



SOCIAL DEVELOPMENT NOTES

ENVIRONMENTALLY AND SOCIALLY SUSTAINABLE DEVELOPMENT NETWORK



The Participation and Civic Engagement Team works to promote poverty reduction and sustainable development by empowering the poor to set their own priorities, control resources and influence the government, market and civil society institutions; and influencing governmental and private institutions to be responsive, inclusive, and accountable.

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Case Study 5 - Uganda: Participatory Approaches in Budgeting and Public Expenditure Management

Uganda: Tracking Public Expenditure in Primary Education¹

Background

Budget allocation alone can be a poor indicator of the quality and quantity of public service delivered on the frontline in countries with weak institutions. While shifting of budgetary resources to priority sectors is a good first step, it is crucial to ascertain where and how the allocated sum gets spent. The 1996 Uganda-World Bank attempt at tracking public expenditure in primary education (and health) has revealed a set of surprising findings, prompting fresh thinking on issues such as service “capture”, decentralization, cost efficiency, and accountability.

The Public Expenditure Tracking Surveys (PETS), as quantitative exercises separate from, but complementary to qualitative surveys on the perception of consumers on service delivery, have

been found to be very influential in highlighting the use and abuse of public money. In the absence of a strong institutional infrastructure to manage information flow, surveys such as the one done in Uganda has been seen to not only provide a realistic portrayal of the status of demand and supply of services but also prompt creation of cost effective mechanisms of public accountability through, for example, information dissemination on resource allocation and use.

Uganda’s macroeconomic performance has been remarkable in the 90s with growth averaging at 7% per annum. While this new-found wealth creation as well as donor money have been fueling much of the increased public spending in basic social services this decade, their quality has been judged to be very poor even by Sub-Saharan standards. Further, it was seen that despite increased spending, there was no corresponding improvement in outcomes, especially in primary education where a three-fold increase in funding seemed to have produced no increase in pupil enrollment according to official statistics. This hinted that allocated money was probably not reaching its destination because of corruption and mismanagement en route.

¹ Primarily based on Reinikka, R. “Recovery in Service Delivery: Evidence from Schools and Clinics”, July 2000, unpublished; the World Bank, PREM Notes, Number 23, May 1999; and Ablo, E. and R. Reinikka, “Do Budgets Really Matter?”, WPS #1926, 1998.

This note was prepared by Swarnim Wagle and Parmesh Shah of the Participation and Civic Engagement Group in The World Bank as a case study input on “Participatory Approaches in Budgeting and Public Expenditure Management” for the Action Learning Program on “Participatory approaches at the Macro level. Further details and documents related to this Action Learning Program are available at www.worldbank.org/participation

Process

In collaboration with the Ugandan government, and two domestic firms, 250 primary schools were identified in 19 of 39 Ugandan districts for the survey. 20 schools were chosen in districts that had over 200; 15 were chosen in districts that had between 100 and 200 schools; and 10 were chosen in districts that had less than 100 schools. The 19 districts were selected so as to geographically represent the country, and were sub-divided into three groups to reflect the different times during the year they received their budgets. The mission was to find out how much of the money that left the exchequer actually reached the schools between 1991 and 1995. Data on income, expenditure, and enrollment in schools were collected, largely by former teachers. Forms used were standardized and there was a provision for collection of qualitative information as well.

The government did not maintain dis-aggregated data on wage bill to teachers by type of school (primary or secondary), which made it impossible to compare allocation with actual spending by using the salary category. As the only systematic data available was on capitation grants² for non-wage spending, this was what was eventually chosen for tracking. Further, because the quality of data at the district level was poor, this tier was excluded from the exercise which meant that the survey was essentially reduced to comparing amounts of non-wage grants allocated at the center with how much of that reached the primary schools for expenditure. Book keeping at these extreme nodes was relatively decent, especially at the primary schools which maintained good record of enrollment and financial flows, partly because so much of their money was coming from parents, accountability was taken seriously.

Findings

Despite quadrupling of public spending measured in real terms between 1991 and 1995, official statistics had shown that enrollment rates in primary schools remained stagnant. The survey found this was not true. Enrollment rates had actually increased by around 60% during the period, which had simply

² Payment made by the government to the schools at the rate of 2,500 US\$ per student enrolled in classes P1-P4, and 4,000 US\$ for students in P5-P7. These were supposed to be matched by the mandated tuition fees paid by parents.

not been reported because of perverse incentives in the system. Reinikka (2000) thinks that at the level of the schools, under-reporting allowed them to remit smaller amount of collected fees to the districts, while underreporting at the district level allowed them to withhold, and essentially usurp, capitation grants (per enrollee) awarded by the center to the schools.

The average amount of capitation grants received by the schools in 1991 was just 2% of the total allocation, which had improved to 26% by 1995, but was still shockingly low when compared to a theoretical possibility of 100%. While some schools received up to 25% of the allocation in a good year, the median was zero. The survey found that blockage in the system was occurring at the local governments which retained much of the grant, arguing that the children might have enrolled at schools but had not paid their fees, substantial part of which was supposed to be remitted to the districts to cover the expenses of the education office. They argued that the grants were thus withheld to cover these expenses. But the schools continued to send, on average, between 94% and 64% of collected fees to the district offices in the four year period. Hence, while the districts received money from both the center and the ground, the schools continued to be under-funded which would probably have hurt the poor families most as they were the ones typically defaulting on tuition fee payment. The burden of financing thus increased for the Parent-Teachers Associations that had really taken control of the Ugandan school system during the 70s and the 80s when, under military turmoil, funding to schools had been drastically withdrawn. With the revival of economic fortunes in the 90s, the government was putting in a lot of resource, but that was largely going into augmenting teachers' salaries to curtail massive absenteeism. The survey found that expenditures on salaries between '91 and '95 increased by 200% (although from a very low base), while expenses on non-salary, instructional items went up by only 20%.

Once revealed that less than 30% of allocated capitation money was reaching the schools on average at the end of 1995, the government acted immediately to improve flow of information, and make budget transfers transparent by: i) publishing amounts transferred to the districts in newspapers and radio broadcasts; ii) requiring schools to maintain public notice boards to post monthly transfer of funds; iii) legally provisioning for

accountability and information dissemination in the 1997 Local Governance Act; and iv) requiring districts to deposit all grants to schools in their own accounts, and delegating authority for procurement from the center to the schools. By 1999, capitation grants received by the schools had almost reached 100%, although delay in transfers were noticed to have persisted.

The survey also found that while attempts at decentralization were inspired by a desire to improve democratic participation and service delivery, schools that were receiving money from districts empowered to make funding decisions themselves - following decentralization - were receiving less money (by around 9 percentage point) than those that continued to receive money from the center with districts only serving as a conduit. This regression finding (by using dummy variables 1 for decentralization and 0 for not) illustrates a point that decentralization may come with a temporary “adjustment cost in terms of service delivery”.

The salary part of the transfers was, however, found to be filtering down more smoothly. In fact, the survey results showed that alleged delay in transfer of salary money was unfounded. Interestingly, it had been noted earlier that schools had a practice of exaggerating the number of teachers they had on government payroll. They were the non-existent “ghosts”. In 1993, around 20% of the total number of teachers, or 15,000 “ghosts” had been removed from the list. Performance of public facilities also depended widely on which part of the country they were based. And because the amount of capitation grant was uniform across the country, this was a useful tool to see which parts of the country fared worse in receiving smaller amounts late. Interestingly, results from the poorest region of the country – the North – showed that it got treated badly.

Concern

Because of understandable constraints, this survey only tracked the flow of capitation grants. While the exercise turned out to be illuminating on how movement of fund occurs at various bureaucratic stages and where the bottlenecks are, these grants really are a very insignificant component of the total expenditure pie (they were just 5% of the total

governmental contributions and around 2% of the total school income inclusive of parental inputs in 1995). There is thus a basis to question the general applicability of the survey’s findings and conclusions given that the element that was tracked only formed a very small share. Bulk of the spending on education comprises of salaries, paid for together by the government, PTAs (Parent Teacher Associations) and even NGOs, and here, systems of accountability and record keeping have been seen to have been maintained slightly better for varying reasons and incentives.

Final Remark

Oftentimes, people simply don’t know what their rights are, and what claims they can make legitimately in the public sphere. The Ugandan case is an example of a cost-effective survey that demystified a governmental process, prompting a smoother flow of information to enhance transparency in budget allocation and use that resulted in capitation grants the schools were supposed to be receiving going up from almost 0% in 1991 to nearly 100% in 1999. The findings of the survey and a wave of positive reaction they generated illustrate best how modest methods that lead to the realization of important concepts such as transparency and accountability can dramatically alter pro-poor outcomes in public service delivery.

