



The Republic of Uganda

Discretionary Development Equalisation Grant (DDEG) 2018/19 Grant Budget and Implementation Guidelines

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Foreword

The Government of Uganda (GoU) is committed to improving the delivery of services to all citizens. This is manifested in a number of initiatives key among which are those that deliver services closer to the population.

Since FY 2015/16, Government started to implement reforms to improve the way Local Governments (LGs) are financed to implement their mandates as enshrined in the law(s) governing them. These reforms focus on ensuring that the resources transferred to LGs are objectively distributed to finance local needs, focus on national priorities and are duly accounted for.

As part of the Intergovernmental Fiscal Transfer Reforms (IGFTR) in FY 2016/17 the equalization grant; Local Government Management Service Delivery Program (LGMSD); Peace Recovery and Development Plan (PRDP); Luwero-Rwenzori Development Program (LRDP); and Uganda Support to Municipal Infrastructure Development (USMID) were consolidated into the Discretionary Development Equalisation Grant (DDEG). These necessitated the development of harmonised guidelines to provide information about the DDEG, associated requirements for its budgeting in the development budget of LGs as well as implementation.

My office extends special gratitude to the Ministry of Finance, Planning and Economic Development (MoFPED), Ministry of Local Government (MoLG); Local Government Finance Commission (LGFC), and Ministry of Lands, Housing & Urban Development (MLHUD) with whom we have jointly developed and issued these guidelines.

It is my hope that these guidelines will be put to good use so that it can contribute to efforts to improve service delivery and income generation.

For God and My Country

Christine Guwatudde Kintu
Permanent Secretary
Office of the Prime Minister

Abbreviations

CDO	Community Development Officer
CSO	Civil Society Organisations
DDEG	Discretionary Development Equalisation Grant
DLIs	Disbursement Linked Indicators
FA	Financing Agreement
FY	Financial Year
GoU	Government of Uganda
HLGs	Higher Local Governments
IGFTR	Intergovernmental Fiscal Transfer Reforms
IPFs	Indicative Planning Figures
LGFC	Local Government Finance Commission
LGMSPD	Local Government Management Service Delivery Program;
LGs	Local Governments
LLGs	Lower Local Governments
LRDP	Luwero-Rwenzori Development Program
MDAs	Ministries, Departments and Agencies
MLHUD	Ministry of Lands, Housing & Urban Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoLG	Ministry of Local Government
NDP	National Development Plan
NGO	Non-Government Organisation
OM	Operational Manual
OPM	Office of the Prime Minister
OTIMS	Online Transfer Information Management System
PAD	Program Appraisal Document
PPDA	Public Procurement and Disposal of Public Assets Authority
PRDP	Peace Recovery and Development Plan
TPC	Technical Planning Committee
USMID	Uganda Support to Municipal Infrastructure Development

1 Introduction

The Discretionary Development Equalisation Grant (DDEG) consolidates the former development grants aimed at ensuring that allocations are focused on areas where services are lagging behind national average standards as provided for in the Constitution Article 193 (4). The grants consolidated were: equalization grant; Local Government Management Service Delivery Program (LGMSD); Peace Recovery and Development Plan (PRDP); Luwero-Rwenzori Development Program (LRDP); and Uganda Support to Municipal Infrastructure Development (USMID). This consolidation, which is part of the Intergovernmental Fiscal Transfer Reforms coordinated by Ministry of Finance, Planning and Economic Development (MoFPED), necessitated the development of harmonised guidelines.

These guidelines are therefore jointly issued to Local Governments (LGs) by the Office of the Prime Minister; Ministry of Local Government; Local Government Finance Commission, and Ministry of Lands, Housing & Urban Development. They are meant to provide information about the DDEG, associated requirements for its budgeting in the development budget of LGs as well as implementation guidelines. The guidelines are aligned to the relevant national policies and they outline:

- i. The role and mandate of LGs and the Ministries, Departments and Agencies (MDAs) with respect to the grant;
- ii. The overall purpose and structure of grant;
- iii. An explanation of how these are allocated to each local government;
- iv. Requirements that local governments must follow when preparing the work plans and budgets,
- v. Implementation procedures.

2 National Development Plan and Sector Policy Priorities

In order to ensure equitable subnational development across the country, Article 193 (4) of the Constitution provides for subsidies or special provisions for the least developed LGs based on the degree to which a LG unit is lagging behind the national average standard for a particular service. One of the objectives of the reform to fiscal transfers¹ is therefore to distribute resources more equitably across LGs, so that those LGs which are less well-off are able to catch up. To this effect, special regional programmes such as the PRDP and LRDP, which are intended to support areas of the country with specific development needs, use these harmonised guidelines. In addition, the second National Development Plan (NDP II) underscores the need to review modalities for central government transfers to LGs to ensure greater equity and discretion. The reform to fiscal transfers therefore also builds in greater discretion for LGs to allocate resources to local priorities in line with the respective sector policies and LG Development Plans.

¹ Other objectives of the intergovernmental fiscal transfer reform are to improve adequacy, equity and efficiency of LG financing.

3 Roles, responsibilities and mandate of LGs and MDAs

Schedule 2 of the LG Act Cap 243 stipulates the functions and services for which the LGs are responsible (mandated) including: Primary Education; Primary Health Care; Water and Sanitation; Feeder Roads, Production and Environment Protection. The implementation of these mandates requires spending on operation costs, capacity development and investments in services and facilities. Operation costs are catered for in the recurrent budget, which will be funded by Conditional, Unconditional Grants and locally raised revenues. Investment in services, facilities and capacity development are catered for in the development budget. The development budget shall be funded by: sector development conditional grants; DDEG; contributions from unconditional transfers and locally raised revenues and Development Partner Support.

The roles of stakeholders at both the national and LG level during the planning, budgeting, implementation and monitoring of DDEG will be as per the stipulated roles and responsibilities. At the national level, MDAs will be responsible for issuing guidelines and standards, indicative planning figures, inspection, monitoring & supervision and technical support & mentoring to LGs. LGs will be responsible for among others: developing and approving plans and budgets, implementation of projects, monitoring, reporting and accountability.

4 Objectives and structure of the DDEG

4.1 Objectives of the DDEG

- i. Enable LGs to allocate funds to priority local development needs that are within their mandate and are consistent with the National priorities.
- ii. Provide LGs with equitable access to development financing, ensuring that more disadvantaged LGs receive additional funding to enable them catch up with the rest of the country. In doing so, the grant is the equalization grant provided for in the Constitution Article 193 (4); and primary financing for regional development programmes under affirmative action. Adherence by LGs to sectoral budget requirements will ensure that allocations are focused on areas where they lag behind national average standards for a service.
- iii. Use lessons and best practices learnt from LGs across the country to improve and disseminate harmonised guidelines for discretionary development planning, budgeting, reporting and accountability.
- iv. Provide development financing which caters for the differing development needs of rural and urban areas.
- v. Improve LGs capacities and systems for provision of quality services. This will be through rewarding good performance & sanctioning poor performance; and performance enhancement support.

4.2 Structure of the DDEG

The DDEG is structured based on the differing development priorities of rural and urban LGs as follows:

- i. The **District** discretionary development equalisation grant; and
- ii. The **Urban** discretionary development equalisation grant.

The **District** DDEG shall have 6 windows for: (i) PRDP District development (allocated to PRDP III districts only); (ii) PRDP sub-county development (allocated to PRDP III sub-counties only); (iii) LRDP District development (allocated to LRDP districts only); (iv) LRDP sub-county development (allocated to LRDP sub-counties only); (v) LG Grant -districts development (allocated to the remaining districts only); and (vi) LG Grant sub-county development (allocated to the remaining sub-counties only).

Similarly, the **Urban** DDEG shall have 5 windows: (i) USMID Municipal (allocated to USMID municipalities only); (ii) USMID Division (allocated to divisions in USMID municipalities only); (iii) Non USMID Municipal (allocated to the remaining municipalities only); (iv) Non USMID Division; and (v) Town Councils (allocated to Town Councils only).

Additional windows may be created to cater for any other regional development programmes that may be introduced. (See Annex 1 showing LGs by DDEG Window)

Table 1: DDEG Grant Structure

Grant	Purpose
District Discretionary Development Equalisation Grant	<ul style="list-style-type: none"> - Address development needs of rural areas - Provide discretion to LGs to fund local priorities - Increase adequacy of funding whilst giving preferential treatment to LGs that are lagging behind the national average standard for a particular service
o/w PRDP District Development	
o/w PRDP Sub-county Development	
o/w LRDP District Development	
o/w LRDP Sub-county Development	
o/w LG Grant District Development	
o/w LG Grant Sub-county Development	
Urban Discretionary Development Equalisation Grant	<ul style="list-style-type: none"> - Address development needs of urban areas - Provide discretion to LGs to fund local priorities - Increase adequacy of funding whilst giving preferential treatment to LGs that are lagging behind the national average standard for a particular service
o/w USMID Municipal	
o/w USMID Division	
o/w Non USMID Municipal	
o/w Non USMID Division	
o/w Town Councils	

5 Procedures/Guidelines for Allocating the DDEG

The DDEG is allocated in a two-step process. The first step is to allocate the DDEG resources across the windows explained above. The second step is to allocate the DDEG resources within each window using the DDEG allocation formula.

5.1 Allocation of the DDEG across windows

The principle of allocating the DDEG across windows, is to ensure that the affirmative action nature of PRDP and LRDP projects is maintained, and the World Bank loan supported funding of the USMID Municipalities can be retained². On this basis, for FY 2017/18, the allocation of DDEG resources across windows stems from their base year (FY 2015/16) values before the consolidation of LGMSD, PRDP, LRDP, USMID and Equalization grant into the DDEG and is listed in the table below. The allocation of resources will remain constant unless there are changes in resources available:

Table 2: Allocation of resources across DDEG windows in FY 2017/18

LG Type/ window	FY 2017/18
	in Ushs billions
District	121.90
PRPD Districts	92.85
LRDP Districts	13.42
LG Grant Districts	15.63
Urban	112.57
Non-USMID M/C	7.53
USMID M/C	99.03
Town Councils	6.00
All LGs	234.47

Allocation of resources to Higher vs Lower Local Governments

For districts 65% of DDEG resources are allocated to Lower Local Government, and 35% to Higher Local Governments; for urban LGs the split is 50% for Municipalities and 50% for Divisions. This is in line with the LG Act Cap 243.

For USMID Municipalities, the Higher Local Government allocation is funded from resources from a World Bank loan, whereas the Lower Local Government allocation for Divisions is funded by the GoU contribution.

² As per financing agreement between the World Bank and the Government of Uganda

In brief:

- i. The additionality of the PRDP and LRDP to the relevant groups of districts is maintained whereby LGs under PRDP and LRDP will continue to get relatively higher per capita allocations compared to those that are not covered.
- ii. Similarly, the total allocation provided under IDA funding to USMID municipalities will not reduce. Rather Government of Uganda will provide additional allocations to meet its co-funding obligations to USMID and cater for investments under the mandate of Municipalities not eligible under the IDA supported USMID.

As and when additional resources become available, it is planned to gradually allocate more DDEG to the LG Grant DDEG, Municipal non-USMID DDEG and Town Councils DDEG windows.

5.2 Allocation of the DDEG across LGs in a given window

The second step is the distribution of DDEG resources within the windows using the allocation formula. The DDEG will be allocated based on two components: (i) the basic component allocated based on the allocation criteria; and (ii) the performance component based on the results of the LG performance assessment, weighted by the basic allocation. As per the overall intergovernmental fiscal transfer reform objectives, the purpose is to: promote equitable allocation within a particular window; and promote efficiency in the use of funds for improved service delivery objectives.

Basic component allocated based on the allocation criteria

The grant allocation formula for the basic component (albeit with different weighting applicable to both district and urban LGs) is described in the table below.

Table 3: The DDEG allocation formula

Variable name	Weights in percentage		Justification
	District DDEG (All windows)	Urban DDEG (All windows)	
Constant (fixed allocation for higher/ LLGs)	25	20	Ensure that Higher and Lower LGs have minimum allocations for construction of meaningful infrastructure
Rural Population / Urban Population	30	62	Provide for demand/scale of delivering services
Poverty Head count	40	15	Equalizing variables - to allocate greater resources to districts that lag behind as per article 193 (4) of the Constitution.
Conflict ³ (scaled)	5	3	Allocate more resources to LGs severely affected by conflict

³ The conflict variable is calculated as follows: (i) 60 points to category 1 districts (severely conflict or cattle-rustling affected); (ii) 30 points to category 2 districts (sporadically conflict and/or cattle-rustling affected); (iii) 10 points to

Overall, the intent of the allocation formula is that it should: be objective, simple and easy to understand; be (politically) acceptable; use reliable information from official sources; not introduce pervasive incentives at sector level and is above all equalizing.

To compute the total LLG (sub-county, town council and municipal division) allocation per HLG (District or Municipal), the constant in the DDEG formula is replaced with the number of LLGs, resulting in IPFs at the HLG level. Thereafter, the IPFs per LG are distributed between LLGs within the LGs using population figures of LLGs.

Performance-based component of the allocation formula

In order to provide strong incentives to LGs to improve effective operations and service delivery, the size of the DDEG for districts and municipalities will be adjusted against the performance of the LGs during the Annual LG Performance Assessment that will be conducted between September and January each year. However, note that:

- a) Allocations to USMID participating municipalities will be based on the agreed Disbursement Linked Indicators (DLIs). The DLIs and allocation process will be elaborated in the USMID Operations Manual.
- b) The allocations to sub-counties, municipal divisions and town councils will be based on the basic formula.

The impact from the results of the assessment will be weighted (scaled) with the basic allocation formula discussed in the previous sub-section to ensure that every performance indicator has a noticeable impact on the actual size of the allocations, and that the system provides incentives for all (larger as well as smaller LGs). The system will ensure that LGs with a performance score above the average score will receive additional funding and a LG with a score that is below the average will be allocated lower resources. The system also ensures that all the funds are allocated (no balances).

The table below and the explanation thereafter illustrates how the performance scores will be incorporated in the formulae. The details have been programmed in OTIMS/PBS.

category 3 districts (conflict spill-overs); and (iv) 0 points to districts without immediate conflict impact in the last 35 years. The MoLG, OPM, LGFC and MoLHUD will develop the criteria and determine the districts that fall within the respective categories.

Table 4: Illustration of calculation of performance weighted allocations

1	2	DDEG IPFs 17/18		Performance Weights			Performance Weighted Allocations			Changes	
		3	4	5	6	7	8	9	10	11	12
District	Population	LRDP (100% Basic)	Share	Scores (Random)	Scaled Score	Relative Performance Weight	Formula based allocation (50%)	Performance based allocation (50%)	Total allocation (100%)	Absolute Change	Relative Change
Bundibugyo District	241,800	303,644,739	4.72%	50	2.34	4.89%	151,822,369	157,267,606	309,089,975	5,445,236	2%
Kabarole District	293,803	351,676,142	5.47%	45	2.47	5.15%	175,838,071	165,561,406	341,399,478	(10,276,665)	-3%
Kasese District	640,400	713,787,558	11.11%	48	5.29	11.07%	356,893,779	355,557,203	712,450,982	(1,336,576)	0%
Kayunga District	388,700	415,517,665	6.47%	38	2.48	5.19%	207,758,832	166,825,656	374,584,488	(40,933,176)	-10%
Kiboga District	159,200	188,362,840	2.93%	49	1.43	2.99%	94,181,420	96,106,320	190,287,740	1,924,900	1%
Kyenjojo District	470,900	530,249,664	8.25%	57	4.72	9.86%	265,124,832	316,873,020	581,997,852	51,748,188	10%
Luwero District	488,600	439,372,049	6.84%	47	3.21	6.71%	219,686,024	215,550,612	435,236,637	(4,135,412)	-1%
Mubende District	716,525	750,585,820	11.68%	46	5.36	11.20%	375,292,910	359,969,714	735,262,624	(15,323,196)	-2%
Mukono District	473,100	521,274,639	8.11%	44	3.53	7.38%	260,637,320	237,244,849	497,882,169	(23,392,470)	-4%
Nakasongola District	197,000	235,902,799	3.67%	45	1.66	3.47%	117,951,400	111,628,270	229,579,670	(6,323,130)	-3%
Wakiso District	1,165,873	380,286,471	5.92%	50	2.94	6.15%	190,143,236	197,685,903	387,829,138	7,542,667	2%
Mityana District	245,897	300,256,846	4.67%	55	2.55	5.33%	150,128,423	171,287,642	321,416,066	21,159,219	7%
Nakaseke District	214,500	237,448,990	3.69%	44	1.62	3.40%	118,724,495	109,137,809	227,862,304	(9,586,686)	-4%
Kyegegwa District	342,900	439,383,423	6.84%	54	3.70	7.73%	219,691,712	248,491,504	468,183,215	28,799,792	7%
Ntoroko District	70,300	127,610,728	1.99%	69	1.36	2.85%	63,805,364	91,421,103	155,226,467	27,615,739	22%
Kyankwanzi District	243,900	279,429,137	4.35%	39	1.68	3.51%	139,714,568	112,792,143	252,506,711	(26,922,426)	-10%
Bunyangabu District	152,997	211,574,489	3.29%	45	1.49	3.11%	105,787,245	99,781,240	205,568,485	(6,006,004)	-3%
Total	6,506,394	6,426,364,000	100%		47.84	100%	3,213,182,000	3,213,182,000	6,426,364,000	0	0%

Columns

1. Name of the Local Government
2. Population of the Local Government
3. IPF of the Local Government assuming only basic allocation formula is applied
4. Percentage share of the Local Government from the total Grant
5. The score of the Local Government from the Performance Assessment
6. Scaled score
7. Relative performance weight
8. Formula based allocation
9. Performance based allocation
10. Total allocation
11. Absolute change
12. Relative change

The five steps in calculating performance weighted allocations:

- 1) The starting point for weighting allocations with performance scores are the allocations determined by the allocation formula, displayed in column 3. These allocations are expressed as a share of the total allocation in column 4. For example, using the allocation formula for DDEG LRDP grant, Bundibugyo District I receives an allocation of UGX 303,644,739 (column 3), which corresponds to 4.72% (column 4) of the total grant resources under DDEG LRDP grant in FY 2017/18 of UGX 6,426,364,000. .
- 2) The next step is to scale the performance assessment scores in column 5 with the relative allocation share determined by the allocation formula in column 4. This is done by multiplying the assessment score with the allocation share, resulting in the scaled score in column 6. For Bundibugyo, this gives $4.72\% * 50 = 2.34$. This step ensures that the performance scores have the same relative effect on large LGs as on small LGs, resulting in larger scaled scores for LGs with large formula allocations, and smaller scaled scores for LGs with small formula allocations.
- 3) Thereafter, the scaled scores are divided by the sum of scaled scores, in this case 47.84, to arrive at the relative performance weights. For Bundibugyo District, the relative performance weight is $2.34/47.84 = 4.89\%$. This step ensures that the sum of all relative performance weights is 100%.
- 4) As a last step, the total resources available are divided by two, and 50% of the resources are allocated based on the original allocation share in column 4, and 50% of the resources based on the relative performance weight in column 7. For Bundibugyo, the calculation goes as follows: $UGX\ 6,426,364,000 * 50\% * 4.72\%$ (column 4) + $UGX\ 6,426,364,000 * 50\% * 4.89\%$ (column 7) = $UGX\ 151,822,369$ (column 8) + $UGX\ 157,267,606$ (column 09) = $UGX\ 309,089,975$ (column 10).
- 5) Because Bundibugyo's performance score of 50 is above the average of 48, the performance weighted allocation in column 09 is UGX 5,445,236 higher than the purely formula based allocation in column 3. This difference is shown in column 11 in absolute terms and in column 12 in relative terms. It shows that Bundibugyo's allocation increased by 2% because of good performance

In general terms, the formula for determining performance weighted allocations is: Performance weighted allocation for LG "X" = [Total Grant Resources * 50% * Allocation Formula Share for LG "X"] + [Total Grant Resources * 50% * Relative Performance Weight for LG "X"]

6 Overview of Development Planning and Budgeting Principles

To maximise synergies, the LGs will use the same Planning, Budgeting, Procurement, Project Execution, Monitoring, Reporting, and Performance Assessments for all development funds: Discretionary Development Equalisation Grant; Sector Development Grants; Local Revenue; and Donor/NGO Funding. All the development allocations under DDEG shall adhere to sectoral budget requirements set out in the respective sector budget and implementation guidelines. DDEG allocations in USMID municipalities shall adhere to the requirements set out in the Program Operations Manual. In preparing and implementing the development budget there are set of standard principles that should be followed which are summarised in the table below.

Budget Requirements	Summary of Budget Principles and Requirements
Use of the District DDEG	<ul style="list-style-type: none"> - Districts DDEG will be used to fund: <ul style="list-style-type: none"> o Social Infrastructure (minimum 70%) in sectors such as education, health, water, and social development. Priority should be given to completing investments to make them fully functional as per sector service delivery standards. o Administrative infrastructure including administration buildings, and retooling for both districts and LLGs – maximum 15% of DDEG o Capacity development (maximum 10%). Whereas the component of the DDEG available for capacity building will be coordinated by District management and support services, it is supposed to be used to address the needs of both HLG and LLGs as reflected in the comprehensive capacity building plan approved by the LG Council. The funds for capacity building will be used for: (i) discretionary skills development (e.g. short-term courses, exposure visits etc...) and (ii) career development for technical staff. o Maximum 2% of the DDEG can be used to cater for monitoring expenses - Sub-county DDEG will be used to fund investments promoting livelihood improvement: <ul style="list-style-type: none"> o Contribution to income generating and environment protection activities of organized community groups e.g. welding equipment, maize milling, carpentry workshops, ox-ploughs, multiplication centers, tree nurseries (minimum 30%) o Economic Infrastructure: e.g. market infrastructure, small scale irrigation facilities, community access roads, slaughter slabs etc.. o Maximum 2% of the DDEG can be used to cater for monitoring expenses
Use of the Urban DDEG	<ul style="list-style-type: none"> - Municipal DDEG will be used to fund⁴: <ul style="list-style-type: none"> o Typical urban infrastructure investments (minimum 75%) <ul style="list-style-type: none"> ▪ Road works ▪ Urban Transport - bus/car terminals, ▪ Drainage ▪ Street lights ▪ Solid waste management; ▪ Water extension and sewage management ▪ Urban local economic infrastructure e.g. Market infrastructure, slaughter houses

⁴ For USMID Municipalities, the resources from a World Bank loan shall be used to fund a subset of the municipal service delivery mandates as stipulated in the LGs Act (CAP 243), the details of which will be reflected in the Financing Agreement, Program Appraisal Document and Program Operations Manual so as to achieve the transformative and development impact of Investments under USMID.

Budget Requirements	Summary of Budget Principles and Requirements
	<ul style="list-style-type: none"> ▪ Beautification <ul style="list-style-type: none"> ○ Administrative infrastructure - administration buildings, and retooling for both municipalities and divisions – maximum 15% of DDEG ○ Capacity development (maximum 10%). Whereas the component of the DDEG available for capacity building will be coordinated by Municipal management and support services, it is supposed to be used to address the needs of both municipal and division as reflected in the comprehensive capacity building plan approved by the LG Council. The funds for capacity building will be used for: (i) retooling, (ii) discretionary activities (e.g. institutional strengthening and skills development through short-term courses, exposure visits etc...) and (iii) career development for technical staff. ○ Maximum 2% of the DDEG can be used to contribute to monitoring expenses - Municipal Divisions DDEG will be used to fund investments promoting wealth creation and social infrastructure <ul style="list-style-type: none"> ○ Social Infrastructure in education and health prioritizing completion of investments to make them fully functional as per sector service delivery standards ○ Contribution to income generating and environment protection activities of organized community groups e.g. welding equipment, maize milling, carpentry workshops, ox-ploughs, multiplication centers, tree nurseries (minimum 30%) ○ Maximum 2% of the DDEG can be used to cater for monitoring expenses - Town Councils DDEG will be used to fund: <ul style="list-style-type: none"> ○ Typical urban infrastructure: road works; Urban Transport (bus/car terminals); drainage; street lights; solid waste management; water extension and sewage management; urban local economic infrastructure (e.g. Market infrastructure, slaughter houses/abattoir); beautification. ○ Contribution to income generating and environment protection activities of organized community groups e.g. welding equipment, maize milling, carpentry workshops, ox-ploughs, multiplication centers, tree nurseries (minimum 30%) ○ Administrative infrastructure - administration buildings, and retooling – maximum 15% of DDEG ○ Maximum 2% of the DDEG can be used to contribute to monitoring expenses
Overall/crosscutting Development Budgeting Principles	
Principles for selecting Investments	<p>The principles for selecting all Local Government Investments (whether funded from the DDEG, Sector Development Grants or other sources) mean that investments should be:</p> <ul style="list-style-type: none"> - Within the mandate of LGs - Incorporated in the LG approved district/urban development plan, - Must be in the approved Annual Work Plan and Budget for the current FY - Activities must have project profiles - Investments should be approved by the Physical Planning Committee and consistent with the approved Physical Plan - It must be ensured that investments are fully functional: priority given to: (i) rehabilitation of existing investments; (ii) completion/extension/construction of new investments on existing facilities; before (iii) construction of new facilities which should be done only when there are provisions for meeting recurrent cost implications.

DDEG 2018/19 Grant Budget and Implementation Guidelines

Budget Requirements	Summary of Budget Principles and Requirements
	<ul style="list-style-type: none"> - Can be completed with the resources in the budget and made fully functional - Adherence to positive/negative list for investments as provided in the respective sector grant information papers. - Focus on public rather than private goods (public goods are defined as those that benefit a community not individuals) - Do not have negative environmental and social impacts – each project should undergo environmental screening using GoU authorized formats and must not result in the relocation of people (in case of resettlement, procedures in the law must be followed) - Take into consideration equity issues (e.g. gender, HIV, nutrition etc.) - Are in compliance with Sector Budgeting Requirements and standards for all LG Investments (the allocation should adhere to the eligible and ineligible activities).
Budgeting for Investment servicing costs	<ul style="list-style-type: none"> - Investment service costs are costs that support the construction of investments including: project identification, design and specifications, cost estimation and preparation of Bills of Quantities; environmental and social impact assessments, development of operation and maintenance plans, engineering/ construction supervision etc.. (not for monitoring) - Investment service costs shall be provided for all infrastructure outputs (either by sector specific or discretionary development equalisation grant) - Allocation from the DDEG will follow sector guidelines for investment servicing costs. For USMID, the activities will be implemented by LGs in clusters through consultants with technical back-up support from MDAs. - In sectors where limits are not specified, the investment service costs shall be capped at a maximum of 5% of the cost of infrastructure and/or investment outputs in each department budget. - The budget for all outputs to be financed by the DDEG should provide for investment service costs.

7 Budgeting & implementing infrastructure projects

The Local Governments Act empowers LGs to among others undertake planning, procurement, construction of infrastructure investments. The infrastructure projects could be social (e.g. education, health), economic (e.g. roads, markets) and administrative infrastructure (e.g. office blocks). The budgeting and construction of infrastructure will follow the minimum quality standards and sector specific guidelines for the sector in which the investment falls.

Budgeting for infrastructure construction shall comply with the LG budgeting guidelines issued by Ministry of Finance, Planning and Economic Development. The infrastructure projects must be derived from the LG 5 – year development plan and incorporated in the annual plans and budgets approved by the LGs.

The construction of infrastructure is expected to have positive economic and social impacts including improved service delivery; increased employment opportunities during the construction or rehabilitation of infrastructure; development of the private sector; and increased accountability downwards as well as upwards in the public sector. These guidelines have inbuilt measures to mitigate the environmental and social risks.

Selection of investments: The Technical Planning Committee (TPC) shall identify the investments. The procedure for identification and selection of the infrastructure to construct will be guided by the selection criteria and eligible activities provided by the beneficiary sector. For example if it is a school, it should adhere to the procedure for selection of the beneficiary school issued by the Ministry of Education and Sports. The Executive Committees discuss the TPC recommendations and later forwards to Council for approval as part of the budget process.

Environmental and social safeguards: Irrespective of the nature of the investment, the location of the infrastructure should not have adverse environmental and social impacts:

- The infrastructure must be constructed on land owned by the LG evidenced by a land title and/or agreement in the names of the LG or beneficiary facility.
- Construction of infrastructure should not require involuntary resettlement
- It has to be ensured that the construction of facilities will not restrict use and access of the land and its resources e.g. water points.
- Construction of infrastructure should not be done in wetlands
- The infrastructure will be screened before being approved for construction.
- The infrastructure to be constructed must follow the standard technical designs provided by the respective sector

All procurements must be done in accordance with PPDA Act and Regulations 2017.

8 Budgeting & implementing income generating activities

LG are mandated to implement activities promoting livelihood improvement (income generating and environmental protection activities). To enhance the interface between Local Governments and communities, livelihood improvement projects will be implemented by lower LGs (sub-counties, town councils and municipal divisions). The activities include contribution to income generating and environment protection activities of organized groups e.g. welding equipment, maize milling, carpentry workshops, ox-ploughs, multiplication centers, tree nurseries.

Planning and budgeting for promotion of livelihood improvement activities shall comply with the LG budgeting guidelines issued by Ministry of Finance, Planning and Economic Development. Specifically the activities must be:

- Prioritised by the communities;
- Discussed and appraised by the LLG Technical Planning Committee
- Incorporated in the LG 5 – year development plan
- Incorporated in the annual plans and budgets
- Approved by the LLG Council.

The LLGs shall implement any activity prioritised by the community, but such activities shall not be:

- Social (e.g. schools and health facilities) and administrative (e.g. administration blocks) infrastructure projects. Given the limited amount of resources, limiting duplication and emphasis on livelihood improvement, these infrastructure projects will be implemented by the HLGs.
- Recurrent costs e.g.
- Family projects that benefit individuals. Projects/activities should be public and not private in nature, e.g. should benefit min. XX families and be open for people in this community...
- Land purchase or compensation
- Individual career development
- Loans and micro-credit schemes
- Purchase of equipment such as motor vehicles/motorcycles or their parts
- Projects leading to adverse impacts on environment (vetted by environmental screening)

In case the activity is to be implemented by the LLGs (e.g. construction of economic infrastructure) all procurements must be done in accordance with PPDA Regulations 2017.

In case the activity concerns contribution to income generating activities of organized community groups, the LLGs shall follow the guidelines stipulated in the Local Government Finance and Accounting Regulations 2007 and the Public Finance Management Act 2015. After the project has been approved, the LLG shall prepare MOU signed by Chairperson of the group, Village Chairperson and Sub-county Chief or Town Clerk, witnessed by the Community Development Officer (CDO) at LLG. The LLG will transfer the fund to the respective community group account. The group shall acknowledge receipt of the fund. The community group will prepare a procurement plan, receive quotations, places an order, receives a delivery notes/invoices and issues receipts. All community

group expenditures will be authorized by Sub-county Chief or Town Clerk. The community group will account for the received funds to the LLG and the LLG Accounting Officer will consolidate the community accountabilities into the Financial Summary.

Monitoring and supervision of activities implemented by LLGs and community groups;

- The District/Municipality together with LLG shall be responsible for monitoring of the activities.
- CDO and Parish Chief are responsible to monitor activities on the ground.
- Also, local leaders such as Village Chairperson shall take part in the monitoring

9 Budgeting & implementing Capacity Development Activities

Local Governments are mandated to deliver a wide range of functions such as allocation of public resources, integrated participatory planning and budgeting, local resource mobilization and investment management within their areas of jurisdiction. However, sometimes they lack the systems, resources, skills and behaviour to effectively implement their mandates. As per the legal provisions, the respective MDAs issues guidelines, mentors and supervises the LGs to ensure that they perform their functions. However, the support from the MDAs is not sufficient to ensure effective LG performance. The LGs have the responsibility to ensure that all stakeholders at the LG level have the required skills, knowledge and attitudes to perform their functions.

District/Municipal Administration coordinate all capacity building activities. These include

Capacity needs assessment: The HLG will determine the capacity building needs mainly through for example analysing the results of the LG performance assessment and performance appraisals.

Capacity building planning: The HLG will then develop a comprehensive capacity building plan that will be discussed by the TPC and approved by the District/Municipal Council.

Capacity building delivery:

The key stakeholders to be targeted for capacity building: capacity building activities should address the needs of both HLG and LLGs as well as technical and political leaders as reflected in the comprehensive capacity building plan approved by the LG Council

The eligible activities for capacity building: The funds for capacity building will be used for: (i) retooling, (ii) discretionary activities (e.g. institutional strengthening and skills development through short-term courses, exposure visits etc...) and (iii) career development for technical staff.

The activities not eligible for capacity building include:

- Career development for political leaders;
- Travel abroad
- Courses longer than one year

Approaches for implementing capacity building activities: Capacity building activities can be delivered by:

- The District/Municipal Resource Pool: LG Resource Pools shall be constituted and used for implementing capacity building activities for LGs. For LGs to effective benefit from the LG Resource Pools the composition should take into consideration expertise and availability of concerned staff. Experienced and knowledgeable members of Civil Society Organisations and Non-Governmental Organisations may be co-opted to supplement the resource pools. Remuneration of the members of the resource pool should adhere to the circular on duty facilitating allowances issued by Ministry of Public Service.
- Contracted private capacity building providers: the activities to be implemented by the private capacity building provider all procurements must be done in accordance with PPDA Regulations 2017.
- Recognized formal training institutions with a proven track record in training and capacity building which will be responsible for delivering career development courses

10 Budgeting & Implementing Monitoring Activities

Both Technical and Political Leadership of the Local Governments are responsible for monitoring to ensure adherence to procedures for preparing, executing and reporting on the Budget Estimates and Annual Work Plans.

The 2% budgetary provision for monitoring is meant to facilitate:

- LG technical staff in identification and guiding community groups;
- The LG technical staff to monitor and support LLGs
- Political leaders for oversight.

Costs for project identification, design and specifications, cost estimation and preparation of Bills of Quantities; environmental and social impact assessments, development of operation and maintenance plans, engineering/ construction supervision shall be from Investment service costs not from monitoring costs

Monitoring activities should involve the following:

- The verification of physical progress as reported in the local governments' quarterly progress report and cumulative progress report;
- Examination of the quality of services being delivered;
- Identification of deficiencies in implementation in the various investments and recommendations for their solution; and
- Identifying issues which require follow up.

11 Reporting and Monitoring DDEG

The DDEG is part of the LG approved budget (performance contract). The LGs should follow the reporting procedures and guidelines issued by the MoFPED. The LGs will submit reports to the MoFPED with copies to the respective sector ministries.

MDAs should use the annual work plans and budgets as well as reports submitted to:

- i. Assess compliance to budget and implementation guidelines;
- ii. Sample and verify compliance in selected LGs (physical monitoring)
- iii. Provide targeted follow-up and support to poorly performing local governments to ensure improvements in LGs performance.

On an annual basis between September and January, the Office of the Prime Minister will contract independent firm(s) to conduct and provide quality assurance to the LG performance assessment; as per the LG Performance Assessment Manual.

Annex 1 – List of LG Votes by DDEG Window (2017/18)

PRDP	LRDP	LG Grant	USMID	Non-USMID
Abim District	Bundibugyo District	Bugiri District	Arua Municipal Council	Apac Municipal Council
Adjumani District	Bunyangabu District	Buhweju District	Entebbe Municipal Council	Bugiri Municipal Council
Agago District	Kabarole District	Buikwe District	Fort-Portal Municipal Council	Bushenyi- Ishaka Municipal Council
Alebtong District	Kasese District	Bukomansimbi District	Gulu Municipal Council	Busia Municipal Council
Amolatar District	Kayunga District	Bushenyi District	Hoima Municipal Council	Ibanda Municipal Council
Amudat District	Kiboga District	Butambala District	Jinja Municipal Council	Iganga Municipal Council
Amuria District	Kyankwanzi District	Buvuma District	Kabale Municipal Council	Kamuli Municipal Council
Amuru District	Kyegegwa District	Buyende District	Lira Municipal Council	Kapchorwa Municipal Council
Apac District	Kyenjojo District	Gomba District	Masaka Municipal Council	Kasese Municipal Council
Arua District	Luwero District	Hoima District	Mbale Municipal Council	Kira Municipal Council
Budaka District	Mityana District	Ibanda District	Mbarara Municipal Council	Kisoro Municipal Council
Bududa District	Mubende District	Iganga District	Moroto Municipal Council	Kitgum Municipal Council
Bukedea District	Mukono District	Isingiro District	Soroti Municipal Council	Koboko Municipal Council
Bukwo District	Nakaseke District	Jinja District	Tororo Municipal Council	Kotido Municipal Council
Bulambuli District	Nakasongola District	Kabale District		Kumi Municipal Council
Buliisa District	Ntoroko District	Kagadi District		Lugazi Municipal Council
Busia District	Wakiso District	Kakumiro District		Makindye-Ssabagabo Municipal Council
Butaleja District		Kalangala District		Masindi Municipal Council
Butebo District		Kaliro District		Mityana Municipal Council
Dokolo District		Kalungu District		Mubende Municipal Council
Gulu District		Kamuli District		Mukono Municipal Council
Kaabong District		Kamwenge District		Nansana Municipal Council
Kaberamaido District		Kanungu District		Nebbi Municipal Council
Kapchorwa District		Kibaale District		Njeru Municipal Council
Katakwi District		Kiruhura District		Ntungamo Municipal Council
Kibuku District		Kisoro District		Rukungiri Municipal Council
Kiryandongo District		Kyotera District		Sheema Municipal Council
Kitgum District		Luuka District		
Koboko District		Lwengo District		
Kole District		Lyantonde District		
Kotido District		Masaka District		
Kumi District		Mayuge District		
Kween District		Mbarara District		
Lamwo District		Mitooma District		
Lira District		Mpigi District		
Manafwa District		Namayingo District		
Maracha District		Namutumba District		
Masindi District		Ntungamo District		
Mbale District		Rakai District		
Moroto District		Rubanda District		
Moyo District		Rubirizi District		
Nakapiripiriti District		Rukiga District		

DDEG 2018/19 Grant Budget and Implementation Guidelines

PRDP	LRDP	LG Grant	USMID	Non-USMID
Namisindwa District		Rukungiri District		
Napak District		Sembabule District		
Nebbi District		Sheema District		
Ngora District				
Nwoya District				
Omoro District				
Otuke District				
Oyam District				
Pader District				
Pakwach District				
Pallisa District				
Serere District				
Sironko District				
Soroti District				
Tororo District				
Yumbe District				
Zombo District				
59	17	45	14	27



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