



**Ministry of Finance, Planning and Economic  
Development**

**Guidelines for Consolidation of Inter-  
governmental transfers to Local Governments for  
FY 2015/16**

**JUNE 2015**

## Table of Contents

List of acronyms .....	3
1. Overview .....	5
2. Consolidation of Conditional Grants in 2015/16.....	5
Overview of Changes.....	5
Chart of Accounts (CoA) .....	7
Earmarking of transfers in FY 2015/16: .....	8
Performance Contract (Form B) for FY 2015/16 .....	8
3. Finalising Performance Contracts and Budget Estimates for 2015/16 .....	9
Final Planning Figures .....	10
Budget Revisions and Submission of Performance Contracts .....	10
4. Budget execution.....	11
Releases .....	12
Adjustments to Work Plans and Budgets.....	12
Financial Statements .....	13
Quarterly Budget Performance Reports .....	14
Monitoring and accountability.....	14
5. Sanctions .....	16
6. <b>Reforms for FY 2016/17</b> .....	17
Consolidation of Intergovernmental transfers .....	17
Local government budget calendar .....	18

List of acronyms

AB	Annual Budget (Summary)
AFR	Annual Financial Report
AWP	(Programme) Annual Work Plan
CAO	Chief Administrative Officer
CBG	Capacity Building Grant
CFO	Chief Finance Officer
DP	Development Plan
DEV	Development
DR	Descriptive Report
DSC	District Service Commission
DTB	District Tender Board
FDS	Fiscal Decentralisation Strategy
Gtax	Graduated Tax
HLG	Higher Local Government
HoD	Head of Department
IFMS	Integrated Financial Management System
IFMS	Integrated Financial Management System
IR	Internal Report
LCIII	Subcounty of Division
LCIV	Municipality
LCV	District
LG	Local Government
LGA	Local Government Act
LGBFP	Local Government Budget Framework Paper
LGDP	Local Government Development Programme
LG FAR	Local Government Financial & Accounting Regulations
LGFC	Local Government Finance Commission
LGPAC	Local Government Public Accounts Committee
LGROC	Local Government Releases and Operations Committee
LLG	Lower Local Government
LoGICS	Local Government Information Communications System
LPO	Local Purchase Order
MC	Municipal Council

MoFPED	Ministry of Finance, Planning & Economic Development
MFR	Monthly Financial Report
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MT	Medium Term
NGO	Non-Governmental Organisation
PAF	Poverty Action Fund
PR	Programme Performance Report
QFR	Quarterly Financial Report
REC	Recurrent
REV	Revenue
TC	Town Clerk
TPC	Technical Planning Committee

## 1. Overview

1.1 These guidelines will guide the Local Governments in finalising the Budget for FY 2015/16 and will further guide subsequent execution of the Budget and reporting in the context of (a) the Public Finance Management Act (2015) and (b) reforms to consolidate conditional grants to Local Governments. They highlight the main changes.

1.2 The guidelines are split into four parts:

- Part 1 explains the rationale for the consolidation of inter-governmental transfers and its implications on finalising and executing the 2015/16 Budget.
- Part 2: details requirements for the finalisation of the budget for FY 2015/16, including the incorporation of changes made by Parliament to allocations in the allocation of Inter-governmental Transfers
- Part 3: provides a systematic guide for the execution of the Budget in 2015/16
- Part 4: summarises the process for the next stages in the consolidation of inter-governmental transfers for FY 2015/17 and an overview of the budget process in the context of the new PFMA 2015.

## 2. Consolidation of Conditional Grants in FY 2015/16

### 2.1 Overview of Changes

The legal framework for Fiscal Decentralisation is set out in the Uganda Constitution (1995) and the Local Government Act (1997). Whereas it envisaged a highly discretionary system of financing, Local Government service delivery has been funded through an increasing number of Inter-Governmental fiscal Transfers. Together with the creation of new districts, this has resulted in a gradual reduction in the discretion of local governments and disparities in funding levels between District and Municipal Councils.

2.2 To address this, the Government presented a proposal at the National Budget Conference for FY 2015/16 to consolidate the various fiscal transfers to Local Governments with the aim of (a) reducing the number of grants; (b) cutting down the associated transaction costs; and (c) improving their manageability. The first step in consolidation is planned to take place in 2015/16, as summarised in Table 1, below:

2.3 **Under the Recurrent Transfer System (RTS):** The many conditional grants will be replaced by one wage and one non-wage conditional grant for each of the six service delivery sectors (Health, Education, Agriculture, Works and Transport, Water and

Natural Resources, and Social Development). In addition, a Support Services conditional grant will consolidate non-wage grants under the Public Sector Management and Accountability sectors. Not all the grant types will be used each year, for example there is currently no wage grant for the Water and Environment Sector. Instead, they provide a framework within which any future grants will fit.

2.4 The two wage grants under the Public Sector Management (321410 Transfers to DSC Chairs Salaries and 321444 Salary and Gratuity for LG Elected Leaders) will be merged into the Unconditional Grant allocations for Districts and Municipal Councils. Allocations for all other conditional grants will be presented as “of-which”, and will keep the same conditions.

Table 1: Summary of the new conditional grant structure for 2015/16

Sectors	Recurrent Transfer System	Development Transfer System
Six service delivery sectors (Health, Education, Agriculture, Works and Transport, Water and Natural Resources, and Social Development )	One wage and one non-wage conditional grant per sector	One development grant per sector
Support Services (PSM & Accountability)	One wage and one non-wage conditional grant	one development grant
Discretionary and Unconditional grants	Unchanged (PSM wage grants folded into unconditional grants)	LGMSD and USMID (unchanged)

2.5 Under the Development Transfer System (DTS): There will be one development grant per sector for each of the six service delivery sectors and one for Support Services (PSM and Accountability). The discretionary development grants; Local Government Management and Service Delivery (LGMSD) and Uganda Support Municipality Infrastructure Development (USMID) will remain unchanged.

The first step in consolidation in FY 2015/16 will be a transitional stage where the grant allocations will be consolidated into the new structure and shall not have any effect on grant conditionality. The main change will be on the revenue classifications for Higher Local Governments. Only new revenue codes will be introduced. Expenditures financed by conditional grants will remain unchanged. Further steps of the reforms will be undertaken for FY 2016/17, which will include changes to grant

conditions with a view of increasing local Government discretion in determining the use of the grants as explained in Part 5.

## 2.6 Chart of Accounts (CoA)

As indicated above, the consolidation of grants in FY 2015/16 will have an implication on the revenue codes in the CoA for Local Governments (and the asset code for the central government). Previously each grant had its own code. This has been replaced by the codes below. The codes for unconditional and equalisation grants remain the same, as will codes for USMID and LGMSD.

Table 3: Codes for conditional grants in the Chart of Accounts

GRANT NAME	LG Revenue Budget	CG Budget (Asset)
<b>Recurrent grant codes</b>		
Sector Conditional Grant Wage	133366	321466
Sector Conditional Grant Non-Wage	133367	321467
Support Services Conditional Grant Wage	133368	321468
Support Services Conditional Grant Non-Wage	133369	321469
District Unconditional Grant Wage	133351	321451
District Unconditional Grant Non-Wage	133301	321401
District Equalisation Grant Non-Wage	133303	321403
Urban Unconditional Grant Wage	133350	321450
Urban Unconditional Non-Wage	133302	321402
Urban Equalisation Grant Non-Wage	133363	321463
<b>Development grant codes</b>		
Sector Development Grant	133370	133370
LGMSD	133326	321426
Municipal Infrastructure Grant (USMID)	133365	321465
Luwero and Rwenzori Development Programme (LRDP)	133371	133371

2.7 Each sector grant will be identified by the sector and department under which the grant falls in the revenue budget. For example: Education will have a Sector Conditional Grant (Wage) and a Sector Conditional Grant (Non-Wage). The Support Services, unconditional, equalisation, LGMSD and Municipal infrastructure Grants (USMID) are multi-sectoral.

## 2.8 Earmarking of transfers in FY 2015/16:

The final budget allocations for FY 2015/16 will use the new coding structure, with allocations to existing grants presented as “of-which” within Sector, Support Services and Unconditional grants. Grants remain earmarked to the areas specified by each ‘of which’. Budget and outturn figures for FY 2014/15 will use the same codes as in the Budget for 2014/15 in order to allow comparisons to the original allocations. An illustration as to how revenue budgets will be presented is provided below for the Production and Marketing Work Plan. The presentation of the expenditure budget remains un-changed.

### Workplan 6: Education

<i>US\$ Thousand</i>	2014/15		2015/16
	Approved Budget	Outturn by end March	Approved Budget
<b>A: Breakdown of Workplan Revenues:</b>			
<b>Recurrent Revenues</b>	<b>16,459,595</b>	<b>7,510,053</b>	<b>15,523,724</b>
<b>District Unconditional Grant (Non-Wage)</b>	<b>12,000</b>	<b>7,000</b>	<b>12,000</b>
o/w District Unconditional Grant - Non Wage	12,000	7,000	12,000
<b>District Unconditional Grant (Wage)</b>	<b>80,211</b>	<b>34,812</b>	<b>80,211</b>
o/w Transfer of District Unconditional Grant - Wage	80,211	34,812	80,211
<b>Other Revenues</b>	<b>21,433</b>	<b>20,611</b>	<b>19,431</b>
o/w Other Transfers from Central Government	12,768	15,110	12,768
o/w Multi-Sectoral Transfers to LLGs	6,063	3,499	6,663
o/w Unspent balances - UnConditional Grants	2,602	2,002	
<b>Sector Conditional Grant (Non-Wage)</b>	<b>3,252,148</b>	<b>1,613,896</b>	<b>2,812,725</b>
o/w Conditional Grant to Secondary Education	1,949,759	975,498	1,716,696
o/w Conditional transfers to School Inspection Grant	59,166	29,539	51,882
o/w Conditional Transfers for Primary Teachers Colleges	195,920	96,064	136,525
o/w Conditional Transfers for Non Wage Technical Institutes	424,300	212,150	268,400
o/w Conditional Grant to Primary Education	623,003	300,045	639,222
<b>Sector Conditional Grant (Wage)</b>	<b>13,091,804</b>	<b>5,833,734</b>	<b>12,599,358</b>
o/w Conditional Grant to Primary Salaries	9,978,332	4,371,051	9,523,928
o/w Conditional Grant to Tertiary Salaries	645,548	200,869	453,392
o/w Conditional Grant to Secondary Salaries	2,467,923	1,261,814	2,622,038
<b>Development Revenues</b>	<b>696,869</b>	<b>364,318</b>	<b>330,344</b>
<b>Development Grant</b>	<b>572,770</b>	<b>285,483</b>	<b>268,665</b>
o/w Conditional Grant to SFG	412,434	206,216	140,286
o/w Construction of Secondary Schools	160,336	79,266	128,380
<b>District Discretionary Development Grant</b>	<b>90,000</b>	<b>56,438</b>	<b>15,296</b>
o/w LGMSD (Former LGDP)	90,000	56,438	35,296
<b>Other Revenues</b>	<b>34,099</b>	<b>22,397</b>	<b>26,382</b>
o/w Unspent balances - Other Government Transfers	7,717	7,717	
o/w Multi-Sectoral Transfers to LLGs	26,382	14,680	26,382
<b>Total Revenues</b>	<b>17,156,464</b>	<b>7,874,371</b>	<b>15,854,068</b>

Table 4: Illustration of the new chart of accounts in the 2015/16 Work Plan Budgets

## 2.9 Performance Contract (Form B) for FY 2015/16

The Performance Contract commits Accounting Officers to implementing the Budget and Work Plan as intended, and to report. The District Chairperson of the Executive



Committee (or their deputy) or the Mayors the Municipality should witness its signing before it is submitted to MoFPED by 30<sup>th</sup> June 2015.

2.10 This year, Performance Contracts (Form B) have been compressed and summarised to 25 pages and focus on key outputs. They will also include a new requirement on the need for Local Governments to respond to feedback from Local Government stakeholders, including queries raised through the Uganda Budget Website ([www.budget.go.ug](http://www.budget.go.ug)), and Call Centre (0800 229 229.) (In addition, the taking of appropriate action (details under the Accountability Section).

#### 2.11 Finalising Performance Contracts and Budget Estimates for FY 2015/16

In accordance to the PFMA 2015, on 30<sup>th</sup> May 2015, Parliament approved the National Budget for FY 2015/16. Local Government budget estimates should also have been approved by the Local Government Council by the 31<sup>st</sup> May 2015. There are three important changes required to Local Government budgets:

- a. In the final budget estimates, the allocations for conditional grants have been consolidated into the new framework for conditional grants; and
- b. The Performance Contract has been summarised so that is no more than 25 pages and focuses on key local government results;

2.12 The Government has introduced a new allocation for pensions within the non-wage support services conditional grant and a new discretionary development allocation for the Luwero Rwenzori Development Program (LRDP). These were not included in the draft Indicative Planning Figures (IPFs) for FY 2015/16.

2.13 These changes are to be communicated in a circular and should be included in the final Performance Contract, Budget Estimates and Annual Work Plans for FY 2015/16. **Note:** *If the Local Government Budget has already been approved by the Council, a supplementary budget should be introduced effecting these changes.*

Table 2: Calendar for the 2015/16 Budget and 2014/15 Consolidated Accounts

	Activity	Timelines for 2015/16 budget preparation
1	Performance contracts signed and submitted to MOFPED	30 June 2015
2	Budget comes into operation	1 Jul 2015
3	MOFPED publishes the Approved Budget Estimates	1 Jul 2015

## 2.14 Final Planning Figures

This Ministry will communicate Final Planning Figures (FPFs) for FY 2015/16 and provide an update in the Output Budgeting Tool (OBT) to effect the above changes, an encrypted file of FPFs, and a summary by sector on the requirements for each grant. (a Copy on [www.budget.go.ug](http://www.budget.go.ug)).

## 2.15 Budget Revisions and Submission of Performance Contracts

Prior to the submission of Performance Contracts by the 30<sup>th</sup> June higher local governments should take the following steps:

- a. Install the update and import the ceilings into the Output Budgeting Tool.
- b. If there are changes to FPFs:
  - o Decide on sectoral budget allocations for new discretionary allocations, and update the allocations in the Recurrent and Development Transfer Budgets.
  - o Inform relevant heads of department and LLGs of changes in allocations and request them to update their Work Plans and Budgets.
- c. Once changes have been made, generate the Annual Work Plan and Budget. These will need to be reviewed and approved:
  - o first by the Technical Planning Committee; and
  - o Then by the Executive Committee of the Council.
- d. If the Local Government Budget *has not* been approved by the Council: the Council should be requested to approve the revised draft budget prior to the submission of the Performance Contract.
- e. If the Local Government Budget *has* already been approved by the Council then the Performance Contract should be based on the revised Annual Work plan and budget approved by the Executive Committee.

2.16 In addition to adjusting work plan and budget allocations, the narrative in summary department work plans must be shortened, where necessary, so that it appears in full in the Performance Contract. The size of the narrative displayed has been limited in the OBT, and the document now cannot be more than 25 pages.

2.17 The Budget Desk must communicate relevant information to Heads of Department, Sector Committees, Lower Local Governments and other key stakeholders.

## 2.18 Budget execution

Budget execution begins in the new financial year, starting 1st July. The Local Government Council should have approved the Budget Estimates before this date. The main fixed and periodical deadlines for reporting and cash-flow management in 2015/16 are shown in the calendar below, though many other activities must take place on a continuous basis.

Table 5: Budget execution calendar for Local Government in 2015/16

	Timing	Activity	Responsibility
	31 June	Preparation and approval of Annual Cash-flow Budget	CFO, CAO and Executive Committee
Q1	1 Jul 2015	Start of the Financial Year	
	10 Jul 2015	MOFPED issues First Quarter Release to Local Governments	
Q2	10 Oct 2015	MOFPED issues Second Quarter release to Local Governments	
	15 Oct 2015	Sectors and LLGs submit Quarterly Budget Performance Report to CAO/TC	Heads of Department, Sub-county Chiefs
	31 Oct 2015	First Quarter Budget Performance Report submitted to MOFPED	CAO/TC
Q3	10 Jan 2016	MOFPED issues Third Quarter release to Local Governments	
	15 Jan 2016	Sectors and LLGs submit Quarterly Budget Performance Report to CAO/TC	Heads of Department, Sub-county Chiefs
	31 Jan 2016	Second Quarter Budget Performance Report submitted to MOFPED	CAO/TC
	15 Feb 2016	Prepare and submit half-year financial statements to the Accountant General	CAO/TC
Q4	10 Apr 2016	MOFPED issues release to Local Governments for Q4	
	15 Apr 2016	Sectors and LLGs submit Quarterly Budget Performance Report to CAO/TC	Heads of Department, Sub-county Chiefs

	Timing	Activity	Responsibility
	31 Apr 2016	Third Quarter Budget Performance Report submitted to MOFPED	CAO/TC
Q1	31 Jul 2016	Fourth Quarter Budget Performance Report submitted to MOFPED	CAO/TC
	31 Aug 2016	Submit annual accounts to the Auditor General and Accountant General	CAO/TC
	30 September 2016	Repayment of uncommitted funds from previous financial year into the Consolidated Fund	CAO/TC
	15 days after end of each month	2.19 Financial Statements to Executive Committee and Ministry of Local Government, Auditor General and MOFPED.	CAO/TC

## 2.20 Releases

Releases to Local Government will be made by MOFPED each quarter and communicated through a letter to the CAO/TC copied the Chairperson of the Council, the Heads of Department, via the media, and the budget website [www.budget.go.ug](http://www.budget.go.ug).

2.21 Releases will be made against item codes, but release schedules will be given. Straight through transfers will continue to be made for the component of each grant allocated to service delivery units.

## 2.22 Adjustments to Work Plans and Budgets

Local Governments may need to adjust their Work Plans and Budgets during the financial year. Adjustments to revenue and expenditure budget allocations can be done through:

- Virements - the reallocation of approved funds between items and outputs. Virements can be used to reallocate up to 10% of the total LG budget for an item or output to another item or output. The virement must not involve changes in location of outputs. The virement should not be contentious, and should not result in a future liability for the government. This last requirement means that

moving funds should not create additional spending pressures later in the year, or in future years.

- Reallocations – the reallocation of approved funds between items and/or outputs that do not qualify as a virement.
- Supplementary budgets - additional funds required for expenditure which involve an increase in the total approved revenue and expenditure estimates for the year.

2.23 All Virements must be approved by the Chairperson of the Executive Committee of the Council (LCV Chairperson/Mayor), and the members of the Executive Committee must be informed. All Reallocations and Supplementary Expenditures must be approved by the Executive Committee and the Council.

2.24 Virements, Reallocations and Supplementary Estimates are not permitted when they require changing central government grant allocations appropriated by Parliament. This means:

- Department expenditure allocations must not be lower than the allocation for sector conditional grants for wage, non-wage recurrent and development for the grant as a whole and for 'of which' allocations within it; and
- Overall local government allocations for wage, non-wage and development must not be below the overall local government grant allocations for these categories.

2.25 Where budget adjustments involve changes to Straight Through Transfers, then the Accounting Officer must write to the Permanent Secretary/Secretary to the Treasury requesting the change, and provide evidence of the appropriate authority being granted from either the LC V Chairperson/Mayor or full Council.

#### 2.26 Financial Statements

The Chief Finance Officer must prepare a statement of the Monthly Financial Accounts to the Executive Committee not later than the 15th day after the completion of each month. A copy of the statement should also be forwarded to the Ministry of Local Government, Auditor General and MOFPED.

2.27 Half-year financial statements should be prepared by 15th February and submitted to the Accountant General.

2.28 Annual accounts should be prepared by 31st August and submitted to the Auditor-General and the Accountant-General.

2.29 The reconciliation of bank accounts, and the preparation of accountability statements is an essential element of preparing accurate Quarterly Performance Reports.

### 2.30 Quarterly Budget Performance Reports

As set out in the Budget Calendar in Table 5, Local Governments must prepare a Quarterly Budget Performance Reports within one month of the end of a quarter. In order to do so, Lower Local Governments and Heads of Department must submit quarterly reports by the 15<sup>th</sup> of the month after the close of each quarter.

2.31 The Quarterly Budget Performance Report must be signed by the Chief Administrative Officer and should be submitted to MOFPED, copied to the District/Municipal Executive Committee, the District/Municipal Council, the Resident District Commissioner, the Ministry of Local Government and line ministries. In addition, Districts and Municipalities must provide to the MOFPED a copy of the Local Government OBT used to generate the report.

2.32 When a Quarterly Budget Performance Report has been received, MOFPED will check the report and issue a receipt within 2 days.

- If the report is complete and does not contain obvious errors, MOFPED will issue an official receipt confirming that a complete submission has been received;
- If the report is incomplete or contains obvious errors, MOFPED will issue a receipt, acknowledging a submission was made, but identifying the gaps and errors which must be addressed. The Local Government will have a further two weeks to address any comments raised by the MOFPED in this receipt.

2.33 The final reports will be posted on the Uganda Budget Website ([www.budget.go.ug](http://www.budget.go.ug)) to ensure public access to budget information.

### 2.34 Monitoring and Accountability

Accounting Officers for Local Governments are responsible for ensuring adherence to procedures for preparing, executing and reporting on the Budget Estimates and Annual Work Plans. They must also monitor and report on the performance of the Local Government.

2.35 District and Municipal Councils should carry out periodic monitoring visits to assess the status of implementation of activities. This will enable local government officials to track progress and monitor the quality of the services being delivered. In general, 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;
- examination of financial records / book keeping;
- identification of deficiencies in implementation in the programme and
- recommendations for their solution; and
- Identifying issues which require follow up.

2.36 In addition to these activities, effective use of public feedback can assist local government in ensuring that cost centres are making effective use of the funds provided to them, and that contractors are effectively carrying out works.

2.37 Local government performance reports are posted on the Uganda Budget Website ([www.budget.go.ug](http://www.budget.go.ug)). The reports are available in full, and the data is also provided in a searchable format. Members of the public can access this information either through the website or through the Budget Hotline (0800 229 229). The aim of the website is to ensure easy access to information on local government service delivery, allowing the public to monitor and provide feedback, thus promoting budget transparency and improving service delivery.

2.38 Local Government officials must respond to this feedback, and take actions to address the issues raised. Local government officials must register on the website by MOFPED, and will be emailed when feedback is left on the website. (All feedback provided through the Budget Hotline can be accessed from the website.) Local Governments will be required to respond to all feedback provided to it on the site within 2 weeks of the comment being posted. Where appropriate, Local Governments will be required to report the follow up actions taken on the website. MOFPED will communicate with the Accounting Officer when reporting on these follow up actions is required.

2.39 This commitment will be included in the CAO's Performance Contract and will also be factored into the annual assessment of Accounting Officers. The Prime Minister may be informed of Local Governments who fail to respond to queries, or respond late.

2.40 Local Governments should appoint a site administrator who is responsible for (a) ensuring all relevant local government officials are registered on the website; (b) publicising the website and hotline within the LG; and (c) coordinating and moderating feedback relating to the Local Government. The Planner may be the most appropriate officer as they are also typically responsible for OBT submissions. MOFPED, through

the Budget Policy and Evaluation Department, is available to provide further information and support on using the budget website and budget hotline.

### 3. Sanctions

**3.1** Failure to comply with any of the deadlines and procedures described in these guidelines will be factored into assessments of Accounting Officers performance and may incur sanctions. Sanctions will include warning letters. The Prime Minister and Minister of Local Government may be informed of Local Governments that fail to report and respond to feedback, and be followed by publishing the names of non-compliant Officers in the newspaper. The appointment of Accounting Officers may be revoked or not be renewed by MOFPED. Financial penalties may also be imposed by the Government under Sections 79 and 80 of the PFMA.

**3.2** The status of compliance by Accounting Officers will be published on the Uganda Budget Website.



## 4. Reforms for FY 2016/17

### 4.1 Consolidation of Intergovernmental transfers

Changes to the 2015/16 framework for conditional grants are the first step in consolidation and broader reform to transfers to support improvements in service delivery. Some key issues that are being considered are listed below:

- the extent of discretion afforded to local governments by the overall transfer system;
- how the grant system can flexibly respond to the introduction of new policies by national government without leading to fragmentation into many small grants;
- how the PRDP allocations and equalisation grants are handled beyond 2015/16;
- how donor and other parallel funding is handled within the grant system;
- how to further strengthen transparency and accountability of local governments for budgetary allocations, expenditures, and results;
- how performance incentives for local governments can be introduced; and
- how to reduce disparities in per capita transfers between local governments and
- ensure basic adequacy of transfers for local government service delivery responsibilities within available fiscal space.

4.2 The 2015/16 proposals have been developed with this broader process in mind, and provide a coherent framework within which these issues can be addressed. Consultations with stakeholders will continue over the next six months to further redevelop the fiscal decentralisation architecture before the 2016/17 Budget process begins. The following activities will take place:

- Revising the allocation formulae and principles for Inter-Governmental transfers to address disparities, inequities and inadequacies in resource allocation for service delivery and developing a plan to introduce these in line with available fiscal space;
- Redesigning discretionary and sector transfers with a view to increasing discretion to enable LGs to deliver services in line with local needs whilst ensuring that national policy priorities are implemented and avoiding future fragmentation;
- Completion of budgeting and budget implementation guidelines and associated training materials on the basis of the re-designed transfer framework and incorporating new approaches such as Performance Based Budgeting and the new Budget Calendar.

4.3 Work will be led by the Ministry of Finance, Planning and Economic Development, the Ministry of Local Government and the Local Government Finance Commission, with technical support from development partners such as the World Bank. Consultations will be held with line ministries and local governments.

#### 4.4 Local government budget calendar

Changes to the budget calendar for the FY 2016/17 Budget process are required in order to improve the sequencing of events in the context of the PFMA (2015). The key change is that the local government budget estimates should be approved by the local council on the 31<sup>st</sup> May well before the start of the financial year on 1<sup>st</sup> July. Vote on account by the Council will no longer be needed, this is subject to the reviews of the LGFA manual (2007).

4.5 The indicative budget calendar for 2016/17 is shown below.

Table 6: Local budget calendar for preparing the 2016/17 Budget

	Activity	Deadline
1	Local Government negotiations with sectors to agree grant conditions and allocation formulae.	25 Aug
2	Grant Conditions and LG Planning and Budgeting Guidelines communicated to LGs	31 Aug
3	Regional Budget Workshops/Consultations with local governments Grant Conditions LG Planning and Budgeting Guidelines	20 Sep
4	MOFPED issues the first Budget Call Circular, accompanied by the: Medium Term Expenditure Framework IPFs to local governments	30 Sep
5	Budget Desk prepares the first Local Government Budget Call Circular and shares with HoDs and LLGs. This includes: Allocations to LLGs Allocations to Departments	5 Oct
6	Departments and LLGs prepare inputs for the LG BFP and draft LG DPs and submit to Budget Desk, including Identification of Investments for inclusion in LG Development Plan (DP) Preliminary Budget estimates and Annual Work plans	20 Oct
7	LG Planning and Budget Conference to discuss LLG and Department Annual Work plans for the forthcoming budget Identification of Investments for inclusion in LG DPs	31 Oct

	Activity	Deadline
8	Budget Desk Compiles LG BFP and LG DPs	5 Nov
9	Review of the draft LG BFP and LG DPs by the Technical Planning Committee and the LG Executive Committee	10 Nov
10	<b>Approval by LG Executive Committee and submission of the LG BFP to the MOFPED and Council</b>	<b>15 Nov</b>
11	National Consultative Budget Conference	30 Nov
12	Discussion of the draft BFP and Five-Year Development Plan by the Standing Committees of Council	30 Dec
13	<i>National BFP to Parliament Incorporating grant allocation formulae Sector grant allocations in the MTEF</i>	<i>31<sup>st</sup> Dec</i>
14	<b>LG BFP and LG DP approved by Council</b>	<b>1<sup>st</sup> Feb</b>
15	<i>National BFP Approved by Parliament NB: Approval involves commitment that allocation formulae and grant allocations will not be changed/reduced in nominal terms in the final budget</i>	<i>1<sup>st</sup> Feb</i>
16	<i>MoFPED Issues the Second Budget Call Circular Incorporates final IPFs</i>	<i>20 Feb</i>
17	Budget desk prepares Second LG Budget Call Circular Revised IPFs for Departments and LLGs	28 Feb
18	Draft Departmental Budget Estimates and Annual Work Plans submitted to Budget Desk	10 Mar
19	Budget Desk Compiles Draft Budget Estimates and Annual Work plans	15 Mar
20	Review of the Budget Estimates and Annual Work plans by the Technical Planning Committee and the LG Executive Committee	25 Mar
21	<b>Laying of the Budget before LG Council and Submission of draft Performance Contract to MOFPED</b>	<b>1<sup>st</sup> April</b>
22	<i>MoFPED Lays the National Budget before Parliament</i>	<i>1<sup>st</sup> April</i>
23	<b>Approval of the Budget by Council</b>	<b>31 May</b>
24	<i>Approval of the National Budget by Parliament</i>	<i>31 May</i>
25	<i>Presentation of the National Budget Speech in Parliament</i>	<i>15 Jun</i>
26	<i>Budget Execution Circular issued by MOFPED</i>	<i>30 Jun</i>
27	<b>Submission of Final Performance Contract to MOFPED</b>	<b>30 Jun</b>

