



Implementation of Annual Budget Performance Contracts and Annual Performance Agreements in the Local Governments: What are the key issues?

Overview

The Government of Uganda (GoU) introduced a Performance Management Framework aimed at enhancing results oriented management within the Public Service. The main thrust is to empower Accounting Officers to make effective decisions on resources to achieve specified results, and ensure delivery of high quality services and ultimately build confidence and trust. The framework adopted two instruments; Annual Performance Agreements (APA), and Annual Budget Performance Contracts (ABPC).

Performance management in Uganda's Public Service is results-based, aimed at ensuring that organizations and individuals contribute to improved service delivery and the attainment of national development objectives. The key elements of results oriented management are setting output targets, performance indicators, monitoring and evaluation as well as rewards/sanctions. According to the Local Government Performance Assessment, Budget Monitoring and Accountability Unit (BMAU), Ministry of Local Government reports, and the National Delivery Survey Results, 2015 both instruments have not yet delivered the desired performance enhancement, accountability and improvement in service delivery.

The reports highlighted several weaknesses that included ineffective implementation of a number of public service reforms, corruption, poor work environment, low motivation and remuneration, and low adoption of ICT.

The focus of this policy brief is on implementation of the two instruments as public service reforms by the Accounting Officers in Local Governments. It also gives key issues and recommendations.

Key Issues

- The Performance Management Frameworks are outdated, not in line with Vision 2040, NDP II and current reforms in the Ministry of Finance, Planning Economic Development (MFPED), and Ministry of Public Service (MoPS).
- The Annual Performance Agreements and Annual Budget Performance Contracts have ambiguous targets.
- Low staffing levels in critical positions and motivation affects implementation of both instruments in LGs.

Introduction

In Uganda, Annual Budget Performance Contracts and performance agreements are anchored in the Second National Development Plan (NDP II) and Vision 2040 in which Local Governments (LGs) align their District Development Plans. In line with the Public Financial Management Act of 2015, Part VI Accounting and Audit, Section 45 (3) it is a requirement that all Accounting Officers in Central and LGs sign the contracts.

The Annual Budget Performance Contract is a signed agreement between the Accounting Officer of a spending agency or Vote and the Permanent Secretary/Secretary to the Treasury. The objective of the ABPC is to inform the allocation of grants and the appointment of Accounting Officers in LGs. Each quarter a performance report must be submitted to MFPED outlining progress against work plans. MFPED is the key player in the



implementation of the Annual Budget Performance Contracts in LGs.

In addition, Circular Standing Instruction No.1 of 2010 introduced the signing of **Annual Performance Agreements (APA)** by senior managers in the Public Service with a view of providing full accountability and demonstrate commitment to the achievement of the country's strategic goals as spelt out in the NDP II.

The objectives of APA include improved service delivery to the public by ensuring Accounting

Officers are accountable for results. In addition, it is to ensure that resources are focused on attaining the key national priorities of Government, and institutionalizing a performance oriented culture.

The APAs form a basis for the renewal or non-renewal of appointments and retention of Accounting Officers in LGs. Ministry of Local Government MoLG) and Ministry of Public Service together with the respective LGs are the key players in the implementation of Annual performance agreements.

Table 1.1: Content of Annual Performance Agreement and Annual Budget Performance Budget Contracts

Element	Annual Performance Agreements	Annual Budget Performance Contracts
Legal/Policy Backing	Public Service Act 2008, Client Charters, New Performance Appraisal System	Public Financial Management Act of 2015, Part VI, Accounting and Audit, Section 45 (3)
Responsible Institution and Supervisor	MoPS, Permanent Secretary, Immediate Supervisor, CAO, TC respective heads of departments	MFPED, Permanent Secretary/Secretary to the Treasury
Target	Directors, Heads of Departments, Deputy Chief Administrators Officers (DCAO), Deputy Town Clerks (DTC)	Accounting Officers
Role of Accounting Officers	Provision of full transparency, accountability and demonstration of commitment to the achievements of NDP goals, strategic outputs/targets, cross-cutting initiatives and innovation (one major initiative)	Budgeting, financial management and accountability. Achieving results of 5 priority programs and projects Timely and predictable implementation Procurement and project management Monitoring and follow-up.
Parameters of assessment	Strategic outputs; monitoring projects in education, health, roads, water and community development and submission of Final Accounts to MFPED Human resource management	Complete and timely submission of budget documents. Prompt processing of payments, Implementing budgets as planned Complete and timely submission of reports Internal and External Audit follow-ups

Source: MFPED and MOLG Reports

Compliance to both instruments by LGs

According to the Local Government Performance Assessment Report FY 2018/19, there was an improvement in the submission of Annual

Performance Budget Contracts from the previous year. Most LGs (70%) submitted their performance contracts in time as compared to 27% from the previous assessment. Management and payment of pension, gratuity



and salary arrears in LGs has improved due to compliance to both instruments. Most Acting Chief Administrative Officers and Town Clerks in LGs were promoted to substantive positions.

Challenges

1) An Outdated Performance Management Framework: The performance management framework in force was developed in 2008 and is no longer in line with the current policy documents of Vision 2040, NDPII, technology advancements, Public Service and financial reforms.

2) Non-Compliance to accountability requirements under ABPC by some LGs: The accountability requirement is a major input in the appointment of Accounting Officers in LGs (**Figure 2**). To ensure that LGs have basic safeguards for proper management of resources in place, there are six accountability requirements related to submission of performance contract (budget, procurement), performance reports and audit.

Timely compliance with the core accountability requirement, and submission of quarterly performance contracts continues to be a challenge for most LGs. The worst performing LGs in FY 2018/19 are Kalangala, Kiboga, Mayuge, Hoima, Kanungu, Mbarara, Mityana and Mukono.

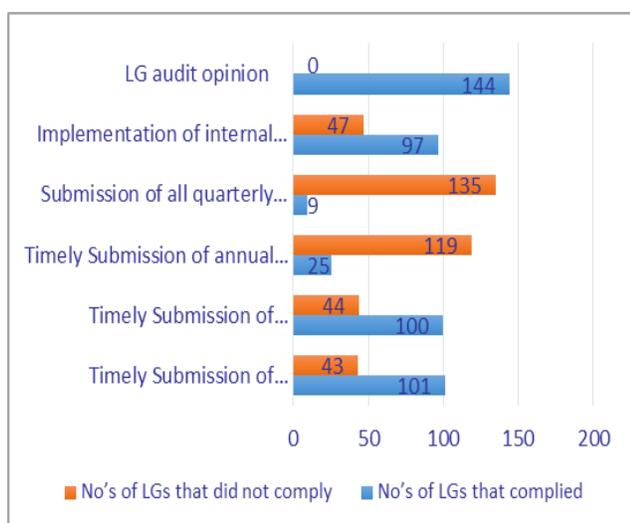
3) Ambiguous planned outputs and targets: The strategic outputs under the APA and ABPC are ambiguous with unrealistic targets and some outputs not reported upon; while performance indicators and outputs are not specific, measurable, achievable, relevant and time bound.

4) Low staffing levels in LGs: In most districts the critical positions are less than 50% filled, thereby affecting levels of performance. According to reports from the Ministry of Local Government, as at 30th October, 2018, out of the approved 45,450 critical positions at the district and sub-county level, only 25,820 were filled. A total of 1,036 positions remain unfilled, which affects implementation of the two instruments and service delivery in LGs.

5) Laxity in enforcement of instruments: Lack of interest and commitment from those entrusted to administer the instruments. Some CAOs and Town Clerks do not accord the two instruments the due importance they deserve. Others come up with new outputs which were not in their performance agreements.

6) Capacity gaps in mainstreaming cross cutting issues: LGs are required to mainstream cross cutting issues such as HIV/AIDS, gender, environment and climate change mitigation in their routine activities, however according to reports from MoLG a relative number of officers

Figure 2: Compliance of accountabilities





performed poorly against this parameter. This shows that there are still capacity gaps in mainstreaming cross cutting issues in LGs.

Conclusion

Outdated Performance Management Framework, lack of compliance to accountability requirements by some LGs, low staffing levels are some of the key issues affecting performance of both instruments in LGs. If the Annual Performance Agreements and Annual Budget Performance Contracts are effectively implemented, this will strengthen performance management in the Public Service and improve service delivery in LGs.

Recommendations

- 1) The MFPED, MoLG and MoPS should update the Performance Management Framework, jointly review and harmonise both instruments and put in place the requisite mechanisms for enforcement. Key results should be weighted to indicate the relative importance of the specific key results in relating to the other key results in terms of the achievement of the district plans and the NDP II strategic objectives.
- 2) The National Planning Authority, MoPS and MFPED should give more support and guidance in the form of coaching to LGs in the areas of strategic planning, development of performance indicators and outcomes, monitoring of performance management, mainstreaming of cross cutting issues, and

innovations. All these are central to the success of APA and ABPC.

- 3) The MoPS should review most staffing structures in LGs that lack positions at Principal level to address the issue of persistent vacant strategic positions.
- 4) The MoLG and MFPED should consider implementing the Rewards and Sanctions Framework for excellent and poor performance, and conduct routine inspections, targeted supervisory support to specific underperforming LGs.
- 5) The MoLG and MFPED should encourage development partners to support LGs, develop and implement performance improvement plans.
- 6) The MFPED, MoLG and MoPS should benchmark the best practices in performance management in Rwanda and Tanzania where performance improvement models have improved service delivery in LGs.

References

- BMAU Annual Reports FY2017/8, Semi Annual reports 2018/19.
- The Second National Development Plan (NDP11) 2015/16-2019/20
- Local Government Performance Assessments reports FY 2017/18 and FY 2019
- Performance reports of Chief Administrative Officers, MoLG, and FY 2012 to 2019
- The National Delivery Survey Report, 2015

For more information, contact

Budget Monitoring and Accountability Unit (BMAU)
Ministry of Finance, Planning and Economic Development
Plot 1-12 Apollo Kaggwa Road
www.finance.go.ug