# **00 Unconditional, Public Sector Management and Accountability**

# 2016/17 Grant and Budget Information – BFP Draft 1

### ***IMPORTANT: This is a draft paper for use by local governments in their preparation of Budget Framework Papers. It therefore may to be subject to change. A final paper will be issued alongside the second budget call circular in February. As a draft it should not be regarded as the final the policy position of any Government of Uganda institution.***

## National Development Plan and Policy Priorities

This note sets out the Policy Priorities, Roles, Responsibilities and Mandates of Local Governments for LG councils, Administration, Human Resources and Financial Management. It also sets out the purpose and structure of the Unconditional grant and allocation formulae.

There are several NDP priorities which relate to Local Governments in these areas:

* Strengthen Public Financial Management, through the introduction of the IFMS, Performance Based Budgeting and the Reform of Fiscal Transfers.
* Increase taxation.
* Improve statistical data production.
* Increase public demand for accountability and strengthen compliance with accountability rules.
* Enhance public contract management and performance.
* Improve citizen participation and contribution in promoting rule of law, transparency and accountability in the provision of services to achieve equitable and sustainable development.
* Improve the National M&E systems for increased service delivery, efficiency, and effectiveness.
* Improve coordination, and harmonization of policy, planning, budgeting, and M&E at National and Local Government levels.
* Improve democracy and governance for increased stability and development.
* Improve public service management, operational structures and systems for effective and efficient service delivery.
* Enhancing the performance of the public sector and strengthening service delivery.
* The Decentralisation of the Payroll, the Human Resources Function through the IPPS.

## Roles, responsibilities and mandate of Local Governments

The departments of Administration, Finance, Internal Audit, the Planning Unit and statutory Bodies are responsible for political and technical oversight and coordination of the Local Government in these areas. Their Vote Functions and associated mandates are set out below:

| Vote Function | Associated LG Mandate |
| --- | --- |
| District and Urban Administration  | * Coordination of LG activities, monitoring, organisation
* Human resource management, IPPS, coordination of capacity dev’t
* Records management, public relations
 |
| Financial management & Accountability | * Revenue mobilisation, budgeting, financial management and accountability
 |
| Local Statutory Bodies | * Council, DEC/MEC, Standing Committees: policy formulation and direction, approval of plans and budgets, monitoring of administration,
* PAC: accountability and oversight of administration revenues and expenditures
* DSC: staff recruitment, discipline, promotion.
* Land Board: processing land rights / land administration issues
* Contracts Committees: procurement and disposal of goods and services
 |
| Local Government Planning Services | * Coordination of Planning Function, Data Management (MIS, surveys etc.), Reporting, M&E.
 |
| Internal Audit | * Oversight of PFM / management of Internal Controls, Reporting and Recommendations to Council.
 |

## Transfer Details

### Overall Structure and Purpose of transfers and Overall Allocations

The Unconditional Grant is the **minimum amount of money required by Local Governments** to **deliver Decentralised Services.**

|  |  |
| --- | --- |
| Grant | Purpose |
| **District Unconditional Grant** |  |
| Wage | To fund the salaries of staff paid from the traditional Local Government payroll (i.e. all staff except teachers, health workers, extension workers) in the higher Local Government and rural areas |
| Non Wage | *o/w District* | To fund both the recurrent and development costs of decentralised services alongside locally raised revenues in the higher Local Government and rural areas |
| *o/w Sub-county* |
| **Urban Unconditional Grant** |  |
| Wage | *o/w Municipality* | To fund the salaries of staff paid from the traditional local government payroll (i.e. all staff except teachers, health workers, extension workers) in urban areas |
| *o/w Town Council* |
| Non Wage | *o/w Municipality* | To fund both the recurrent and development costs decentralised services alongside locally raised revenues in urban areas |
| *o/w Town Council* |
| **Support Services** |  |
| o/w Pension and Gratuity | To provide for pension and gratuity payments for former Local Government employees |
| o/w Urban Ad Hoc | Ad hoc allocation to local governments for administrative activities. |
| o/w Rural Ad Hoc |

It is important to note that the following grant allocations have been folded into the Unconditional Grants:

|  |  |
| --- | --- |
| * Wage Unconditional Grant
	+ Conditional transfers to DSC Chairs' Salaries
	+ Salary & Gratuity for LG elected leaders
 | * Non-Wage Unconditional Grant
	+ IPPS Recurrent Costs
	+ Boards & commissions
	+ PAF monitoring (Normal and payroll printing)
	+ DSC Operational Costs
	+ Councillors Allowances and LLGs Ex-Gratia
	+ Hard to reach allowances
 |

### Grant Allocation Formula

The proposed grant allocation formula is described in the table below.

|  |  |  |
| --- | --- | --- |
| **Variable** | **Weighting** | **Justification** |
| **District** | **Urban** |
| **W** | **NW** | **W** | **NW** |
| **D** | **SC** | **M** | **T** | **M** | **T** |
| Constant | 65 | 41 | 0 | 68 | 0 | 28 | 0 | To ensure the basic costs of delivering administrative services in a local government can be met, whatever its size. |
| Number of Lower Local Governments | 25 | 0 | 30 | 22 | 30 | 10 | 90 |
| Population (Rural/Urban) | 10 | 40 | 0 | 10 | 0 | 60 | 10 | Reflects the scale of beneficiaries for service delivery in local governments. |
| Land Area  | 0 | 3 | 0 | 0 | 0 | 0 | 0 | To cater for the varying costs of delivering services in a local government, which are influenced by their geographical size and terrain and distance from Kampala.  |
| Population in Hard to reach and to stay areas | 0 | 15 | 70 | 0 | 70 | 0 | 0 |
| Distance From Kampala | 0 | 1 | 0 | 0 | 0 | 2 | 0 |

Allocations under the **support services grant** would remain ad hoc, and not formula based. The support services grant is current comprised of:

|  |  |
| --- | --- |
| **Item** | **Allocation Basis** |
| o/w Pension and Gratuity | 2015/16 allocations |
| o/w Urban Ad Hoc | Ad hoc |
| o/w Rural Ad Hoc | Ad hoc |

The **medium term phase in plan** for the allocation formulae, in line with the 1st Budget Call Circular is as follows:

|   | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
| --- | --- | --- | --- | --- | --- | --- |
| **Unconditional Grants (UShs. Bn)** | **321.1** | **321.1** | **353.0** | **386.4** | **415.0** | **456.3** |
| **Urban Unconditional Grant** | **59.1** | **61.0** | **67.1** | **73.4** | **78.8** | **86.7** |
| **Non Wage Recurrent** | **25.8** | **26.6** | **30.9** | **35.4** | **39.0** | **44.8** |
| o/w Municipality | 14.9 | 15.7 | 18.3 | 20.9 | 23.0 | 26.5 |
| *% formula usage* | *-* | *30%* | *70%* | *100%* | *100%* | *100%* |
| o/w Town Councils | 10.9 | 10.9 | 12.6 | 14.5 | 15.9 | 18.3 |
| *% formula usage* | *-* | *30%* | *70%* | *100%* | *100%* | *100%* |
| **Wage Recurrent** | **33.4** | **34.5** | **36.2** | **38.0** | **39.9** | **41.9** |
| o/w Municipality | 19.2 | 20.3 | 21.3 | 22.4 | 23.5 | 24.7 |
| *% formula usage* | *-* | *0%* | *10%* | *20%* | *30%* | *40%* |
| o/w Town Councils | 14.1 | 14.1 | 14.8 | 15.6 | 16.4 | 17.2 |
| *% formula usage* | *-* | *0%* | *10%* | *20%* | *30%* | *40%* |
| **District Unconditional Grant** | **261.9** | **260.1** | **286.0** | **313.0** | **336.2** | **369.6** |
| **Wage Recurrent** | **147.9** | **146.8** | **154.2** | **161.9** | **170.0** | **178.5** |
| *% formula usage* | *-* | *0%* | *10%* | *20%* | *30%* | *40%* |
| **Non Wage Recurrent** | **114.0** | **113.2** | **131.8** | **151.1** | **166.2** | **191.1** |
| o/w District | 114.0 | 79.3 | 92.3 | 105.8 | 116.3 | 133.8 |
| *% formula usage* | *-* | *30%* | *70%* | *100%* | *100%* | *100%* |
| o/w Sub County | 0.0 | 34.0 | 39.5 | 45.3 | 49.9 | 57.3 |
| *% formula usage* | *-* | *30%* | *70%* | *100%* | *100%* | *100%* |
| **Public Sector Management** | **136.6** | **136.6** | **127.9** | **127.9** | **140.7** | **161.8** |
| **Support Services Grant** | **136.6** | **136.6** | **127.9** | **127.9** | **140.7** | **161.8** |
| o/w Pension | 127.9 | 127.9 | 127.9 | 127.9 | 140.7 | 161.8 |
| *% formula usage* | *-* | *100%* | *100%* | *100%* | *100%* | *100%* |
| o/w District Ad Hoc | 6.3 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| *% formula usage* | *-* | *100%* | *100%* | *100%* | *100%* | *100%* |
| o/w Urban Ad Hoc | 2.3 | 2.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| *% formula usage* | *-* | *100%* | *100%* | *100%* | *100%* | *100%* |

## Overview of Sector Requirements

In order for the LG Performance Contract to be approved, Local Governments are required to adhere to a number of specific requirements relating to the relevant sector budgets. These are specified in the following sections, and are summarised in the table below for the Administration, Finance, Planning, Internal Audit and Statutory Bodies.

Standard minimum costs for different functions still need to be developed. Until these are developed, FY 2015/16 grant allocations will be used as a guide for minimum allocations.

| Area | Summary of Requirements |
| --- | --- |
| **Budget Requirements** |  |
| Salaries and related costs | * Salaries
	+ Total wage allocations are within salary ceiling for UCG.
	+ Existing staff are appointed in line with staff establishment (structure) and salary scales
	+ Planned Staff recruitment to fill gaps is within available ceiling and establishment structure.
	+ Salaries for elected leaders and statutory bodies must be budgeted in full. FY 2015/16 grant allocations will be the minimum allocations for FY 2016/17
 |
| * Related Costs
	+ All Staff in hard to reach areas have allowances budgeted at FY 2015/16 allocated levels or more.
	+ Pension & Gratuity (commuted pension) must be budgeted for under Administration department in line with support services allocations.
	+ Allowances for political leaders and Ex-Gratia for LLGs budgeted in full. FY 2015/16 grant allocations should be used as a guide to minimum allocations
 |
| Unconditional Grant Allocations to Lower Local Governments | * The UCG allocations to LLGs is budgeted for using LLG IPFs provided in the schedule accompanying district/municipality IPFs to deliver decentralised services at LLGs as reflected under schedule 2 of the LG Act 1997 Cap 243
 |
| Higher Local Services | * Allocations to Statutory Bodies must be budgeted for, at least to the level of FY 2015/16 grant allocations for:
	+ Contracts Committee
	+ Land Board
	+ LG PAC
	+ DSC
* Running costs of the IPPS, IFMS budgeted for in line with FY 2015/16 grant allocations.
 |
| Monitoring and Management of Service Delivery | * Up to 5% of department allocations for specified outputs relative to monitoring
 |
| Development Investments | * Investments are consistent with stated positive and negative lists
 |
| Capacity Development | * Capacity Development Activities are consistent with stated positive and negative lists
 |

The table below provides an indicative list of **capital investments and other development activities** which may or may not be funded under the sector development budget from central government grants:

| **Positive list (what may be funded)** | **Negative list (what may not be funded)** |
| --- | --- |
| * Rehabilitation/construction of (and purchase of land for)
	+ Administration blocks
	+ Community centres
	+ Staff houses at sub-county headquarters in hard to stay areas
* Equipment for administrative offices
	+ Computers and peripherals, office furniture & fittings
	+ Solar systems, generators, extension of grid power to administrative offices
* Purchase of vehicles for entitled officers (MoLG authorisation required)
 | * Purchase of vehicles for officers who are not entitled
* Purchase of military equipment.

Non capital items. |

The table below provides an indicative list of **capacity development activities** which may or may not be funded under the sector development budget from central government grants:

| **Positive list (what may be funded)** | **Negative list (what may not be funded)** |
| --- | --- |
| * Short training courses
	+ based on established curricula
* Career development for areas that are a requirement for confirmation or promotion (max 20%)
	+ Professional qualifications (e.g. accounting, procurement)
	+ Masters via correspondence or local courses
 | * Undergraduate qualifications (degrees, diplomas etc)
* PHD’s
 |