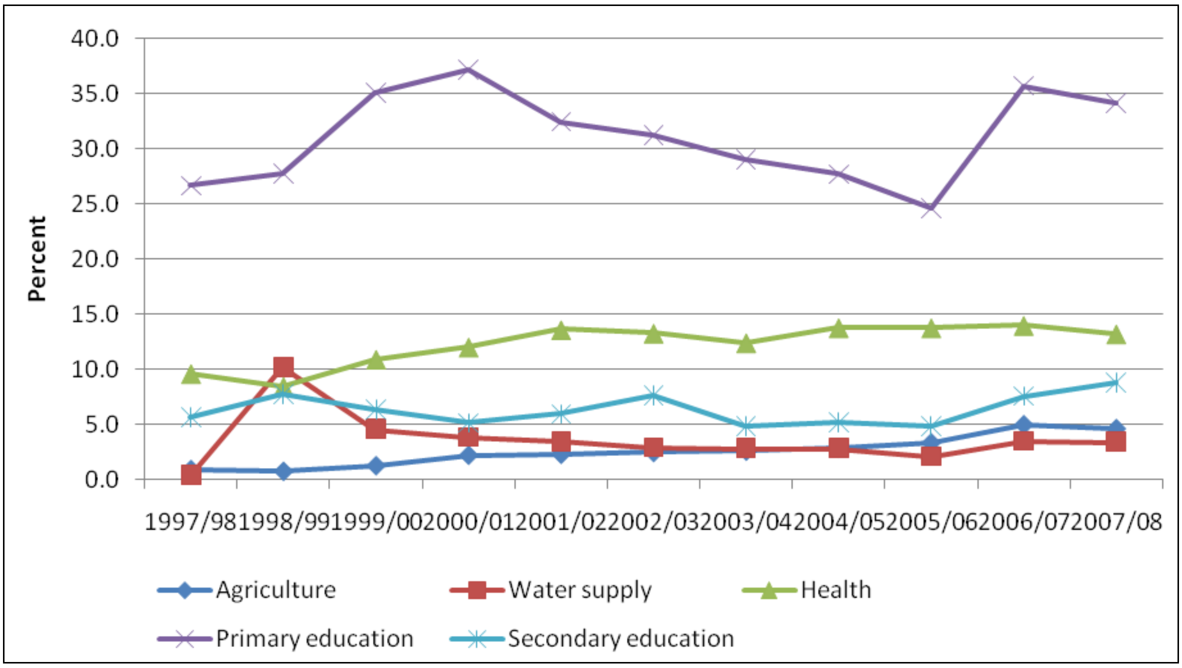
Table 2: Functional classification of local government outlays (%)

	1997/ 98	1998/ 99	1999/ 00	2000/ 01	2001/ 02	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08
Agriculture	1.0	0.8	1.3	2.3	2.4	2.5	2.6	2.9	3.4	5.0	4.7
Water supply	0.4	10.3	4.6	3.8	3.5	2.9	2.8	2.9	2.1	3.5	3.5
Health	9.6	8.5	10.9	12.0	13.6	13.3	12.4	13.8	13.8	14.0	13.2
Primary education	26.7	27.8	35.1	37.2	32.5	31.3	29.0	27.7	24.7	35.7	34.2
Secondary education	5.7	7.7	6.3	5.1	6.0	7.7	4.8	5.2	4.9	7.6	8.8
Other functions	56.6	44.9	41.8	39.6	42.2	42.3	48.2	47.5	51.2	34.2	35.7
Total outlays	100	100	100	100	100	100	100	100	100	100	100

Source: Background to the Budget 2010/2011, (GoU, 2010d).

Health, secondary education and water and sanitation received generally constant shares of the district budget during the past decade (see Figure 8). Although the share of health in district budgets increased initially from 9.6 percent in 1997/98 to 13.6 percent in 2001/02, the share 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.

Figure 6: Functional distribution of local government outlays 1997/98- 2007/08: Sectoral share of district budget (%)



Source: Background to the Budget 2010/2011, (GoU, 2010d).

Another very important dimension that the above analysis does not bring out is the share of each sector in the national budget. Data availability could not permit analysis of these shares. However, we can make some assumption to get an idea about the share of each of these sectors in the national budget for the year 2007/08. Recall that the share of transfers to local governments in 2009/10 was 37 percent, having increased from a much smaller proportion. Assuming that in 2007/08 central government transfers to local governments were the same 37 percent, Table 3 below gives the shares of agriculture, water supply, health, primary education, and secondary education in the national budget.

Table 3: Sectoral share in the national budget 2007/08 (%)

Agriculture	1.7
Water supply	1.3
Health	4.9
Primary education	12.6
Secondary education	3.3

Source: computations based on Background to the Budget 2010/11 figures, Government of Uganda (2010d).

The above analysis suggests that 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, Governments interventions in the agriculture sector are meeting the needs of the relatively better to do – definitely not those of the chronically poor. Water supply took a paltry 1.3

percent of the national budget; health only 4.9 percent; primary education 12.6 percent; and secondary education 3.3 percent.

The small share of these sectors in the national budget notwithstanding budget implementation at the district level faces many challenges that adversely affect the effectiveness of expenditure. The box below briefly outlines the challenges of budget implementation at the district level faces.

Box 1: Budget implementation issues

(1) General weakness in strategic planning across sectors and local governments – manifesting themselves in form of delayed activities such as procurement processes, resolution of land ownership and compensation. In some cases in the health sector, there has been a tendency to embark on construction of new structures before completing the already ongoing construction works, or continuing to construct new health units oblivious of the need to effectively equip the existing ones.

(2) Limited capacity as the local governments are still characterised by capacity constraints that relate to inadequate numbers of personnel within the districts and the absence of specialised cadres … Most districts are also constrained by inadequate and/or old equipment for road maintenance, …

(3) The challenge of inadequate capacity is also a concern among the private sector partners and tends to limit opportunities for Public-Private Partnerships projects especially in the energy and roads subsectors …

(4) There is also a prevalence of inadequate supervision, which is, partly, a capacity constraint but is also due to poor prioritisation by respective agencies. The inspectorate and supervision departments are not carrying out their functions effectively, which has resulted in poor service delivery mainly due to poor contract management across board. Staff absenteeism in health and education is a typical case in point.

(5) There are limited channels of effective communication between the different levels of implementing agencies yet the monitoring and effectiveness of public programmes can greatly be improved through sharing of useful information. Apart from sharing information between government's agencies, provision of information to the general public is required in order to increase citizen's demand for accountability.

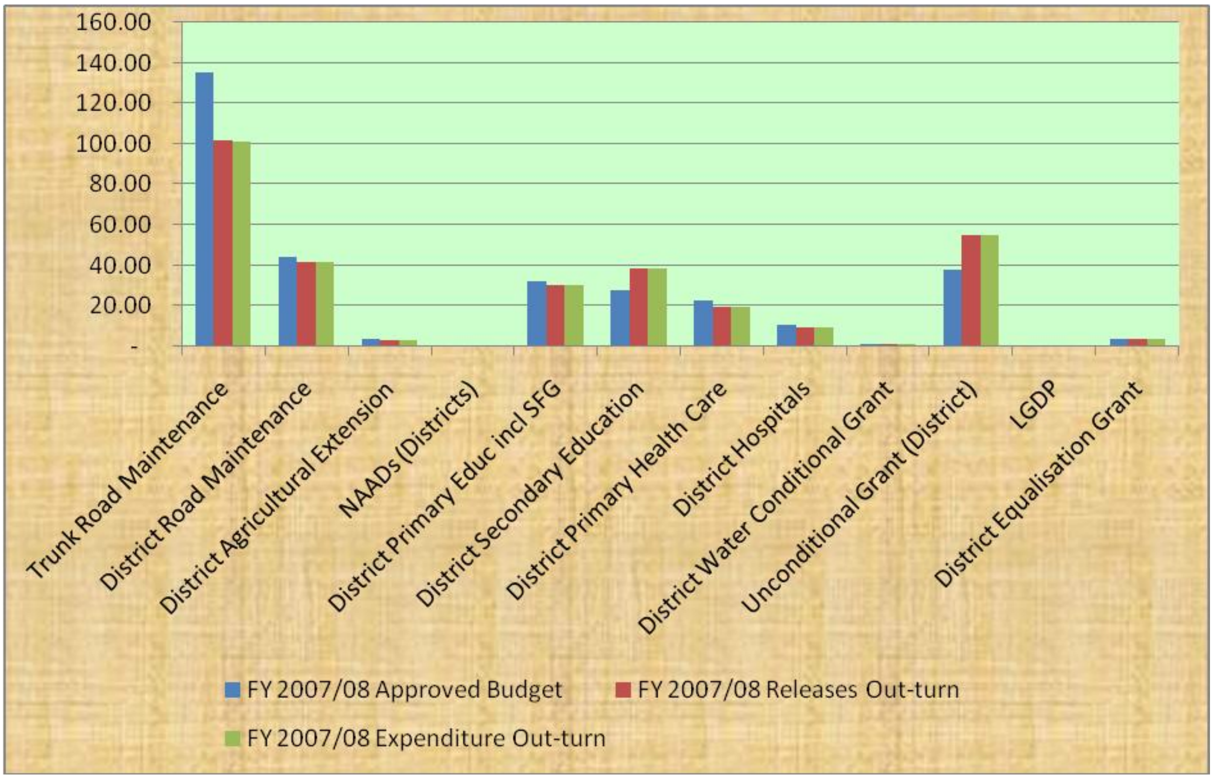
(6) Disproportionate unit costs due to lack of standardised price lists has manifested in very divergent unit costs within sectors that could not be justified. Instances of excessive over-pricing and ever-increasing unit costs, in light of limited budgets, have led to a diminishing scope of service delivery.

Source: Background to the Budget 2010/2011, (GoU, 2010d)

Disbursements vis-à-vis budgets

Figure 7 below suggests that except for districts equalisation grants, other service sectors received less that their approved budget from the central government to finance non-wage activities. Trunk road maintenance received 25.1 percent less of the approved budget in financial year 2007/08. However, funds to district secondary education and unconditional grants received more than initially approved in the budget. In the case of NAADS and LGDP, the releases to local governments were done under a domestic development scheme. This figure also suggests that the fluctuation in the agricultural sectoral contribution to GDP can be attributed to the low financing of the supportive units in the sector including district extension and conditional water grants. Agricultural extension services are very paramount to the growth of the sector in terms of productivity and yields. In FY 2007/08, the sector only received Ushs.3.4 billion as non-wage support to the agricultural sector compared to State house and president's office which received UShs.41.53 billion shillings.

Figure 7: Non-Wage Approved Budget, Release and Expenditure to Local Governments FY 2007/08



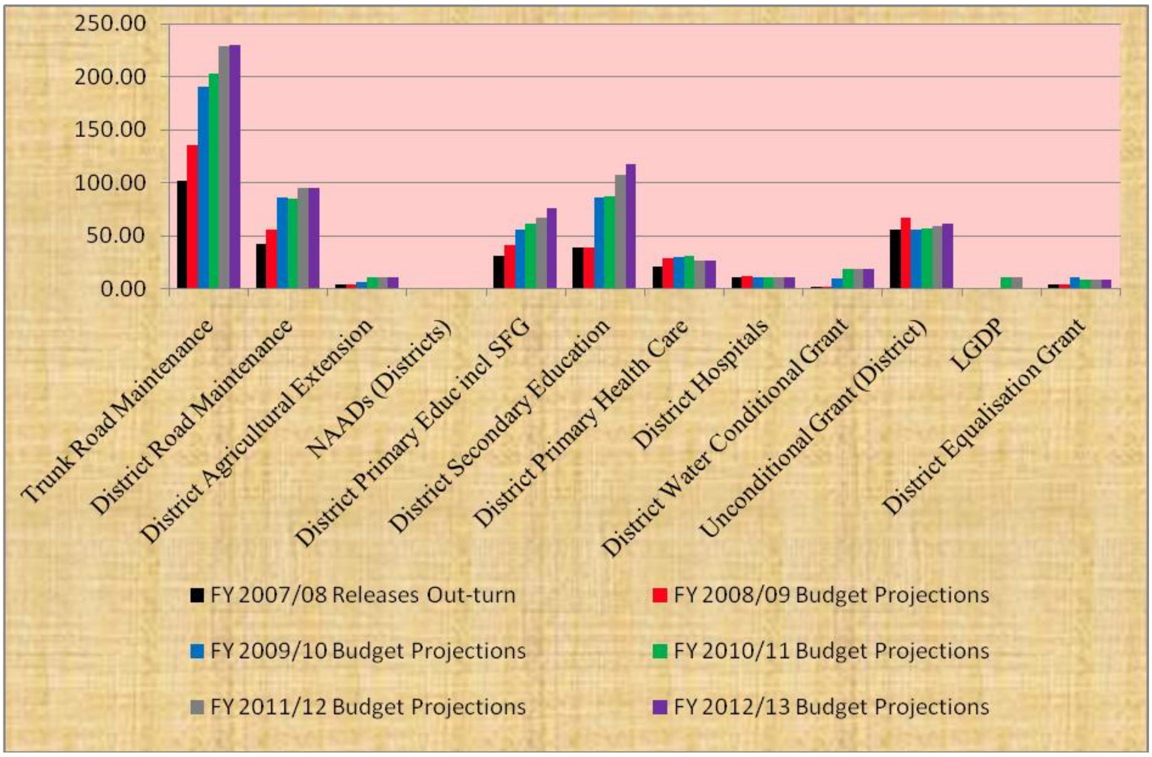
Source: Background to the Budget 2010/2011, (GoU, 2010d)

It is also notable that poor facilities and facilitation to agricultural extension, district water, district hospitals and primary health care limit the effectiveness of public expenditure in those areas. By extension, government's focus on the chronically poor has become compromised by inadequate non-wage budgets, which should finance facilitation and supervision of service delivery.

It is imperative to assess government performance on the basis of services provided by local governments because the services channelled through central governments are of little importance to ordinary citizens. In the FY 2007/08 the underfunding of non-wage activities to local governments prompted them to walked out of the Ministry of Finance Budget meeting claiming the ministry failed to solve the local government financing anguishes. At the beginning of the financial year, local governments were assured of graduated tax compensations. They had received UShs.34 billion in FY 2005/06 and expected UShs.45 billion FY 2007/08. However, during the budget reading, this fund was scrapped and replaced with the Local Service Tax and the Hotel and Lodges Tax. The local service and hotel tax contribution is minimal and barely comes from formal employment and reputable hotels whose collection and its administration has been very difficult and costly to local governments.

Figure 8 indicates slight variations in the budget projections across sectors over the years from FY 2008/09 to 2012/13. It also suggests that the trend of the budget projections have not any further varied with its release in FY 2007/08 for sectors such as primary health care, district hospitals and equalisation grants. Likewise, the projections have almost remained the same over these years except for trunk and district road maintenance and district secondary education. This suggests that the stagnated funding of non-wage activities in these sectors have made service delivery under respective governments units very difficult. Since the designated personnel are not in position to execute their duties. The trend in financing of the non-wage budget is not consistent with government's expressed priority on reduction of poverty in general and chronic poverty in particular. Non-wage expenditure in district hospitals, primary health care and agric extensions have remained almost constant despite increasing population of the chronically poor that districts are expected to serve.

Figure 8: Non-wage release and budget projections FY 2007/08-2012/13



Source: Background to the Budget 2010/2011, (GoU, 2010d)

The situation becomes compounded when inadequate funding of the non-wage budgets is put together with inadequate capacity and other constraints facing service delivery at the district level (see Box 1). As noted already, local governments invariably face severe capacity constraints in strategic planning; numbers of qualified personnel; private sector service providers; supervision; information sharing; and valuation. All these impact adversely on service delivery for the chronically poor.

6 Conclusions and policy implications

From the definition of chronic poverty we learn that service delivery is the way forward to eliminate chronic poverty in Uganda. This paper has raised pertinent issues relating to delivery of social services to the chronically poor people, ranging from inadequate financing to institutional weaknesses in service delivery.

There are many challenges adversely affecting service delivery in Uganda, including the spatial distribution of populations in rural areas. For now we take Uganda government's decentralisation programme as the vehicle for service delivery and look at the limiting factors for service delivery within that framework. In this regard, improvement of service delivery calls for improvement of local governments' capacity to deliver the services. It means deliberate government interventions that must benefit the chronically poor.

Current efforts to reach the chronically poor are frustrated by a plethora of constraints in service delivery that local governments face. Moreover, 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 national budget could be reprioritised to address the needs of the chronically poor. This would take the form of 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 5 percent; for health from 4.9 percent to 10 percent; for primary education from 12.6 percent to about 20 percent; and for secondary education to about 10 percent from the current 3.3 percent. This would entail 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.

Addressing capacity constraints in local governments that are outlined above (see Box 1) calls for reprioritisation of public expenditure, as shared between the central government and local governments. It further calls for providing tools and facilitating local governments to enable them to work more effectively and deliver social services more efficiently. Inadequate non-wage to social services renders the released money ineffective in terms of meeting the development needs of the chronically poor people.

We are cognisant of government's good intentions to address chronic poverty through district equalisation grants. As pointed out already, district equalisation grants during the financial year 2007/08 was as budgeted. However, 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 budget implementation issues at the level of districts raised above call for immediate action. Implementation of the required actions is not possible without significant increase in central government disbursements to local governments – at least to the proposed 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 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 people. Teacher absenteeism and absenteeism of medical personnel from their duty stations at health centre IIs is adversely affecting service delivery in education and health. Consequently, the quality of education in UPE and USE schools has become an issue of ridicule. In the interim, government should provide sufficient financial resources for inspection and supervision of delivery of social services at the district level.

Our submission on improvement of the quality of publicly provided social services is strengthening of supervision. Decentralisation has been taken too far and raised the cost of supervision, which could be beyond what Government can afford. The long-term design for social services would have to change from over-decentralisation to manageable decentralisation; one that can be easily monitored, inspected, and supervised. The current system of decentralising health service delivery to the level of the parish (Muluka) is difficult to manage; absenteeism of medical personnel from duty characterise today's system of health service delivery and renders it very ineffective. The same thing obtains in UPE.

Provision of social services would be easier with higher population densities, efficient transportation systems, and socially integrated communities (World Bank, 2009). Perhaps decentralisation up to the sub-county level would 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.

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