

Vote:147

Local Government Finance Commission

VI: Vote Overview

(i) Snapshot of Medium Term Budget Allocations

Table V1.1: Overview of Vote Expenditures

<i>Billion Uganda Shillings</i>	FY2018/19 Outturn	FY2019/20		FY2020/21 Proposed Budget	MTEF Budget Projections			
		Approved Budget	Spent by End Sep		2021/22	2022/23	2023/24	2024/25
Recurrent Wage	0.000	0.000	0.000	1.119	1.119	1.119	1.119	1.119
Non Wage	0.000	0.000	0.000	3.539	4.246	5.096	6.115	7.338
Devt. GoU	0.000	0.000	0.000	0.157	0.157	0.157	0.157	0.157
Ext. Fin.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
GoU Total	0.000	0.000	0.000	4.814	5.522	6.371	7.390	8.613
Total GoU+Ext Fin (MTEF)	0.000	0.000	0.000	4.814	5.522	6.371	7.390	8.613
<i>A.I.A Total</i>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Grand Total	0.000	0.000	0.000	4.814	5.522	6.371	7.390	8.613

(ii) Vote Strategic Objective

To promote adequate financial resources for service delivery by Local Governments

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V2: Past Vote Performance and Medium Term Plans

Performance for Previous Year FY 2018/19

1. In a bid to provide advice to the President on all matters concerning the distribution of revenue between the Government and Local Governments and the allocation to each Local Government of money out of the consolidated fund, the Commission conducted budget Central Government Budget Analysis and advised that all line ministries holding funds for local government programmes to stop. Such funds in FY 2018/19 totaled Ugx. 2.24 trillion.

As part of implementing the recommendation, the Ministry of Finance Planning and economic Development issued a policy direction in the second Budget Call Circular (BCC) FY 2019/20 tasking all MDAs with local governments to plan for them under direct transfers. The key funding lines identified cases included the following: The Third Northern Uganda Social Action Fund (NUSAF 3), Sanitation funds under Ministry of Water, Uganda Women's Entrepreneurship Program under Ministry of Gender Labor and Social Devt' District, Urban and Community Access Roads funds for maintenance under URF.

Organized and facilitated the negotiations between Local Governments and sector Ministries to contribute to the improvement of the state of funding for local governments in the National budget and this was carried out on 27th – 31st August 2018. The main objective of the negotiations was to facilitate local governments and sector ministries to discuss and agree on improvement on the effectiveness of conditional grants funded programs in respective sectors for the FY 2019/20 specifically by agreeing on programs for implementation, sector conditional grants guidelines, discussing key pertinent issues affecting service delivery, agreeing on which national sector policies local governments are mandated to implement, and with what resources and discussing implementation of new or emerging policy issues and programs. From the negotiations 277 agreed Undertakings were reached of which 262 were implemented and 15 were not implemented representing 94.6% performance. Advocated for increased conditional grant allocation per child from 10,000 to 17,000 Ugx, Planned indicative planning figures and budget guidelines for Youth Livelihood programme and Women Entrepreneurship Programme adhered too Special Need funds release to Local governments communicated by MoES for follow up and monitoring

The Commission verified the Disbursement Linked Indicators under the UGIFT which is providing \$40 million per year for the sectors of education and health. The current 5 year IGFT- PfoR (funding from World Bank) has a US \$ 200m for Health and Education (FY 2018/19-2023); and some others like Water for production is in the offing under MAAIF. These interventions are meant to improve grant adequacy under the IGFT program. Organized regional dissemination workshops for the Fiscal Decentralization Architecture (FDA) proposals and recommendations with local leaders in the centers of Mbarara, Fort Portal, Lira and Mbale.

2. The Commission consulted the National Planning Authority on the Decentralization Architecture (FDA) at technical level and how local governments can be catered for in the NDP III under the development component of LG having an avenue where they can present respective projects.

3. For new potential sources of revenue for Local Governments the Commission provided technical input during the development of the Presidential Initiative on Agro-Industrialization for Local Economic Development (Agri-LED) in the Rwenzori Region.

4. The Commission advised on the Local Governments appropriate tax levels to be levied by Local Governments by Developing a framework for setting of rates for taxes and fees in LGs. A Concept Note and ToRs for hiring a Consultant to review the legal, policy and administrative framework and systems for local revenue mobilization and management and develop a Local Revenue Mobilization Strategy and Policy under REAP support were also developed.

5. In regards to financial dispute settlement the Commission handled the sharing of royalties from electricity between Njeru municipality and Buikwe districts so that the marginalized Njeru municipality can be able to get what belongs to it in regards to royalties.

6. Analyzed the annual budgets of local governments to establish compliance with the legal requirements and notified the council concern. The framework for analysis of the LG budget was reviewed and updated to fit the changes that came with the new allocation formula that involved merger of some grants and budget requirement. Fifteen Local Governments were given orientation and guidance on how to budget following the new allocation formulae, the budget cycle and the provisions of the PFMA Act 2015 so as to avoid the pitfalls experienced over time in their budgeting process. These included; Kiryandongo, Kyotera, Kyankwanzi, Kagadi, Kakumiro Iganga, Kiboga, Kaliro Mc, Kabale, Buyangabo, Kalungu, Moyo, Omoro, Ngora and Kwania. Updated the fiscal databank with data from final accounts, budgets and BFPs for local governments for districts, municipalities and town councils. Data was captured for 161 DLGs out of the 168 LGs. There was a challenge of collecting all the information on budgets because 7 local governments had not submitted.

Fiscal data validation, verification, and collection was done in Seven LGs of Kotido MC, Nebbi MC, Rukiga DLG, Nabilatuk, Kapelabyong, Buyangabu and Kikuube on the findings from the budget analysis. 13 LGs of Moroto DLG, Bullisa DLG, and Masaka DLG, Katakwi, Lyantonde, Mpigi, Mubende, Abim, Ntoroko DLG Yumbe, Tororo, Kabong and Budaka provided with feedback from the findings of the LGs Budget Analysis provided.

7. Recommend on the percentage of the National Budget to be transferred to the Local Governments. The design of the Fiscal Decentralization Architecture was completed and the subsequent recommendations were shared with key stakeholders both at the national and regional levels in June and December 2018 respectively. Developed a draft policy brief on the sharing of revenue between the central and local governments. Over the medium term and raised recommendations to, raise LG transfers/ grants recover the real values from the current per capita of UGX 69,858 FY 2017/18 to at least UGX 115,757 i.e. an increase from UGX 3.151trn (FY 2018/19) to UGX 4.221trn (FY 2020/21) and to UGX 4.759trn (FY 2021/22) over the next 4 years. The increments in grants should target grant areas which have significant discretion like Unconditional Grant (UCG) and Discretionary Development Grant (DDEG), to enable LGs to better respond to local priorities.

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Performance as of BFP FY 2019/20 (Performance as of BFP)

In regards to Advising the President on all matters concerning the distribution of revenue negotiations was carried out with for FY 2020/2021 between LGs and 8 Sector Ministries were conducted in Sept 2019. 7 Sector conditional grants agreements are in place and shared with sectors and LGs. The Commission further provided technical support to weak LGs in budget formulation. This was carried out in 7 LGs of Rubanda, Kiruhura, Bugiri, Kamuli, Obongi, Namisindwa, Pallisa. Participation took place in the in the Regional Local government budget consultative workshops that were carried out on 16th September ended 4th October 2019. Approved annual budgets for all vote holder Local Government budgets for FY 2019/20 collected and analyzed for 47 approved budgets

In regards to consider and recommend to the president potential sources of revenue for Local Governments the Commission conducted feasibility on the roll out of the automated local revenue collection using the Integrated Revenue Administration System (IRAS) in five districts of Lira, Rukungiri, Mbale, Soroti and Mukono and conducted research on the existing local revenue databases and provide support to exploit the local revenue potential in five districts of Kaabong, Koboko, Kwanja, Bungabobo and Buyende. A framework for linking LED initiatives in LGs to enhancement of local revenues finalized was produced submitted for ratification by management

Forums on Data collection in newly created LGs was conducted in 5 districts and Analysis of Q1 releases to all LGs with votes done.

FY 2020/21 Planned Outputs

1. Analyze the national budget for legal compliance with respect to article 193 of the constitution and in fulfillment of the requirement of section 9(g) of the LGFC ACT 2003, on the share to LGs and produce a report on the state of LG financing in the national budget. Undertake follow-ups to track progress on implementation of the FDA.
2. The Commission plans to facilitate the Negotiations on gender-enhancing conditional grant funded programs between Ministry of Gender, Labor and Social Development and Ministry of Education and Sports. Areas covered range from financing needs for children, girls, boys, women youth, the elderly and PWDs Negotiations between LGs and 8 Sector Ministries, to comply with Article 193(3) of the Constitution. Negotiations are also focusing on grant allocation formulae to promote equity in resource allocation.
3. Print and disseminate the agreements and negotiations report. Conduct mid-term review and monitor the implementation Agreements on utilization of Conditional grants in 15 LGs.
4. Facilitate the Regional Local Government budget consultative workshops FY 2021/22 as part of the intimal budget formulation process.
5. Finalize, print and disseminate findings from the study on the effectiveness and efficiency of transfers to LGs, Collect, Consolidate and validate data on grants transfers and produce statistical trends by sector. Collect, analyze relevant data from MDAs and report on performance of Disbursement Linked Indicators (DLIs) to the Committees, MoFPED and World Bank
6. Collect & analyze data to identify local governments lagging behind the National average for Education Health & Water
7. Consider and recommend to the president potential sources of revenue for Local Governments;
8. Conduct readiness assessment on the roll out of the automated local revenue collection using the Integrated Revenue Administration System (IRAS)
9. Conduct research on the existing local revenue databases and provide support to exploit the local revenue potential in 20 districts
10. Conduct an Action research in revenues potential from natural resources and
11. Conduct technical support in strategies for local revenue enhancement including management of property rates and provide support in setting appropriate charges for local revenue for local governments
12. Produce consolidated FY2020/21 Budget Analysis report on all Vote holder LGs and Support at least 24 LGs in budget formulation and other supportive strategies to enhance LG capacities
13. Produce detailed LG Specific Analytical Reports and Provide Feedback to 10 selected LGs that have serious compliance issues with the legal requirements to discuss analysis report
14. Collect, capture and process fiscal data from approved annual final accounts in the fiscal databank.
15. Produce and disseminate four (4) quarterly analysis reports and one (1) annual analysis report on budgeted and actual grant releases to LGs. Non-observance of environmental issues during planning and budgeting and allocations which leads to environmental degradation loss/ diverse effects on facilities/ investments eventually leads to wastage of funds, food insecurity and also affects the climate will be evaluated in the quarterly report analysis
16. Monitoring at departmental and Commission level. One planning meeting to prepare the Budget Framework Paper and Ministerial Policy Statement FY 2020/21 carried out.
17. Carry out hands-on Financial analysis training for 26 technical officers in qualitative and Quantitative Analysis using financial analysis computer software's.
18. Conduct in house training for members of the Commission and staff in Policy Development, Analysis and Practical Team Building Sessions 43 staff members and offer defensive Driving Training to drivers.

Medium Term Plans

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1. To improve service delivery, efficiency and value for money through LGFC and LG capacity and resource enhancement.
2. To increase local revenues (LR) through continued support to all local governments by rolling out computerization of revenue registers (establishing LR databases) in all LGs across the country and other measures.
3. Contribute to increase and equity of all Local Government funding from the national budget by focusing on conditional grants negotiations, programs and outcomes; and review of grants allocation formula.
4. Examine the Revenues from Natural resources from the various regions and streamline to inform planning and budgeting in Local governments.
5. Regularly Assess Allocation formula & models in light of sector policies reviewed to observe equity and in-build crosscutting issues-poverty, HIV/AIDS, climate change, gender and environment.
6. Evaluate LG funding on Climate Change
7. Build Partnerships with other stakeholders to promote and advocate for equity, transparency and fairness in the resource allocations for local governments.
8. Conduct Action Research in Application of Local Revenue Databases on the potential of local revenue for local governments and Conduct research on the alternative financing using Public Private Partnerships

Efficiency of Vote Budget Allocations

1. The vote plans to make re allocations to the various new priority areas that have emerged from the alignment of the NDP III.
2. As a measure to improve service delivery and improve efficiency for value for money the Commission realigned its budget and streamline priority areas as stipulated in the Draft National Development Plan III.
3. Program outcomes were developed for the vote to focus resources to impact other than outputs, the vote plans to migrate the database to a web based platform for local revenue management, track agreed positions in the negotiations agreements, increase monitoring and supervision and provide support to local government to ensure the legal requirement is adhered to

Vote Investment Plans

NIL

Major Expenditure Allocations in the Vote for FY 2020/21

1. Facilitating the negotiations on sector conditional grants funded programmers between local governments and 7 sectors.
2. Roll out of Integrated Revenue Administration System
3. Provision of support in the estimation of local revenue potential using local revenue databases

V3: PROGRAMME OUTCOMES, OUTCOME INDICATORS AND PROPOSED BUDGET ALLOCATION

Table V3.1: Programme Outcome and Outcome Indicators

Programme :	53 Coordination of Local Government Financing				
Programme Objective :	To promote Sustainability adequacy and equity in financial resources for all inclusive service delivery by all Local Governments.				
Responsible Officer:	Lawrence Banyoya				
Programme Outcome:	A resourced Local Government able to carry out Decentralised roles and responsibilities				
<i>Sector Outcomes contributed to by the Programme Outcome</i>					
1. Increased Sustainable Local Government Financing					
Programme Performance Indicators (Output)	Performance Targets				
	2019/20 Plan	2019/20 Q1 Actual	2020/21 Target	2021/22 Target	2022/23 Target
• Percentage share of the National budget between Central and Local governments			13.8%	14%	16.5%
• Percentage increase in the grant transfers			15%	18%	20%

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• Ratio between the highly funded and the least funded local governments		1:18	1:14	1:10
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Table V3.2: Past Expenditure Outturns and Medium Term Projections by Programme

Billion Uganda shillings	2018/19	2019/20		2020/21	MTEF Budget Projections			
	Outturn	Approved Budget	Spent By End Q1	Proposed Budget	2021/22	2022/23	2023/24	2024/25
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53 Coordination of Local Government Financing	0.000	0.000	0.000	4.814	5.522	6.371	7.390	8.613
Total for the Vote	0.000	0.000	0.000	4.814	5.522	6.371	7.390	8.613

V4: SUBPROGRAMME PAST EXPENDITURE OUTTURNS AND PROPOSED BUDGET ALLOCATIONS

Table V4.1: Past Expenditure Outturns and Medium Term Projections by SubProgramme

Billion Uganda shillings	2018/19	2019/20		2020/21	Medium Term Projections			
	Outturn	Approved Budget	Spent By End Sep	Proposed Budget	2021/22	2022/23	2023/24	2024/25
<i>Programme: 53 Coordination of Local Government Financing</i>								
01 Administrative Support Services	0.000	0.000	0.000	3.039	3.225	3.374	3.374	3.374
02 Revenues for Local Governments-Central Grants and Local Revenues	0.000	0.000	0.000	1.130	1.249	1.749	2.749	3.749
03 Research and Data management	0.000	0.000	0.000	0.488	0.892	1.092	1.111	1.334
0389 Support to LGFC	0.000	0.000	0.000	0.157	0.157	0.157	0.157	0.157
Total For the Programme : 53	0.000	0.000	0.000	4.814	5.522	6.371	7.390	8.613
Total for the Vote :147	0.000	0.000	0.000	4.814	5.522	6.371	7.390	8.613

N / A

Table V4.3: Major Capital Investment (Capital Purchases outputs over 0.5Billion)

N/A

V5: VOTE CHALLENGES FOR 2020/21 AND ADDITIONAL FUNDING REQUESTS

Vote Challenges for FY 2020/21

1. Failure to implement the new approved LGFC staff structure due to lack of adequate wage budget.
2. Lack of reforms in Local Revenue Management
3. Increasing number of new districts and town councils and administration units amidst declining resources to the Commission
4. Resistance by some sector to appreciate the decentralization of funds to local governments
5. Continued Decline of Local Government Share of National Budget
6. Absence of a unit responsible for local revenue administration and management in local government structures

Table V5.1: Additional Funding Requests

Additional requirements for funding and outputs in 2020/21	Justification of requirement for additional outputs and funding
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Programme : 53 Coordination of Local Government Financing	
OutPut : 01 Local Government Budget Analysis	
Funding requirement US\$ Bn : 2.000	Programs contributed to in the NDP III are; Public Sector transformations and Development plan implementations, with an objective of Strengthen the role of public sector in growth and development process and Increase Resource mobilization
OutPut : 02 Enhancement of LG Revenue Mobilisation and Generation	
Funding requirement US\$ Bn : 1.600	Programs contributed to in the NDP III are Public Sector transformations and Development plan implementations. With an objective of enhancing the effectiveness of both fiscal and Administrative governance. the key strategies are increase state participation in strategic sectors and Increase in resources mobilization
OutPut : 03 Equitable Distribution of Grants to LGs	
Funding requirement US\$ Bn : 2.400	With the strategy of resource mobilization as stipulated in the NDP III local governments should be provided with better alternative of generating revenues for economic growth and improved service delivery
OutPut : 04 Institutional Capacity Maintenance and Enhancement	
Funding requirement US\$ Bn : 0.800	Carry out a study aimed at the development of a framework to provide mechanisms and/or procedures to facilitate the process of mediating financial dispute between Local Governments at all levels. – (Consultancy).
OutPut : 19 Human Resource Management Improved	
Funding requirement US\$ Bn : 1.593	The Commission plans to recruit staff to help manage the current work load under administration and the revenue and research department directorates. A considerable period of time has passed since the last salary raise for staff at the Commission. With the approval of new structures and creation of new districts and town councils the work for Commission staff has increased hence the need for salary increment to cater for increment in Wage, NSSF and gratuity for staff.