TAX FOR DEVELOPMENT

Budget accountability and oil development in Uganda

Extractive Industries Knowledge Hub
INTRODUCTION
It is well documented that oil revenues, if not well managed, can overload weak accountability systems and lead to rising corruption. Governments that depend primarily on oil rents have less incentive to respect the social contract with ordinary tax-paying citizens. This is a live issue in Uganda, where rapid development of the country’s oil resources is linking oil wells in the Rift Valley near Lake Albert to a 1,443 km pipeline that will reach the coast in Tanzania, with the first oil exports expected in 2025. Future oil rents hold the risk of reinforcing the government’s authoritarian tendencies and eroding the social contract between the government and citizens. While the law mandates that six percent of the royalties paid to the government should be allocated to districts affected by oil production when exports begin, uncertainties remain over how these funds will be distributed and which districts will benefit.

Oxfam’s tax justice program has been working with communities and partners to improve accountability in public financial management—in effect, promoting good “budget hygiene”—before major oil revenues start to flow. The program aims to strengthen civil society and citizens’ participation in promoting transparent management of public finance, breaking down exclusionary spaces at both national and sub-national levels to include citizen participation in decisions concerning Uganda’s fiscal policy.

CONTEXT AND BACKGROUND
Running from December 2019 until December 2022, the program built citizens’ confidence on topics like fiscal policy and sound public financial management to ensure that relevant policies and legislation reflect their needs and priorities. The program focused on districts affected by ongoing development of Uganda’s oil resources. It worked alongside a sister program (Oil for Development) that focused on the human rights impacts caused by oil extraction. Both programs supported key actors in shaping the country’s public finance policies to benefit host communities by strengthening the social contract between citizens and the state.

On paper, structures of local accountability—such as School Management Committees (SMCs), Health Unit Management Committees (HUMCs), and Parent Teacher Associations (PTAs)—exist, established under the 2008 Education Act and the Second National Health Policy. Uganda also boasts networks of elected local Chairs from village to District level, as well as Councilors and MPs, who have responsibilities regarding representation, oversight, and (at the national level) legislation. In practice, however, many of these structures lack resources and tools—and political incentives—to work effectively, even when there is the drive and motivation to do so. In the program’s baseline survey, respondents noted that “effective participation is hindered by citizens’ lack of skills in engaging the government, poor communication between public officials and their constituents, and an overall lack of trust. Citizens also complain that they are subject to government intimidation”. Furthermore, 74% of interviewees in the program districts of Buliisa and Rakai “disagreed or strongly disagreed that the local government listens to their views”. Unsurprisingly, the baseline also found that men dominate community meetings as well as local committees and elected positions. Women are largely absent in these spaces, which, one informant claimed, was due to a general lack of education leading to a lack of confidence to express themselves.

IMPROVING ACCOUNTABILITY FROM THE GROUND UP
At the community level, the program worked through local activists who came together in Participatory Budget Clubs (PBCs) to monitor local education and health services in primary schools and health clinics. Members of the PBCs are chosen according to selection criteria around commitment, literacy, and local reputation. Member targets are 40% women and 10% people with disabilities. PBC members tend to be teachers and social workers; they are supported...
with initial training on assessing local budgets and the quality of services delivered by the local government. They are also given badges and T-shirts for identification. Their work is voluntary, although they receive a transport allowance. For example, in Lwanda sub-county in Rakai district, there are 23 members in the PBC—trained by local Oxfam partner RACA—who monitor 16 primary schools and 2 health clinics in their area.

The PBCs use an established 3-step method to monitor and improve services at local primary schools and health clinics.

First, they organize a monitoring visit to the school or clinic, undertaken by five members of the PBC on a surprise basis. The five members divide roles between them, with one acting as secretary to record the results. The team uses either a ‘service-delivery monitoring tool’ or a ‘contract monitoring tool’. The former includes different checklists of items, depending on whether the team is visiting a clinic or a school. The form covers both infrastructure available (e.g. number and adequacy of latrines) and service levels (e.g. staff absenteeism). The latter is used for buildings under construction. This tool asks detailed questions about the contractor, the contract, and the list of construction materials needed. It also allows PBC members to record any construction defects noted such as cracks or non-shutting doors.

The reports from the monitoring visits include recommendations, such as clearly displaying dates and information on funds received from the Ministry or increasing teacher staffing capacity at schools.
Following the visit, the PBC team organizes a community dialogue meeting (baraza in Swahili) to update residents on the results and to ask for their views on the running of the facility as well as any challenges and recommendations they want to highlight. Elected representatives and relevant subcounty and district staff, especially from the schools and clinics concerned, are also invited to attend.

Finally, an interface meeting is held with local officials – such as the District Education or Health Officer, the sub-county technical planning committee, the school management or health unit management committee members – councilors, and a staff representative from the school or clinic. The results of the monitoring visit and community dialogue are presented at the meeting, followed by a discussion on how to address any problems identified and how to respond to the recommendations. Naturally, local officials may be nervous at first, but they are reassured that the emphasis of the meeting is on seeking solutions. Where money is insufficient to tackle an issue, PBC members may propose to include a capital cost in the following year’s budget or approach other possible funders.

Commitments made by duty bearers during the interface meetings are followed up by the two Oxfam partners, RACA and KAWIDA, working at district level.

Ngwedo Primary School.

Following a monitoring visit undertaken by a PBC team, three major problems were revealed:

**Water:** Pupils missing class due to the need to fetch water from a distant source. PBCs engaged local education officials, and piped water was brought to a point adjacent to the school and shared with a neighboring church.

**New Latrines under Construction:** PBCs documented defects, including cracks in the concrete slabs. Local partner KAWIDA engaged the local procurement officer, the contracts committee, and the contractor. After telling the contractor that it would contact the PPDA at national level—which has the power to blacklist contractors for poor work—he agreed to rectify the problems.

**Desks:** With a school enrolment of 871, the number of desks was massively inadequate. Forty new desks were purchased after the program contacted officials at district and sub-county levels.

An unresolved challenge is the high drop-out rate of female pupils as they reach adolescence. In the first year of school, the ratio of boys to girls is fairly equal, but by the last year, (P7) the numbers are currently 30 boys to only 11 girls. According to a district education officer, the drop-out rate of teenage girls has increased with the arrival of the Oil Industry—which is a risk even acknowledged by TotalEnergies in their Human Rights Impact Assessment.

Commitments made by duty bearers during the interface meetings are followed up by the two Oxfam partners, RACA and KAWIDA, working at district level.
At the district level, the program published annual **Budget Guides** in response to the baseline finding that “most respondents felt unable to influence the budget to reflect the development needs of their communities”. These guides contain simplified budget information to help citizens understand budget outputs and plans and to meaningfully participate in and influence the budget process. At the same time, the PBC monitoring reports, circulated at district level, make specific recommendations—for example, that district authorities should budget to build latrines in all schools in proportion to the number of pupils.

The program used a demonstration effect to maximize its impact by sharing knowledge and best practices with neighboring sub-districts. Exchange visits were organized, allowing local officials from neighboring areas to observe and learn from the program’s successful implementation. This created an opportunity for cross-learning, which enables the replication of effective strategies in other villages. In addition to

One of the key aspects of this model is the monitoring and reporting system. Monitoring reports are generated and discussed in meetings such as the District Health Team meeting, where evidence of service failings can be examined. This enables facility staff and district officials to be held accountable for the standards of service they provide. If recommendations are endorsed, they are then taken to the District Council, which consists of individuals with local budgeting authority. Aggregated reports are prepared to summarize monitoring visit findings at the sub-county level. It is well demonstrated that such models of direct accountability, where users of local services can tackle issues directly with the providers, are powerful levers to improve standards of service delivery—but consistent and persistent follow-up on commitments is needed. The emphasis of the PBCs is on seeking practical solutions to immediate problems—both management issues like staff behavior and infrastructure deficiencies that need capital investment.
exchange visits, the program made monitoring forms available to the public. These forms are used in other villages to assess and document due diligence—like ensuring that local contractors adhere to quality standards—or that they are using the correct amount of cement in their buildings. At the same time, the program reinforced existing accountability structures. It trained school management and health unit management committees on fulfilling their oversight responsibilities and provided training to District Public Accounts Committees, enabling them to perform their roles more efficiently. To increase awareness and understanding of the program’s objectives and activities, Oxfam partners took part in radio broadcasts to explain the program to a wider audience.

Avogera Health Centre.

Avogera Health Centre was previously run-down and under-equipped, despite the rising local population. Oxfam partner KAWIDA began monitoring visits about 3 years ago, reviewing both the facilities and the services provided to local people. Community Dialogue meetings brought together residents and the health center staff to discuss the issues. This initiative is well received by the head nurse, who says, “The special value that they [KAWIDA] bring, is that through the monitoring, they discover gaps (and also the positive things) that they share with leaders so that they can take action.”

A new maternity ward has been built with two delivery beds instead of the previous one bed, and construction of staff quarters is underway. Additional support was granted by TotalEnergies, which expanded and refurbished the outpatient department. The community also pushed for a kitchen for families and staff to prepare food on-site, and the local government has recently accommodated this request. Overall, the facility was upgraded to Health Centre level 3.

RESULTS ACHIEVED

Interviewees explained that the three-stage process of monitoring visits and follow-up has resulted in improvements to local facilities. A district-level official in Rakai explains: “When the report has captured that a certain school lacks a latrine for example, then we are informed, and we can budget for it accordingly. When the money is not enough, we do unfunded priorities. We list them on the pending list, so that in the next period we can include them.”

As a result, the role of the PBCs is now widely appreciated. As one PBC member from Rakai district commented regarding local health and education staff,
Finally, partners have pushed the public procurement agency (PPDA) to improve its procurement monitoring system. For example, contractors who have underperformed on specific contracts have been blacklisted from future work on publicly funded construction projects. These contractors were identified by PBCs who scrutinized construction work at schools and clinics. Partners played a vital role in advocating for accountability by writing letters to the PPDA, bringing attention to the underperforming contractors and urging the agency to act.

**Lessons Learned**

Future oil rents hold the risk of reinforcing the government’s authoritarian tendencies and eroding the social contract between the government and citizens. While the law mandates that 6% of the royalties paid to the Government should go to Districts affected by oil production and transport when exports begin, it is unclear how these funds will be distributed. The practice of citizens demanding better services and local government releasing information is an important enabler of effective future use of these revenues. Much remains to be done, but the PBCs have laid down a crucial marker in charting the way forward.

“At first, they used to see us as strangers and as a threat. Now they welcome us because they want us to take their message to district level. We are no longer seen as a threat because they have seen the changes, they have seen the impact.” With the evidence provided by the monitoring forms, the schools and clinics are better placed to press for upgrades to buildings, equipment, and staffing levels. The availability of information has also improved. Details of budgets received are now visible on the walls of schools and clinics. Health statistics such as monthly morbidity charts are also displayed, as are enrolment numbers in the schools. One previously underperforming Health Centre in Rakai, covered by the program, became the best-performing of the district’s 39 health centers for immunizations and staff attendance in 2021.

The program produced district budget booklets, which have resulted in better performance of local service delivery. As one district official commented, “when a certain sub-county gets to know how much is allocated for the construction of a toilet in a school, this helps to monitor the project, to check whether it is being constructed to the right standards, and even helps them to advocate for more.”
The PBCs have successfully mitigated challenges in power dynamics among communities, elected officials, and CSO’s, as well as tendencies around nepotism and abuse. Resistance to transparency by some local politicians and procurement officials was overcome by the PBCs patience and persistence. PBCs have consistently reminded officials of relevant legislation on transparency, such as the Access to Information Act, and have escalated issues as far as the Chief Administrative Officer at district level. Over time, attitudes have changed: one local Councilor even commented, “the PBCs have done a great job at helping Councilors like me, because they get the community to tell people [like me] what they need.” Likewise, PBCs tempered suspicions from heads of schools and clinics – who resented being inspected – by deploying respected local NGOs in the inspections and by highlighting the possibility of additional resources to cover deficits in equipment and staffing. The PBCs’ well-documented, credible, and reliable evidence-based approach also helped to overcome initial suspicion. As Oxfam partner CSBAG comments, “We must be factual; we will not go out there unless we have the facts. People know that what we do is well-researched.” Open forum discussions have lessened resistance by workers in clinics and schools over criticisms of absenteeism. A local health official in Rakai commented, “When we had just started, the health workers saw the monitoring team as their enemies, because the first report talked about absenteeism and the attitude of the workers towards clients like pregnant mothers. But after meeting with the community in the Community Dialogue, absenteeism has improved, and monthly attendance figures are now satisfactory.”

While some local politicians and procurement officials still prefer to obstruct information about contracts and procurement, creating hostilities for PBC members, citizens agree that “the Government is also learning. Inherently this is a government that was not used to reporting back to its citizens, but the program has helped them to learn.” However, the legal framework must match the implementation of laws and procedures. As Oxfam partner CSBAG comments, “Our biggest challenge [as a country] is putting into practice the legal framework. Where is the will to enforce these laws?” This problem particularly applies to the districts directly impacted by the oil industry and that are due to receive a percentage of future royalties, but the challenge of improved service delivery and financial accountability applies to all the country’s 135 districts. Going forward, the program must look at cost-efficient ways to scale its impact by making the monitoring tools more widely available to school management and health unit management committees in other sub-counties and districts. By sharing the monitoring tools and empowering the school management and health unit management committees, similar monitoring and oversight processes can be implemented in other areas. This can help to ensure that the benefits of direct local accountability and participatory budgeting are experienced by a broader range of communities. While empowering local committees and communities is crucial, it should be complemented by efforts to strengthen the enabling environment at the district and higher levels.

Interestingly, some PBC members, drawing on their experience in the monitoring of local public services, have been elected to local office. In Buliisa District, for example, a community member used his experience in the PBC to become Councilor and now chairs the district Public Accounts Committee. These unintended impacts may enhance the reputation of the program, achieve a multiplier effect, and contribute to the program’s sustainability. In communities, improved skills and changes in attitudes are the drivers to PBC’s success. Demand to scale to other sub-counties and districts, including oil-impacted districts, speaks to the ongoing relevance of the program. Strengthened SMCs and HUMCs are well placed to maintain collaboration and push for improvements in service delivery. Finally, while Oxfam’s leadership of the program has concluded, partners will continue to support the groups established and the work that they undertake.
Author
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Oxfam’s work on Extractive Industries
Oxfam supports the rights of communities to know about oil, gas, and mining projects, and to decide if they want these projects. Oxfam also helps track the revenues paid by companies to governments so that more of that money will be spent fighting poverty. Today Oxfam works to find just solutions to oil, gas, and mining issues in approximately 30 countries. This case study is part of a knowledge and learning series focused on Oxfam and partners’ work influencing the oil, gas, and mining activities in selected countries.

Photos
Page 1: Hundreds of villages and their farmlands will be affected by the development of the EACOP oil fields in Uganda and Tanzania.
Photo: Juliette Renaud, Amis de la Terre France

Page 3: Women sharing their experiences on land disputes.
Photo: Oxfam in Uganda staff

Page 5: The head teacher Nsozibiri P/S Mr. Mpagi explains to PBC members how the delayed completion of the staff quarters is being adversely affected by rain.
Photo: Siragi Magara Luyima

Page 7: TotalEnergies helped revamp the Avogera Health Centre III to provide healthcare to households within the Avogera catchment area of Ngendo sub-county.
Photo: TotalEnergies

Notes
1 Tax for Development Baseline report, page ii
2 Tax For Development Baseline report, page 15
4 Kakindo Integrated Women Development Agency – KAWIDA, a well-established woman-founded NGO operating in Buliisa District.
5 Microsoft Word - Tilenga HRIA - Full Report (Final Draft - 270122).docx (totalenergies.ug)
6 Social Accountability in the Public Sector - cover (worldbank.org)
8 Uganda–Case-Study-April-2022.pdf (thinkwell.global)
9 TOTALENERGIES EP UGANDA REVAMPS AVOGERA HEALTH CENTRE III OUT-PATIENT FACILITY TO BOOST HEALTH CARE SERVICE DELIVERY IN NGWEO SUB-COUNTY, BULIISA DISTRICT | TotalEnergies in Uganda