



Ministry of Finance, Planning and Economic Development

INTERGOVERNMENTAL FISCAL TRANSFERS REFORM PROGRAM



JUNE 2021



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

**INTERGOVERNMENTAL FISCAL
TRANSFERS REFORM PROGRAM**

June 2021

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ACRONYMS

AF	Additional Financing
BFP	Budget Framework Paper
BTVET	Business Technical and Vocational Education and Training
BMAU	Budget Monitoring and Accountability Unit
BPED	Budget Policy and Evaluation Department
BSI	Budget Strengthening Initiative
CAO	Chief Administrative Officer
CB	Capacity Building
DDEG	Discretionary Development Equalization Grant
DEC	District Executive Committee
DFID	Department for International Development
DINU	Development Initiative for Northern Uganda
DLG	District Local Government
DLI	Disbursement Linked Indicator
DP	Development Partner
EMIS	Education Information Management System
FD	Fiscal Decentralization
FDS	Fiscal Decentralization Strategy
FDSC	Fiscal Decentralization Steering Committee
FDTC	Fiscal Decentralization Technical Committee
FDU	Fiscal Decentralization Unit
FINMAP	Financial Management and Accountability Program
FY	Financial Year
GAPR	Government Annual Performance Report
GOU	Government of Uganda
IGFTR	Intergovernmental Fiscal Transfer Reforms
IGFTRP	Intergovernmental Fiscal Transfer Reforms Programme
HIMS	Health Information Management System
HLG	Higher Local Government

IFMS	Integrated Financial Management System
IPFs	Indicative Planning Figure
ISSD	Infrastructure and Social Services Department
LG	Local Government
LGFC	Local Government Finance Commission
LGPAS	Local Government Performance Assessment System
LGPITF	Local Government Performance Improvement Task Force
LLGs	Lower Local Governments
LRDP	Luwero Rwenzori Development Program
MC	Municipal Council
MDA	Ministry, Department or Agency
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MLG	Municipal Local Government
MoES	Ministry of Education and Sports
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoLHUD	Ministry of Lands, Housing and Urban Development
MoPS	Ministry of Public Service
MoWE	Ministry of Water and Environment
MoWT	Ministry of Works and Transport
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NAADS	National Agricultural Advisory Service
NEMA	National Environment Management Authority
NDP	National Development Plan
NRP	National Resource Pool
NMS	National Medical Stores
NWR	Non-Wage Recurrent
ODI	Overseas Development Institute
OPAMS	Online Performance Assessment Management System
OPM	Office of the Prime Minister
OTIMS	Online Transfer Information Management System
O/W	Of Which
PA	Performance Assessment

PBB	Performance Based Budgeting
PBS	Performance Budgeting System
PFAA	Public Finance and Accountability Act
PFMA	Public Finance Management Act
PforR	Program for Results
PHC	Primary Health Care
PIP	Performance Improvement Plan
PNFP	Private Not-For-Profit
POM	Program Operations Manual
PRDP	Peace Recovery and Development Plan
PPDAA	Public Procurement and Disposal of Assets Authority
PSM	Public Sector Management
RBF	Results Based Financing
RDC	Resident District Commissioner
SAGE	Social Assistance Grants for Empowerment
SESL	Strengthening Education Systems for Improved Learning
SC	Sub County
TC	Town Council
TPC	Technical Planning Committee
TSA	Treasury Single Account
UAAU	Urban Authorities Association Uganda
UBOS	Uganda Bureau of Statistics
UCE	Uganda Certificate of Education
UGX/UShs	Uganda Shillings
ULGA	Uganda LG Association
UPE	Universal Primary Education
UPOLET	Universal Post O Level Education and Training
URMCHIP	Uganda Reproductive Maternal and Child Health Service Improvement Project
URF	Uganda Road Fund
USE	Universal Secondary Education
USMID	Uganda Support to Municipal Infrastructure Development
UWEP	Uganda Women Entrepreneurship Program
WB	World Bank

FOREWORD



In the early 1990s, the Government of Uganda (GoU) adopted **the Decentralization Policy**. This Policy is **enshrined in the Constitution** of the Republic of Uganda and Local Government Act Cap 243.

In the early 1990s, the Government of Uganda (GoU) adopted the Decentralization Policy. This Policy is enshrined in the Constitution of the Republic of Uganda and Local Government Act Cap 243. At the heart of the decentralization policy in Uganda is the need for Government to redistribute authority, responsibility and financial resources for providing public services from the Central Government to Local Governments. Whilst the policy envisaged a highly discretionary system of financing, Local Government service delivery, from its offset, Local Governments have largely been funded through Central Government conditional grants, hence was seen to be limiting the discretionary powers of Local Governments.

In 2001 Government, conducted the Fiscal Decentralization Study that informed the development of the Fiscal Decentralization Strategy 2002. The objectives of the FDS 2002 were to strengthen the process of decentralization by increasing the Local Government's autonomy, widening local participation in decision making and streamlining the fiscal transfer modalities to the LGs to increase their efficiency in achieving the National Development Goals within a transparent and accountable framework.

Whereas the implementation of the FDS had several achievements, which included the streamlining of budgeting and reporting processes, it did not achieve the objectives of increasing autonomy and streamlining transfers. The number of conditional grants continued to increase and became increasingly ad hoc rather than using clear allocation formulae.

In response to the shortcomings of the FDS (2002), two key studies were done: (i) "Review of LG financing" by the LG Finance Commission (LGFC) in 2012; and (ii) "Service Delivery with more Districts in Uganda - Fiscal challenges and opportunities for reforms" by the World Bank in partnership with the Ministry of Finance, Planning and Economic Development (MoFPED).

FDS (2002)

(i) "**Review of LG financing**" by the LG Finance Commission (LGFC) in 2012; and (ii) "**Service Delivery with more Districts in Uganda - Fiscal challenges and opportunities for reforms**"



This document, therefore, **explains the reform program, its core objectives, phases of implementation and institutional frameworks** for managing grant transfers to Local Governments.

The two studies recommended broader reforms in the financing of Local Governments in Uganda to enable improved quality of service delivery across all sectors. In FY 2015/16, Government, spearheaded by the Ministry of Finance, Planning and Economic Development worked with all Sector Line Ministries with grant transfers to Local Governments to develop the Inter-Governmental Fiscal Transfer Reform Program.

This document, therefore, explains the reform program, its core objectives, phases of implementation and institutional frameworks for managing grant transfers to Local Governments.

I, therefore, implore all Ministries, Departments and Agencies with grants to Local Governments to always refer to the core principles of this reform to avoid the pitfalls that were experienced before this reform if we are to make decentralization meet its purpose. I also call upon all development partners that are supporting decentralized programs to ensure that any new decentralised programs particularly, those programs that will necessitate financing of Local Governments through the grant system, are aligned to the framework of the Inter-Governmental Fiscal Transfer Reforms.

Patrick Ocailap

For: PERMANENT SECRETARY/SECRETARY
TO THE TREASURY



1.0. BACKGROUND



1.1. Decentralization Policy in Uganda

In the early 1990s, the Government of Uganda (GoU) adopted the Decentralization Policy. This Policy is enshrined in the Constitution of the Republic of Uganda and LG Act Cap 243. At the heart of the Decentralization Policy is the need for the Government of Uganda to empower its people and institutions at every level of society including public, private and civic institutions; improving access to basic services; increasing people's participation in decision-making; assisting in developing people's capacities; and enhancing government's responsiveness, transparency and accountability.

Under this Policy, which reflects the laws and Constitution of Uganda, LGs have the primary mandate of providing front line services in most major basic services areas; while Central Government guides sector policies, standards, sector budget guidelines, technical supervision and support. Central Government also has a monitoring and evaluation role.

1.2. Fiscal Decentralization

To make decentralization meaningful, the government recognized the need for adequate resources. Article 193 of the Constitution, therefore, provides for three types of intergovernmental fiscal transfers. These include:

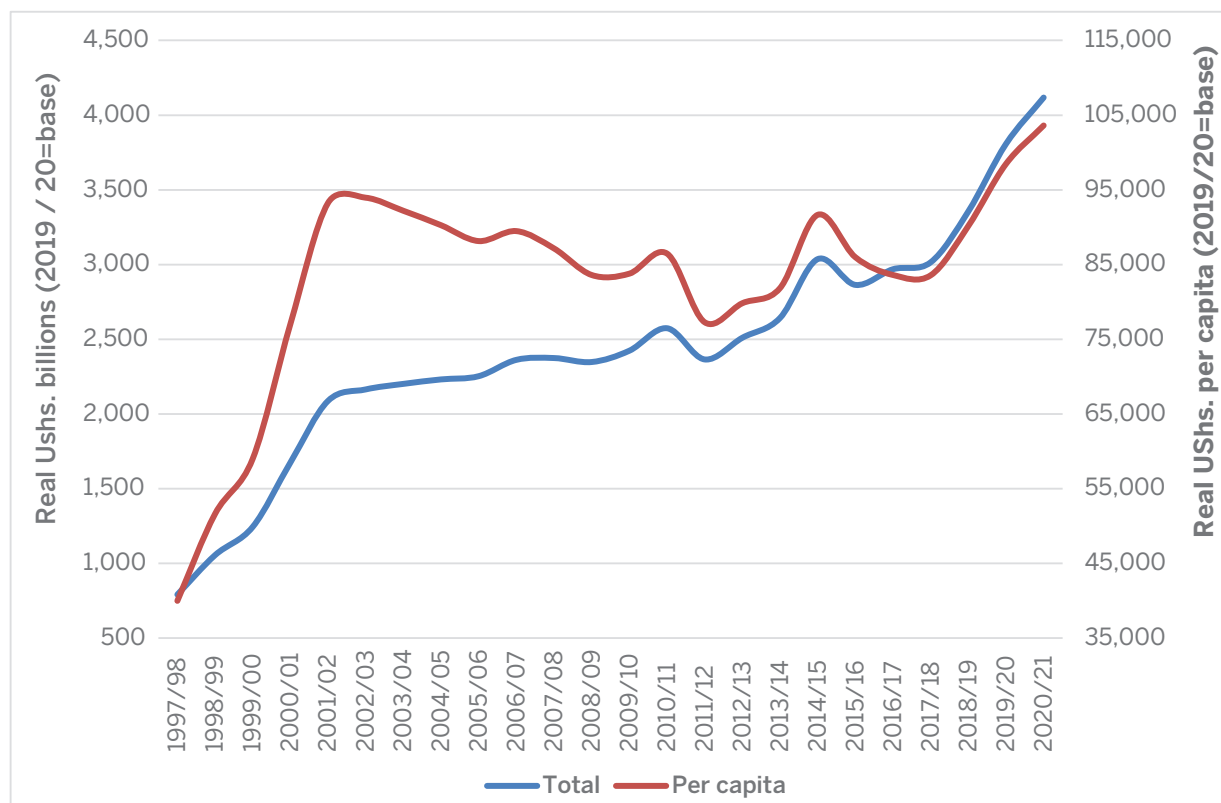
- a) Unconditional grants- The minimum grant that shall be paid to LGs to run decentralized services;
- b) Conditional grants- Funds transferred to LGs to finance programs agreed upon between the Government and the LGs. These funds shall be expended only for the purposes and under the conditions agreed upon between central and local governments;
- c) Equalization grants- Funds intended to subsidize or make special provisions for the least developed districts, based on the degree to which a Local Governments unit is lagging behind the national average standard for a particular service;

Local Governments are also empowered by the LG Act Cap 243 to raise revenues through local taxation and issuance of trade license and royalties.

1.3. Trends in Intergovernmental Fiscal Transfers to LGs

Over the years, significant progress has been made in the improvement of LG financing. Funding from Central to LGs has increased over time from UGX 0.79 trillion in FY 1997/98 (in UGX 2019/20 terms) to UGX 4.1 trillion in FY 2020/21. This steady rise reflects Government's continued commitment to financing decentralized LG services.

Figure 1: Trends in Intergovernmental Fiscal Transfers to LGs, Real value in 2019 Uganda Shillings



LGs also benefit from funds that are appropriated under Central Government institutions but are meant to contribute to the delivery of devolved functions and services. The most visible examples include the subventions appropriated to i) the National Medical Stores (NMS) for the delivery of medicines and medical equipment to primary care facilities; ii) the National Agricultural Advisory Service (NAADS) which provides agricultural inputs to farmers; or iii) the Uganda Road Fund (URF) providing grants for road maintenance. As shown in table 1, funds allocated to these subventions increased substantially between 2015/16 and 2018/19 accounting for a considerable amount of financial resources. In FY 2018/19, the total amount of subventions was equivalent to approximately 60 percent of total LG transfers (i.e. Ushs 3.145 billion).

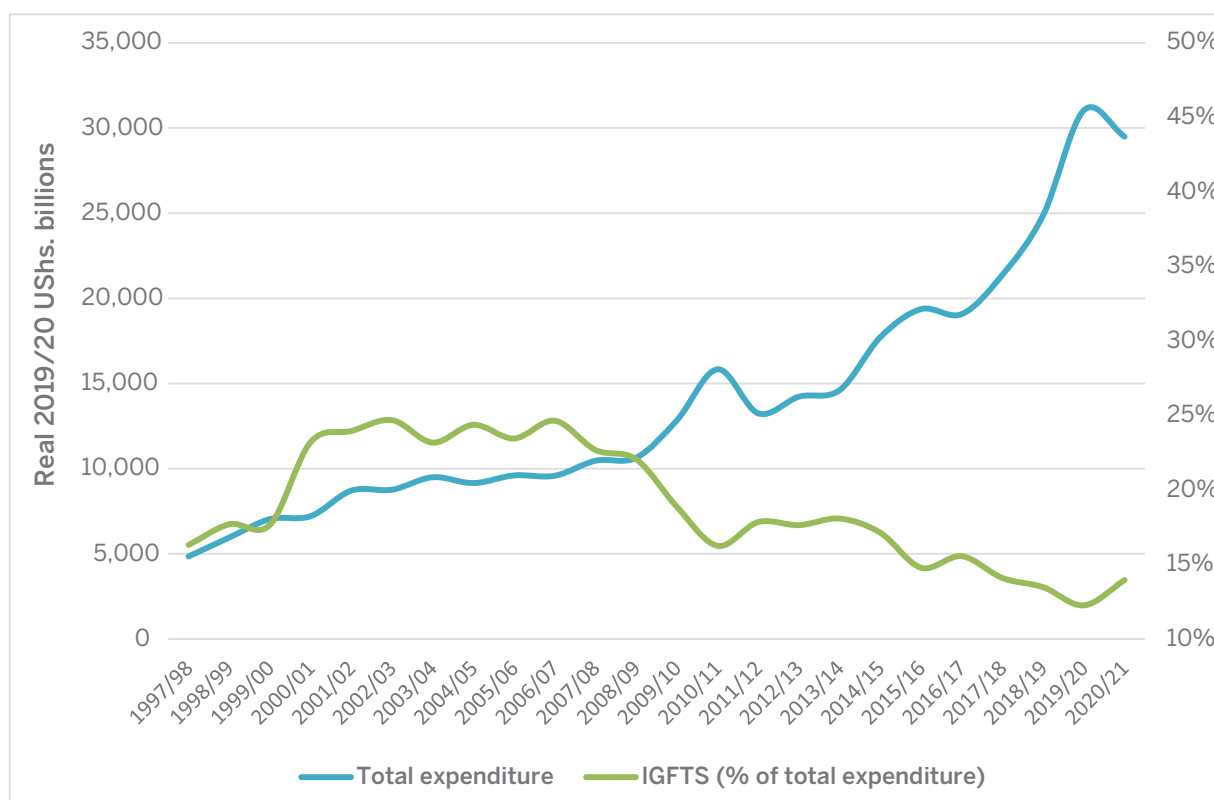
Table 1: Estimated Local Government Subventions by Sector (Ushs.Bn)

SECTOR	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
Agriculture	3.19	204.61	426.64	412.35
Education	77.64	96.29	87.28	54.4
Health	106.38	195.65	364.55	428.87
Public Sector Management	0	67.08	287.86	513.92
Social Development	33	116.91	106.45	103.73
Water and Environment	57.8	98.39	111.65	134.17
Works and Transport	140.44	138.86	138.86	214.73
Grand Total	418.44	917.81	1,523.28	1,862.18

In addition, there are Central Government mandates which directly benefit LGs. For example, in the health and education sectors, there are regional referral hospitals and universities which are located within and to the benefit of LGs. To give further examples, in the works and transport sector, Central Government is responsible for the construction and maintenance of trunk roads that connect LGs, while in the energy sector, the Central Government constructs and maintains power plants and electricity distribution systems via SOEs. These add to the overall contribution Central Government makes to LG services.

Even though LG funding has increased substantially since FY 2017/18, there is a widespread concern that LG financing is not adequate to meet the level of demand for services that are delivered at the local level. Despite the growth of transfers in absolute and per capita real-terms noted above, allocations to local governments decreased substantially as a proportion of total spending until FY 2019/20 when this trend was finally reversed. This trend, in conjunction with high population growth and inflation, was reflected in the decline in allocations to non-wage recurrent and development grants in real per capita terms to key services such as Education, Health, Water and Agriculture which only started to be reversed from FY 2018/19 onwards.

Figure 2: Intergovernmental Fiscal Transfers to LGs as a share of Total Public Spending, Real value in 2019 Uganda Shillings



A set of challenges has emerged with the growing reliance on conditional grants for financing local services. In the late 1990s, the number of conditional grants increased at the expense of unconditional grants and equalisation grants. By 2014/15, the number of conditional grants had increased to 56. This can largely be attributed to the desire of Sector Ministries to “control” their Sector MTEF allocations to deliver services under their mandate; with the implication that LGs would have limited scope to reallocate these funds to other priority sectors. As the number of conditional grants grew, they were accompanied by numerous allocation formulae, guidelines and reporting modalities.

The limited decision-making power of LGs regarding the allocation of transfers overburdened LGs in terms of reporting requirements increased administrative costs due to the large number of transfers, multiple procedures, bank accounts and lines of reporting. Service delivery was affected by delays in the transfer of funds, as release approvals had to be sought from the Ministries, Department and Agencies. Accountability was weak, as the multitude of LG accounts made it difficult to get a clear picture of the financial dealings of a Local Governments.

The Central Government was also affected as sector ministries had to dedicate more time and resources to accountability procedures associated with the grants, including having to deal with an increasing amount of quarterly reporting from LGs which had also increased substantially in number¹. The above shortcomings together clearly necessitated corrective reforms.

¹ The number of districts expanded from 45 to 134 from 1997/98 to 2019/20 and the number of conditional grants from 10 to 46 during 1997/98-2014/15.

2.0. REFORMS TO FISCAL DECENTRALIZATION IN UGANDA

2.1. Fiscal Decentralization Study (2001) and Strategy (2002)

In the early 2000s, the Government was concerned with the numerous challenges that were affecting the smooth implementation of the Decentralization Policy (some noted above). A detailed study (Fiscal Decentralization Study in 2001) was conducted, aimed at delivering remedies addressing these challenges. This study informed the Fiscal Decentralization Strategy (FDS) 2002, whose key objectives were to strengthen the process of decentralization by increasing LG's autonomy, widening local participation in decision making and streamlining the fiscal transfer modalities to the LGs to increase their efficiency in achieving the National Development Goals within a transparent and accountable framework.

Whilst the implementation of the FDS had several achievements, which included the streamlining of budgeting and reporting processes, it did not achieve the objectives of increasing autonomy and streamlining transfers. The number of conditional grants continued to increase and became increasingly ad hoc (rather than using clear allocation formulae).

Furthermore, the allocation formulae in some sectors were difficult to comprehend and gave room for possible manipulation. In 2012, a Public Expenditure Review study by the World Bank concluded that allocations to individual districts and municipalities were based on a complex mixture of historical practices, needs-based formulae, and ad hoc considerations.² This created large inequities in funding between LGs. At the same time, the value of the Unconditional Grant continued to shrink in comparison to the conditional grants, and the Equalization Grant also remained a small share of the total grants (less than 1%) reducing the discretion of LGs to respond to local priorities.

To incentivize LGs to perform their roles better, Local Government performance assessments were introduced in Uganda beginning in FY 1998/99 under the District Development Project – Pilot and were replicated countrywide starting in FY 2000/01 under the Local Government Development Program. Whereas there was initial success in improving performance in areas such as PFM, governance and procurement, concerns regarding the assessment quality, procedures, timeliness and administration of rewards and sanctions later arose.

2.2. Reform of Inter-Governmental Fiscal Transfers (2015)

In response to the shortcomings of the FDS (2002), two key studies were done: (i) "Review of LG financing" by the LG Finance Commission (LGFC) in 2012; and (ii) "Service Delivery with more Districts in Uganda - Fiscal challenges and opportunities for reforms" by the World Bank in partnership with the Ministry of Finance, Planning and Economic Development (MoFPED). The main findings of the studies were that the FDS was successful in streamlining budgeting, accounting and reporting processes, but had encountered several challenges:

² World Bank. 2013. Service Delivery with More Districts in Uganda: Fiscal Challenges and Opportunities for Reforms. Washington, DC.

- i. The limited discretion for LGs to decide on allocations of resources;
- ii. Visible inequities in the allocation of resources across LGs;
- iii. Lack of incentives for LGs to account for resources; and
- iv. Reduced real per capita value of transfers.

Specifically, the World Bank report recommended that the horizontal equity in the allocation of resources between LGs through conditional transfers needed to be improved, and the current complex mixture of historical practices, needs-based formulae, and ad hoc considerations determining amounts of such transfers to individual districts needed to be replaced by a simple, formula-based system with transparent allocation criteria. This was also emphasized in the review of LG Financing (2012) which recommended the streamlining of conditional transfers.

In response to the findings of the two reports by the LG Finance Commission and World Bank, a reform of inter-governmental fiscal transfers was started in FY 2015/16. The objectives of the reforms were:

- a) Increasing discretion over allocation decisions to enable LGs to deliver services in line with local needs whilst ensuring that national policies are implemented;
- b) Restoring adequacy and equity in the allocation of funds for service delivery;
- c) Shifting the focus away from fragmented input-based conditions towards accountability for allocation decisions, expenditures and results;
- d) Using the transfer system to lever institutional and service delivery performance; and
- e) Allowing new national policies to be funded via the transfer system, whilst avoiding future fragmentation of transfers and reduction in discretion.

This reform was in line with the country's Second National Development Plan (NDP-II) 2015/16-2019/20, in particular, strategic objective 4, which focuses on "strengthening mechanisms for quality, effective and efficient service delivery". Four main phases of the reform were identified and agreed upon, these are:

- i. Phase 1 - Consolidation of Conditional Transfers
 - ii. Phase 2 - Revision of allocation formulae and budget requirements, and consolidation of Discretionary Development Transfers
 - iii. Phase 3 - Reforming frameworks for accountability and strengthening incentives for performance; and
 - iv. Phase 4 - Fiscal Decentralisation Architecture & Share of Transfers.
- i.) Phase 1 - Consolidation of conditional grants was implemented in Financial Year 2015/16. This involved the establishment of a consolidated grant framework and the rationalization of all sector conditional grants. Each Sector remained with a maximum: one wage grant; one non-wage recurrent grant; and one development grant. Support Services Grants continue to fund large ad hoc non-wage activities such as the payment of pensions. Transitional Development Grants accommodate ad hoc donor funding and other temporary funding that could not be integrated into the main sector development grant. This reduced the number of grants from 56 in FY 2014/15 to 13 FY 2015/16);

- ii.) Phase 2 - Revision of allocation formulae and budget requirements and consolidation of discretionary development transfers was implemented in FY 2016/17. This involved: (i) revising the allocation formulae and principles for the respective sector grants to LGs; (ii) developing an Online Transfer Management System (OTIMS) to be used by the Government in the allocation of resources to LGs in an objective, rules-based and transparent manner (www.otims.go.ug) (iii) redesign of sector transfers and establishing of budgeting requirements instead of grant-based input conditions to guide the LGs to allocate resources to local needs that are within the national priorities; and (iv) consolidating and redesigning discretionary development transfers (LGMSDP, PRDP, LRDP, USMID and Equalisation Grant) into the Discretionary Development Equalisation Grant (DDEG);
- iii.) Phase 3 - Reforming frameworks for accountability and strengthening incentives for performance. Under the leadership of OPM, the Government developed a system for assessing the performance of LGs. The System intended to achieve three objectives: (i) ensuring that LGs adhere to core budgeting and accountability requirements; (ii) improving the functionality of cross-cutting and sector LG processes and systems; and (iii) improving service delivery results. This system was used to target poor performing LGs with additional monitoring, support supervision and capacity building. Performance scores were linked to development budgets in 2018/19, 2019/20 and 2020/21 (draft budget as of writing).
- iv.) Phase 4 - Fiscal Decentralization Architecture & Share of Transfers. With support from FINMAP, the LG Finance Commission commissioned a study which: (i) identified and proposed an appropriate legal and policy framework for a new fiscal decentralization architecture; (ii) reviewed LG mandates and estimated the cost of adequately financing those mandates relative to the overall budget; (iii) reviewed the appropriateness of revenues sources for LGs; and (iv) examined existing institutional roles and propose their improvement.

A key consideration for the Government was how to phase in new allocation formulae without compromising existing services. The available government resources were inadequate to meet all the LG Service delivery needs and to roll out the new allocation formulae for the health and education non-wage grants without disrupting ongoing service delivery operations. To address these shortcomings, the reform was re-cast and strategies were drawn to provide additional resources to LGs through the Inter-Governmental Fiscal Transfers Reform Program (2017).

2.3. Inter-Governmental Fiscal Transfers Reform Program (2017).

The Inter-Governmental Fiscal Transfers Reform Program formalized the steps undertaken under the Intergovernmental Fiscal Transfer reform in an official government policy document and outlined a government Medium Term Program (MTP) focused on three main objectives.

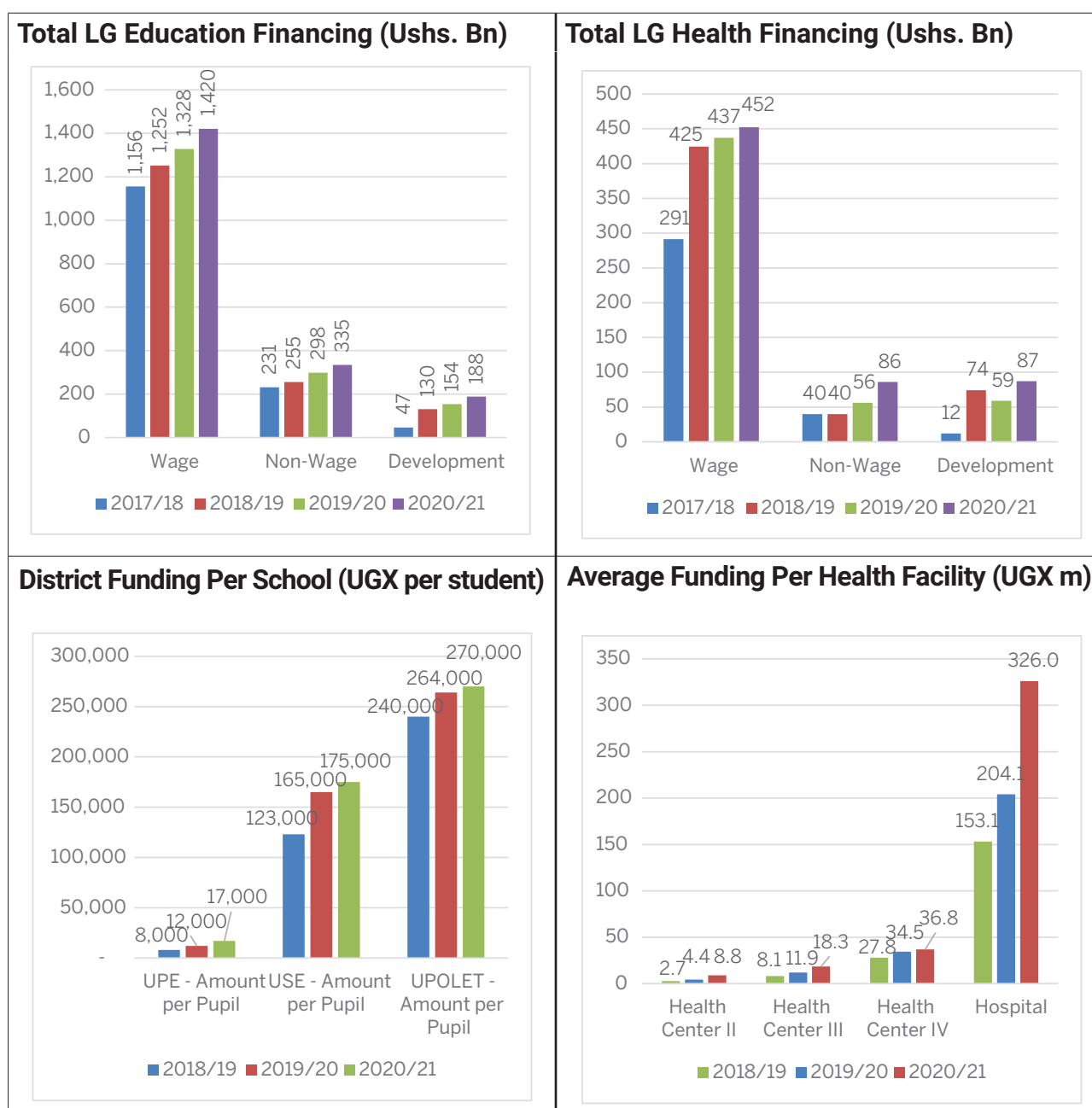
These were:

- i.) Restore adequacy in the financing of service delivery
- ii.) Ensure equity in the allocation of funds to LGs for service delivery
- iii.) Improve the efficiency of LGs in the delivery of services

From 2017 to 2020 significant progress was made as explained below:

- i.) Restoration of adequacy in the financing of service delivery: There has been a tremendous increase in the total amount of funds transferred to LGs for service delivery from Ushs 2.8 billion (actual) in FY 2017/18 to Ushs 4.3 billion in the approved budget of FY 2020/21.³ The long-term erosion in the value of fiscal transfers to local governments (LGs) for non-wage recurrent and capital spending in education and health has been reversed as depicted in the figure below. This has translated into significantly more funds available for both the operations of schools and health centers and construction (see figure 3 below).

Figure 3: Adequacy of LG and School/Health Facility Financing

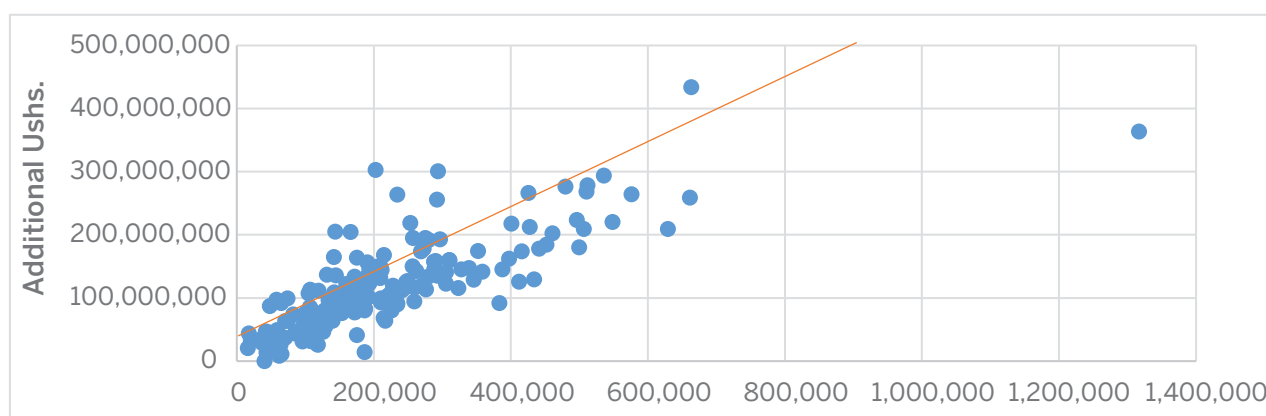


³ These figures exclude funds appropriated at Central Government votes but transferred to LGs.

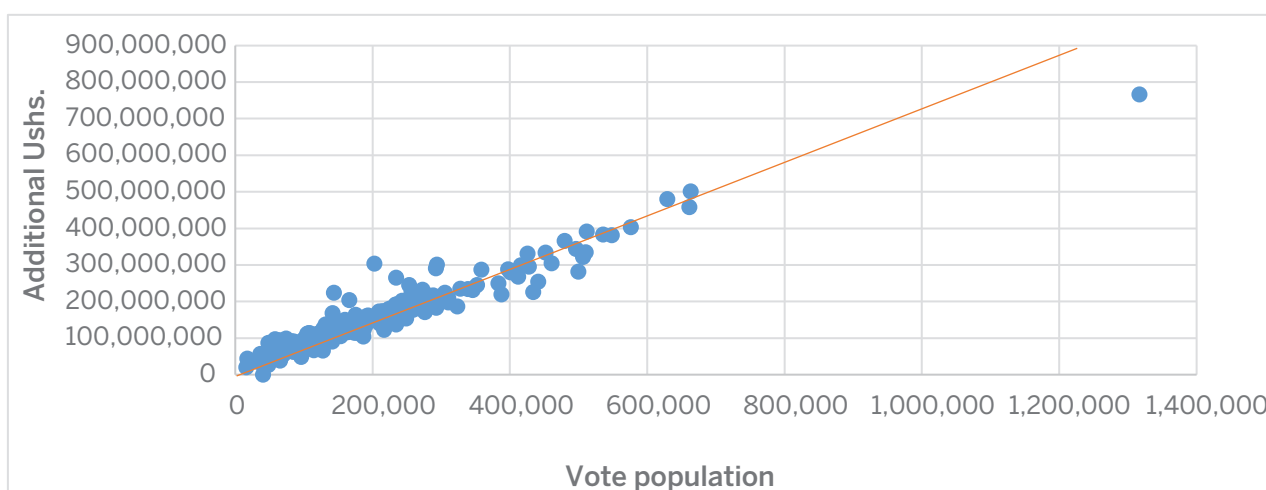
- ii.) Ensure equity in the allocation of funds to LGs for service delivery: The equity or distribution of funds across districts has been enhanced by the application of formulae, which ensures a more objective and need-based distribution of funds. The allocation of health non-wage recurrent funds is now mainly driven by population (weight of 60 percent), a proxy of the target beneficiaries and an indicator of potential demand for health services (see figure 4). Non-wage recurrent grants for education are also largely allocated according to the number of students (90 percent), the key driver for school operational costs. Progress was also made in improving the equity of Health and Education Development grants. In 2020/21, approximately 30 percent of the education and health development grants was allocated through objective formulae based on population parameters.

Figure 4: Adequacy of LG and School/Health Facility Financing

Before the Application of the Formulae in FY 2018/19



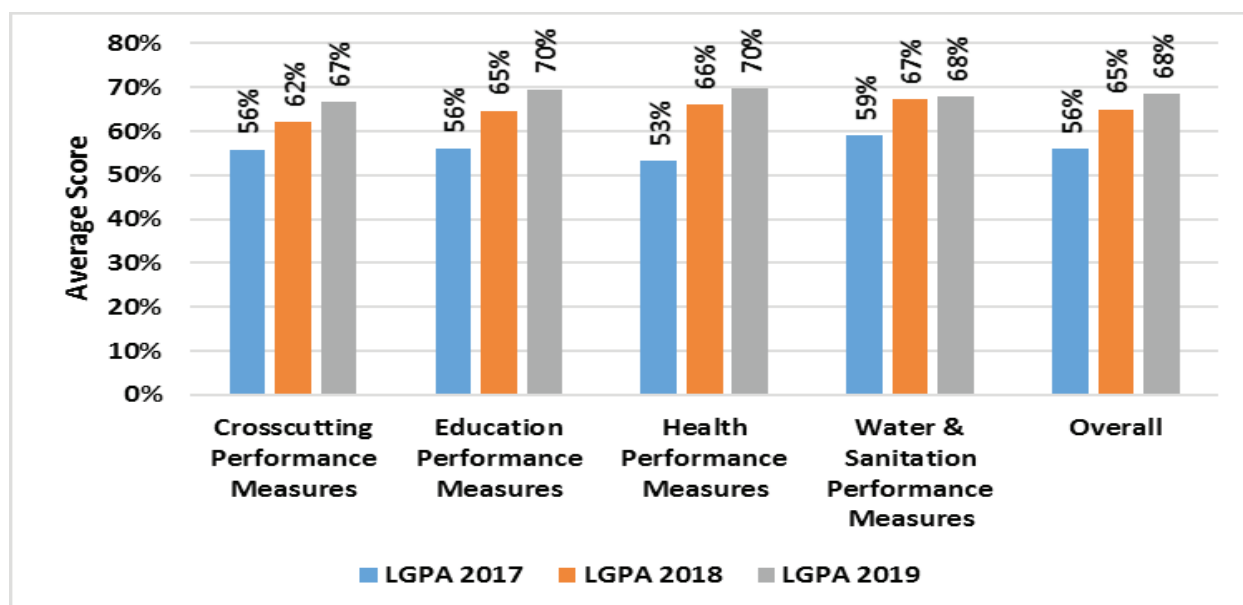
After the Application of the Non-Wage Health Grants in FY 2019/20



- iii.) Improve the efficiency of LGs in the delivery of services: The reforms have also led to improvement in the management of resources for service delivery as depicted in the improvement of LGs performance assessment results in figure 5 below.

The introduction of the LGPA results as a variable in the allocation formulae of LG development grants in FY2019/20 (i.e. health, education, water & environment and DDEG) contributed to these results.⁴ The significant improvements registered in the LGPA results also reflect the positive impact of Performance Improvement Plans (PIPs) conducted in poorly performing LGs in 2017/18.

Figure 5: Performance across Four Assessment Areas – LGPA 2019, 2018 & 2017



Despite the foregoing achievements, further action is still required to improve on four key areas:

- i.) Continue to enhance the adequacy and equity of transfers - in particular, in sectors beyond education and health - whilst increasing the discretion of LGs to allocate the resources in a manner that responds to local priorities;
- ii.) Strengthen Central Government oversight, support and actions to improve LG service delivery;
- iii.) Further, strengthen the capacity of Local Governments in the management of services;
- iv.) Improving service delivery performance at the facility level.

The above actions combined will enable Government to address the existing constraints to the delivery of sufficient and quality services to citizens.

⁴ The 2020 LGPA followed a revised Assessment Manual and, therefore, the results are not comparable to previous years.

3.0. COMPLEMENTARY REFORMS



Several government interventions and reforms have laid a fertile ground for the implementation of the intergovernmental fiscal transfer reform. Some were implemented before the reform, while others are ongoing as the reform is being implemented. These include:

3.1. Public Financial Management Reforms

i.) Improvement in LG Revenue collections

At the heart of decentralization is the need for LGs to depend less on grants from the center and rely more on own-source revenue generation to complement central government support. Government is leading the implementation (via the LG Finance Commission - LGFC) of improved Local Revenue practices, which include: supporting the finance departments in LGs to establish fully functional offices and provision of local revenue software that enables proper local revenue administration.

The increase in own-source revenue across LGs is one of the key measures government will continue to support to improve the financing of LG services and administration. Performance measures on Own Source Revenues (OSR) have been part of the previous manual and will continue to be included in the coming annual performance assessments to promote incentives for improved sustainability.

ii.) Introduction of new Budgeting Systems

In FY 2008/09, the Government introduced the Output Oriented Budgeting (OOB) system, which enabled a closer link between budgets and service delivery outputs, by grouping budgets under outputs. Alongside the introduction of this new budgeting system, the MoFPED also introduced a new budgeting tool (Output Budgeting Tool) that allowed easy and consistent budgeting as well as reporting against outputs across all levels of government.

In FY 2015/16, the Government decided to further progress the budgeting system and transition from Output Oriented Budgeting to Program Based Budgeting (PBB). This move was made to ensure direct links between planned expenditures and determined results and improved service delivery within the mandate of MDAs and local governments. The Government recognized that it wasn't enough to consider only outputs for measuring results but also how a group of outputs may contribute to improving the welfare of its citizens. This transition is aimed at improving the level of efficiency, effectiveness and equity of public spending.

Since FY 2017/18, Budgeting and Execution have been done in line with the PBB framework. All Central Government Sector Budget Framework Papers, National Budget Framework Paper, Ministerial Policy Statements, and Detailed Estimates have been prepared using an Internet-Based platform called that Performance-Based System

(PBS) since FY 2017/18. The PBB framework was also introduced to LG Institutions in FY 2018/19.

Despite the initial progress made in the introduction of PBB, the definition of coherent programs with clear linkages between spending and expected results (outputs and outcomes) is still incipient and is an area of emphasis in the medium term.

iii.) The Treasury Single Account

MoFPED introduced a TSA⁵ in October 2013 in accordance with Section 4 (1) 3 of the Public Finance and Accountability Act (PFAA), 2003. The purpose of this action was the need for government to curb multiple bank accounts in Local and Central Government, which presented a breeding ground for the misappropriation of public funds and resulted in inadequate supervision. It was also further noted that sometimes, public funds would lie idle and undetected in some accounts while the MoFPED borrowed to finance other activities. With the implementation of the TSA, several idle and dormant accounts in the Bank of Uganda and other commercial banks were closed. This has helped ensure that government banking arrangements are unified and transfers are traceable.

iv.) Complete phase-out of Manual financial management systems (Legacy) to IFMS

In 2003, the government introduced the Integrated Financial Management System (IFMS) following a need to improve financial information processing and reporting in all Government business processes including Budgeting, Accounting and Reporting, Purchasing, Payments/Payables, Revenue management, Commitment Accounting, Cash Management, Debt Management, Fixed Assets and Fleet Management, and Inventory/Stock Control. The Government phased out the use of manual systems towards the use of the IFMS at all government levels beginning in July 2017. This intends to improve the time lags between the provision of expenditure limits by the Ministry of Finance, Planning and Economic Development and the actual receipt of funds on the Institutional Accounts. Secondly, given that the Accounting Officers take part in the release process, they are personally accountable for the expenditure of these funds. Continued capacity building is ongoing to enable LGs to undertake this role and to avoid errors.

v.) Budget Transparency and Citizen Feedback

Government is committed to providing budgetary information and generate feedback from citizens on the implementation of government activities. The broad goal of this is to strengthen transparency, improve accountability and the quality of public services. There are several initiatives under this. One of them has been the practice of Government to publish LG transfer releases in the major newspapers across the country. Second is the requirement of LGs to post budgets and expenditure reports on public noticeboards; including facilities (health facilities and schools) posting grant amounts received on their noticeboards quarterly.

In 2014, Government in partnership with civil society organizations launched the Budget Transparency Initiative. The first key component of the initiative is the budget website (www.budget.go.ug) which serves as a single portal for budget and performance data from both the central and local governments. The other component is a free budget

⁵ A TSA is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments

hotline (0800 229 229) which provides a feedback mechanism for the entire citizenry to comment on the implementation of government projects and follow up on government policy actions.

3.2. Human Resource Management Reforms

i.) Organizational restructuring of LGs

At the forefront of strengthening the functionality of LGs was the need to develop and recruit a highly competent Civil Service at both Central and LG levels. Specifically, for LGs, a review of the staffing structures across government was started in 2014/15 which rationalized the organizational structures of LGs (i.e. the administrative configurations, staffing numbers and staff positions) in line with the service delivery mandates of the LGs.

The reform aimed at abolishing redundant positions, making it realistic to gradually increase expenditures on LG public administration to an adequate level to fund all positions which remain in the structures in the medium term. Annually, LGs submit their recruitment plans to the MoFPED and MoPS for approval in line with the new structures. They are reviewed and recruitment is done in a phased manner. This has helped reduce the staffing gaps in LGs and focus the administrative capacity of LGs in the provision of key services. Nevertheless, staffing of critical positions continues to be a challenge to many LGs resulting in significant disparities in staffing levels across the country.

ii.) Decentralization of Salary and Pension payments

Before 2014, all Salary, Pension and Gratuity payments were centralized under the Ministry of Public Service. As the service was expanding, it became increasingly difficult for one institution to manage the timely payment of salaries, pensions and gratuities.

Under this reform, LG and MDA Accounting Officers take responsibility for the review and approval of their votes' salary payments before they are made. The Ministry of Public Service and that of Finance, Planning & Economic Development continue to provide vital support and monitoring under this system. This system was extended to Pension and Gratuity payments in 2015 improving the efficiency of salary payments, minimized errors in payments as well as cases of salary, pension and gratuity arrears. The decentralization of the payroll continues to yield positive results in terms of eliminating ghost workers, improving the timely payment of salaries, cleaning the payroll and auditing. The progress made in these areas had a positive impact on service delivery through improved motivation and better staff supervision, better management of salary arrears and increasing the ease of local service tax deductions by the LG.

4.0. THE INTER-GOVERNMENTAL FISCAL TRANSFERS REFORM PROGRAM (2021)



Introduction

The IGFT RP was designed in 2017 and has been updated over the years. The IGFT Reform Program is aligned with the Third National Development Plan (NDP-III) 2020/21 to 2024/25, contributing to the Public Sector Transformation Development Program and its objective to “deepen decentralization and citizen participation in local development”.

The IGFT RP (2021) is focused on four main objectives outlined below and described in detail in subsection 4.2:

- a) Improve the adequacy, equity and increase discretion in the financing of local service delivery;
- b) Improve Central Government performance in the oversight, management and delivery of LG services;
- c) Improve LG performance in the management of local service delivery;
- d) Improve the effectiveness and efficiency of service delivery by frontline providers

Subsections 4.3 to 4.6 further describe IGFT RP’s i) performance assessment and an improvement framework, ii) institutional set-up; iii) results monitoring and evaluation arrangements; and iv) risks and mitigation measures.

4.1. Objectives of the Inter-Governmental Fiscal Transfers Reform Program

4.1.1. Adequacy, equity and discretion in the financing of local service delivery

Restoration of the adequacy, improvement in the equity and increase in the discretion in the financing of local service delivery will be done in the context of the consolidated grant framework developed under the previous iteration of this reform as outlined below.

Table 2: Overview of the Consolidated Grant Framework

Sector	Recurrent		Development
Sector Conditional Grants			
Health	Wage	Non-Wage	Development
Education	Wage	Non-Wage	Development
Production & Marketing	Wage	Non-Wage	Development
Water & Environment		Non-Wage	Development
Works & Transport			Development
Trade & Industry		Non-Wage	
Social Development		Non-Wage	
Discretionary Grants			
Unconditional Grant	Wage	Non-Wage	
Discretionary Dev't Equalisation			Development
Ad Hoc Grants			
Support Services		Non-Wage	
Transitional Development			Development

4.1.2. Restoring adequacy

To restore adequacy of the financing of Local Governments, the Government of Uganda has developed a Medium-Term Expenditure Framework⁶ (MTEF) to gradually uplift the value of the transfers in the areas deemed as the most critical for the improvement of local service delivery. Implementation began from FY 2017/18 and has been updated this year. This plan is intended to guide annual increases to LGs' Wage, Non-Wage Recurrent and Development transfers until FY 2023/24.

The first aim of the MTEF is to increase the adequacy of the financing of conditional grants for essential service delivery under the remit of Local Governments (e.g. education, health, water/environment, agriculture conditional grants). Furthermore, the allocations included in the MTEF aim to restore the adequacy of financing of essential services in the twelve refugee-hosting LGs which has deteriorated considerably as a result of the considerable inflow of refugees to these areas in recent years.

The MTEF also aims to restore the adequacy and equity of discretionary financing of Local Government for investment and service delivery. Therefore, it incorporates a plan to uplift allocations to the Discretionary Development Equalization Grant (DDEG) to fund improvements in local infrastructure and incentivize improved LG institutional performance including the management of investments and service delivery.

⁶ Aligned with the GoU MTEF approved alongside the FY 2021/22 budget.

A detailed description of the MTEF including actual and projected allocations to LG grants between FY 2017/18 and 2023/24 is given in the Annex to this document. These allocations reflect commitments made under the approved budget of FY 2021/22 and are to a large extent aligned with the costing of LG mandates initiated in the Fiscal Decentralization Architecture Study.

Below follows a description of the main goals the reform expects to achieve with the improved adequacy of conditional and discretionary grants:

i. Conditional grants:

a) Wage: additional funds will be provided for staffing service delivery facilities in particular in the most understaffed LGs and facilities. This will include, inter alia, financing for approximately 10,000 primary and 8,000 secondary school teachers, additional inspectors to meet a target of 1 inspector to 40 schools (i.e. approximately 600 new inspectors) and approximately 7,000 health workers for the most understaffed areas. Vacancies at key positions at LG level will also be filled (e.g. Water and Environment sector). Finally, these funds will also cater for the integration in the LG payroll of primary education and health workers providing services to refugee populations in facilities run by development partners.⁷

b) NWR:

- i.) In the education sector, the capitation grants for primary and secondary schools will be increased to enable schools to provide instructional materials and ensure proper maintenance and management of facilities. Allocations for inspection and monitoring of schools will also be uplifted to enable a better oversight by LGs.
- ii.) In the health sector, Result Based Financing will be mainstreamed into non-wage recurrent grants to uplift available funds while creating Fiscal incentives for improved service delivery. Funding for essential medicines will be increased and the current (non-devolved) allocations will be improved and made more transparent.
- iii.) In the water and environment sector, the grant will be increased to enable better management of water and sanitation as well as environmental management functions.
- iv.) An agreed number of primary schools and health facilities run by Development Partners in refugee-hosting districts will be transitioned to LGs and receive non-wage recurrent funding in line with other government facilities.⁸

⁷ The exact number of education and health workers to be integrated will be agreed by OPM, MoES and MoH and reflected in the "Joint Approach for Transition and Integration of Refugee and Host Service Provision".

⁸ The exact number of primary schools and health facilities to be integrated will be agreed by OPM, MoES, MoH and WB and reflected in the "Joint Approach for Transition and Integration of Refugee and Host Service Provision".

c) **Development**

- i.) **Education:** completion of construction and equipping at least 259 seed secondary schools (while ensuring the appropriate staffing and recurrent funding referred above) and increase formula-based allocations for rehabilitation, expansion and equipping existing primary and secondary schools to make them functional.
- ii.) **Health:** completion of upgrading and equipping 331 facilities to health center III level and increase formula-based allocations for rehabilitation, expansion and equipping existing health facilities to make them functional.
- iii.) **Water & Environment:** reduce the number of sub-counties with safe water coverage below national targets, increase the functionality of existing water supply sources, and improve sanitation and hygiene practices.
- iv.) **Agriculture (Production & Marketing):** increase the resources available to support smallholder farmers to move from mostly subsistence to more commercial agriculture by improving their access to micro-scale irrigation technology.
- v.) **Refugee Hosting LGs:** these LGs will receive additional development funds for the education, health and water & environment sectors to assist them to cope with the additional pressure on service delivery resulting from the needs of refugee populations residing in these areas.

d) **Discretionary Grants**

- i. **Unconditional Grant (UCG)** – at the moment there are no specific plans for increasing the size of the unconditional grants despite widespread concerns regarding the adequacy of funding for a narrow range of mandatory administrative functions. The Government will review in detail the adequacy of the UCG and establish prioritized and affordable ways for financing the UCG more adequately.
- ii. **Discretionary Development Equalization Grant (DDEG)** - allocations to two of the four sub-windows of this grant remain inadequate to meet the needs of the respective LGs (i.e. LRDP and LGG, see section 4.2.1.2). The Government will develop a DDEG Medium Term Plan to identify options to increase the adequacy of this grant within the existing fiscal constraints.

4.1.3. Increase Equity of LG grants

Efficient use of public resources also requires an equitable distribution of funds across local governments. GoU will ensure that non-wage recurrent and development grants are allocated based on objective, transparent and equitable allocation formulae. In a consultative process involving all stakeholders, the Government has developed principles to guide the development of allocation formulae which are annually agreed upon between the LGs and central government. These negotiations are in line with the constitutional provision and are organized by the LG Finance Commission.

Conditional and discretionary grants will be structured as described below to improve the equity of allocations across LG while incentivizing improved performance:

a) **Conditional grants:**

i. **Wage**

- **Equity across LGs:** Government will also address the marked disparities across LGs in terms of the availability of critical staff. This will be achieved by prioritizing additional wage allocations to the least staffed LGs to enable them to fill key sectoral positions. This prioritization will be based on an in-depth analysis of the number of vacant positions in key sectors at the local level.
- **Equity within LGs:** equitable deployment of staff across facilities (schools and health units) as well as across Lower Local Governments

ii. **Non-Wage Recurrent**

- **LG operations:** Grants for NWR to LGs shall be based on objective needs-based formulae.
- **Service delivery level funding:** Grant transfers to schools, health facilities and LLGs shall be allocated based on objective formulae with two elements:
 - o **Basic Component-** determined by a formula that considers need-based indicators;
 - o **Performance Component** whereby those facilities with better performance are allocated additional funds relative to the others, thus incentivizing most value for money.

iii. **Development**

- **Education and Health Infrastructure Gaps at LLG Level (special window):** Sector development funding for education and health will include funding for pre-selected priority secondary schools and health centre II upgrades in sub-counties that do not dispose of these facilities.
- **Regular Window:** Government will also pursue a formula-based approach to achieve equity in grant allocations with two components in each of the sectors thus:

- a) The basic component determined by a formula that considers need-based indicators.
- b) Performance component whereby those LGs that perform better are allocated additional funds incentivizing value for money.

iv. Discretionary Grants

- a) Unconditional Grant
 - **Wage UCG:** additional wage allocations will be prioritized for LGs with lower staffing levels in critical positions.
 - **Non-Wage Recurrent UCG:** allocations for operational expenditures will continue to be determined by a formula that considers need-based indicators.
- b) **Discretionary Development Equalization Grant (DDEG):** the DDEG grant aims to improve the adequacy of discretionary LG funding, and distribute resources more equitably across and within LGs. This grant has two broad parts: District and Urban which are further subdivided into seven and five windows respectively supporting different subsets of LGs as follows⁹:
 - i.) The **District** DDEG has 7 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); (vi) LG Grant Sub-County Development (allocated to the remaining Sub-Counties only); and (vii) Refugee Hosting District Development (allocated to the refugee hosting LGs benefitting from USMID).
 - ii.) Similarly, the **Urban** DDEG has 5 windows: (i) Municipal USMID (allocated to USMID Municipalities only); (ii) Division – USMID (allocated to USMID Municipalities only); (iii) Municipal – Non-USMID (allocated to the remaining Municipalities only); (iv) Division – Non-USMID; and (v) Town Councils (allocated to Town Councils only)
 - iii.) **Equity within windows:** equity within each of the windows listed above will continue to be ensured through the basic and performance-based components structured as follows:
 - a) **Basic Component** determined by a formula which considers need-based indicators (including a small conflict-related criterion);
 - b) **Performance-based component** allocating additional funds to LGs with better performance in the annual performance assessments, incentivizing improved performance and value for money.

⁹ More windows may be added in case a given category of LGs is being targeted.

- iv.) **Equity across windows:** DDEG allocations are highly inequitable across its windows. Allocations remain insufficient for most LGs, in particular non-USMID urban and rural LGs that are not supported under PRDP/LDRP. As mentioned in the previous section, Government will develop a costed plan to increase allocations to the LGG and LRDP windows to reduce these inequities. This plan will include i) analysis of current and projected DDEG funding across windows, ii) existing inequities across LGs, iii) relative expenditure needs of LGs, and iv) proposals for how to address this in a fiscally responsible manner.

4.1.4. Increased Discretion of LG grants

A core objective of decentralization is to transfer decision-making powers and resource allocation from central government to locally accountable bodies to ensure that plans and budgets reflect local needs and priorities. Overly centralized budgeting and resource allocation processes will result in inefficiencies and undermine local democracy.

The level of spending discretion has diminished significantly over the last two decades in Uganda since i) own source revenues decreased substantially, ii) the bulk of the unconditional grant is absorbed by LG staff salaries, iii) non-wage recurrent grants are de facto tied to compulsory administrative expenses, and iv) discretionary development funding (DDEG) remains insufficient for the majority of Local Governments.

As such, Government intends to improve the balance between earmarked (conditional) and discretionary transfers for both development and recurrent funding. Therefore, GoU intends to increase discretion over allocation decisions under the IGFTRP through the following interventions:

a) Conditional grants

- i. **NWR:** Reduce overly restrictive guidelines to the allocation of non-wage recurrent conditional grants. Performance-based grants to facilities and schools will be mainstreamed under the Intergovernmental Fiscal Transfer System providing a high level of flexibility to service providers over the allocation of these funds.
- ii. **Development:** Reduce, overly restrictive guidelines to the allocation of development conditional grants. The share of development conditional grants not earmarked for specific projects will increase substantially throughout the Reform's MTEF in key sectors (e.g. from 21 to 100 percent in the health sector over FY 2019/20-2023/24).

b) Discretionary Grants

- i. **Unconditional Grant** – once the overall adequacy of the grant has increased it will be possible to ease the de-facto earmarking of UCG.
- ii. **Discretionary Development Equalization Grant:** The latest DDEG guidelines have reduced hitherto substantial earmarking of DDEG utilization. DDEG is now a highly discretionary grant that LGs can use for development purposes within their legal mandate. The improved adequacy of this grant discussed above will also be crucial to increase the discretion of LG financing.

4.1.5. Improve Central Government performance

The improvement of local service delivery depends, to a large extent, on the effectiveness of the oversight and technical support provided by the Central Government and the systems and processes that underpin it. Central MDAs have a mixed performance in the support provided to LGs, namely in the management and implementation of infrastructure projects and environmental safeguards. The Central Government MDAs will be required to:

- i.) **Develop, issue, disseminate and ensure compliance to essential guidelines to LGs;** to do so, each of the sector MDAs will be required to develop and/or update, issue and ensure compliance to guidelines;
 - a) Sector-specific guidelines for improving service delivery;
 - b) Grant and Budgeting Guidelines;
 - c) Ministry of Water and Environment (MWE) and National Environment Management Authority (NEMA) shall strengthen and issue tools for environmental and social screening as well as monitoring implementation of requirements and grievance redress, in consultation with other Ministries, Departments and Agencies.
- ii.) MDAs will also be required to:
 - a) Disseminate and train the LGs on the guidelines;
 - b) Provide backstopping support to LGs while disseminating and training service delivery units on the guidelines.
- iii.) Assess the performance of LGs and offer performance improvement support:
 - a) Ensure that performance assessment of LGs and service delivery units is conducted in line with Assessment Manual(s); and
 - b) Performance Improvement Planning and Support Takes Place in line with LGPIP framework.
- iv.) Conduct routine Coordination, Oversight, Monitoring and Technical support:
 - a) The Central Government will review LG budgets, work plans and reports to ensure compliance with the guidelines;
 - b) Provide monitoring, oversight and technical support to service delivery;
 - c) Oversight and management of facilities construction and maintenance;
 - d) Routine monitoring by the sectors;
 - e) Joint quarterly monitoring;
 - f) Technical infrastructure audits will be conducted on yearly basis;
 - g) VFM service delivery audits will start being conducted every second year starting in FY 2020/21;
 - h) Oversight and technical support for compliance with contract management, environmental, social, health and safety safeguards.

- v.) Take action to improve local government systems and processes used in managing and delivering investments and services
- Actions to strengthen cross-cutting systems for:
 - a) human resource management;
 - b) public investment management;
 - c) budgeting and budget reporting linked to service delivery;
 - d) environmental and social safeguards management;
 - Actions to strengthen sector-specific processes and systems including:
 - e) service delivery standards, processes and systems;
 - f) Sector human resource management;
 - g) Sector planning, budgeting and reporting;
 - h) Sector public investment selection and implementation;
 - i) Sector Monitoring and Evaluation and Management Information Systems;
 - j) Automation of systems and processes.

The performance of Central MDAs in implementing these activities will be assessed on an annual basis from FY 2020/21 onwards through a new component of Performance Assessment. Central ministries will report on progress in the performance of core functions in line with their calendar and provide supporting evidence in line with the performance assessment manual. A matrix of actions to strengthen service delivery systems and processes and responsible agencies will report on the implementation of those actions. The performance assessment will assess the degree to which the four key oversight functions have been carried out.

4.1.6. Improve LG performance in the management of local service delivery

The improvement of LG management of service delivery and achievement of expected outputs and outcomes requires that LGs perform several roles including i) reporting and performance improvement; ii) human resources management and development; iii) management, monitoring and supervision of services; iv) investment management; v) environmental and social requirements, and vi) public financial management.

The performance of the functions described above will be assessed, incentivized and supported through two key interventions:

- i.) Local Government Performance Assessment:
The overall objective of the LG Performance Assessment System (LGPAS) is to promote effective behaviour, systems and procedures of importance for efficient LG administration and local service delivery. The LGPA which has been conducted since FY 2017/18 has been re-designed to better incentivize the good performance of LGs. Like in the previous assessment, LGPA results will be linked to development grant allocations in five sectors starting in FY 2020/21 (i.e. education, health, water and environment, micro-scale irrigation and DDEG); The local government assessment will be formed by two key components

- a) Sectoral assessments will evaluate service delivery in the district/municipalities as whole, aggregating performance information from facilities and lower local governments and assess compliance with performance reporting and improvement support. This will provide incentives for local governments to focus on performance at the point of delivery; and
- b) Minimum conditions for accessing the performance component of development grants will be identified, to focus on key bottlenecks for delivery and safeguards management. The impact of poor performance on development grant allocations will incentivize better performance at this level.
- ii.) Local Government Performance Improvement: Performance Improvement Plans (PIPs) will continue to be developed and implemented for: (i) thematic areas performed poorly by all LGs across the country; and (ii) amongst the worst performing LGs.

4.1.7. Improve the Effectiveness and Efficiency of service delivery:

Improved performance at the service delivery unit level will be achieved through two core interventions:

- i.) Facility and lower local government level performance assessment: to incentivize the service delivery units to effectively and efficiently deliver services, a facility service delivery assessment will be designed and implemented. This level of assessment will incentivize the provision of service delivery results and processes by linking the size of operational transfers to service delivery units to their performance;
 - a) The performance of Health Centre IIIs, IVs and General Hospitals will be assessed as part of the mainstreaming of Results-Based Financing in the LG grant system from 2022/23;
 - b) Primary School performance will be assessed using a new performance assessment framework that will be rolled out in a phased manner throughout the reform;
 - c) A lower local government assessment will also be phased in during the implementation of the reform program. This will assess the performance of lower local governments in water supply, sanitation and hygiene; micro-irrigation and complementary services; and their roles in education, health and cross-cutting areas.
- ii.) Facility and lower local government level performance improvement: under the IGFTRP (2021), performance improvement plans will extend to service delivery units to ensure they receive the necessary support to achieve value for money.

4.1.8. Performance Assessment and Improvement Framework for Service Delivery

As noted above, improved management and delivery of services will be incentivised through a harmonised assessment framework coordinated by the Office of the Prime Minister as depicted in the table below:

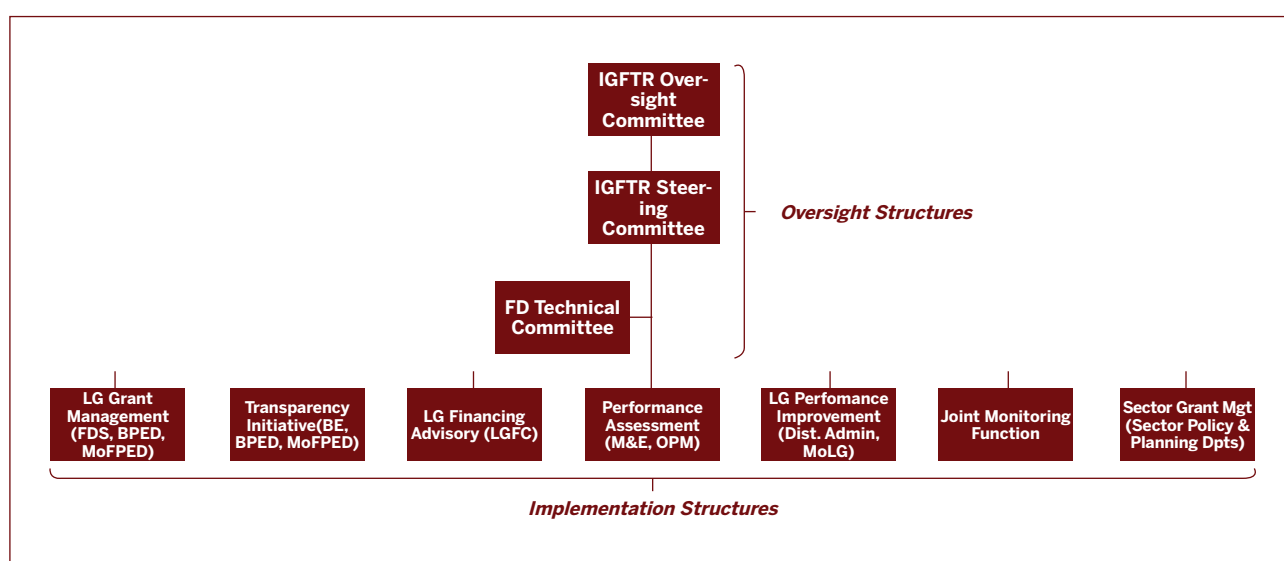
Table 3: Performance Assessment and Improvement Framework

Issue	Level 1 – Service Delivery Facility and LLG Performance			Level 2 LG Management of Service Delivery		Level 3 CG Management of Service Delivery
	1a) Schools	1b) Health	1c) LLGs	2a MCs	2b: PMs	Education, Health, Water & Environment, Micro-scale Irrigation and Crosscutting MDAs
1. Objective	Incentivize improvements in processes and outputs at the school level	Incentivize improvements in processes and delivery of health services	Incentivize improvements in LLG management & service delivery	Address core blockages to service delivery	Incentivize improvements in the LG management of Education, Health, Water & Environment; Irrigation and Crosscutting issues	Incentivize improvement in Central Government Management of Service Delivery
2. Timing	Termly	Quarterly	Oct - Dec	Oct – Dec	Oct - Dec	Oct - Dec
3. Assessment Method and compilation of results	Use school inspection reports		District / Municipal	Contracted private firm by OPM	Contracted private firm by OPM	MDAs reporting against
4. Quality Assurance and verification of results	Contracted firm by OPM	Contracted firm by OPM	Contracted firm by OPM – sample a few LLG	Contracted firm by OPM	Spot checks & Contracted firm by OPM	Contracted firm by OPM
5. Impact/use	Allocation of part of the capitation grants: performance improvement support	Allocation of part of the NWR grants; performance improvement support	Allocation part of the DDEG; performance improvement support	Determine access to the formula or performance-based component of the development grant	Allocation part of the development grant; performance improvement support	

5.0. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS FOR IGFTRP

The IGFTRP will be implemented through and by GoU existing structures and no parallel implementation and oversight structures will be created. The figure below outlines the oversight structures as well as implementation arrangements specifying the lead department for each of the core functions of the reform.

Figure 6: IGFTRs – Oversight and Implementation Structures



5.1. IGFTR Oversight Structures

The oversight structures will be: (i) IGFTR Oversight Committee (ii) the IGFTR Steering Committee; and (iii) the Fiscal Decentralization Technical Committee.

- i.) **The IGFTR Oversight Committee** will be chaired by the Minister of Finance, Planning and Economic Development. The members will be Ministers of: Education and Sports; Health; Water and Environment; Agriculture, Animal Industries and Fisheries, Local Government, General Duties (OPM), Public Service, Works and Transport, Lands, Housing and Urban Development, Gender, Labour and Social Development, and Chairperson Local Government Finance Commission. Other Ministers will be co-opted depending on the issue being discussed. Development Partners supporting IGFTRs will be ex-officials. The Permanent Secretary/Secretary to the Treasury will be the Secretary. The IGFTR Oversight Committee will be responsible for providing policy guidance to the design and implementation of all aspects of Intergovernmental Fiscal Transfer Reforms.
- ii.) **The IGFTR Steering Committee** will be chaired by the Permanent Secretary/Secretary to the Treasury. The members will be Permanent Secretaries of MoH, MoES, MoWE,

MAAIF, OPM, MoLG, MoPS, MoLHUD, MoWT, MoGLSD, Executive Directors of PPDA and NEMA and Secretary LGFC. Other Permanent Secretaries will be co-opted depending on the issue being discussed. Development Partners supporting IGFTRs will be ex-officials. The Director Budget, MoFPED will be the Secretary. The FD Steering Committee will be responsible for providing strategic direction to the design and implementation of all aspects of the Intergovernmental Fiscal Transfer Reforms including but not limited to: (i) final approval of the LG Performance Assessment Manual and Annual LG Performance Assessment Results; (ii) final approval of the grant allocation formulae; (iii) providing oversight and ensure the achievement of results envisioned in the reform program; and (iv) any other function that requires strategic guidance related to the implementation of the IGFTRs.

- iii.) **The IGFTTR Technical Committee:** The TC will be chaired by the Director Budget, MoFPED and co-chaired by: (i) Director Research and Revenue, LGFC; and (ii) Director, M&E, OPM¹⁰. It will be composed of representatives with members who handle transfers at a senior (Commissioner) level from: MoFPED (BPED, ISSD); MoLG; LGFC; OPM, MoWE, MAAIF, MoLHUD, MoWT, MoGLSD, PPDA and NEMA. Representatives from LGs (UAAU, ULGA etc.) DPs supporting IGFTRS and BTI Partners will be ex-officials. The Secretary will be Commissioner BPED, MoFPED. The IGFTTR TC is responsible for overseeing and coordinating, at a technical level, the grants, assessment and targeted technical support including but not limited to: (i) the implementation of the grant allocation formulae to ensure equitable allocation of funds across LGs; (ii) the releases to LGs, ensuring timeliness; (iii) technical review and verification of the LG performance assessment manuals as well as results and ensure applications of the results during the allocation of grants; (iv) handle grievances related to LG transfers and results of the LG performance assessment; (v) offer technical guidance on the provision of targeted support to the weak LGs to ensure that the identified gaps are addressed; (vi) coordinate joint monitoring of the implementation of reforms at the LG level; (vii) offer technical guidance on the design and implementation of the budget transparency initiative; (viii) compile, monitor and troubleshoot the achievement of all results envisioned in the reform program; and (ix) coordinate joint annual reporting and review of the Intergovernmental Fiscal Transfer Reforms.

5.2. IGFTTR Implementation Structures

The implementation arrangements will also involve the mandated departments coordinating with the relevant stakeholders to ensure that the core functions regarding the reforms are implemented:

- i.) **The LG Grant Management function** will be coordinated by the Fiscal Decentralization Section, Budget Policy and Evaluation Department, MoFPED. The Commissioner, Budget Policy and Evaluation Department will ensure the participation of: (i) Officers in the Fiscal Decentralization Section; (ii) the respective Sectoral Desk Officers; and (iii) Officers from the Accountant General's Office responsible for making releases to LGs. The function will involve coordinating the reform as well as the LG budget formulation and execution functions. The specific tasks include: (i) coordinating consultations with LGs to inform the development of the respective grant guidelines – through the LG Budget Workshops; (ii) coordinating the application of the grants allocation formulae

¹⁰ Co-chairing will depend on the issue being discussed: (i) when discussing the size and allocation of grants, the co-chair will be the Director Research and Revenue, LGFC; and (ii) when discussing the LG performance assessment, the co-chair will be the Director, M&E OPM.

approved by the sector and generating IPFs; (iii) coordinating the release of transfers to LGs; (iv) coordinating LG budget reporting; (v) coordinating the implementation of quarterly joint monitoring visits to LGs covering safeguards, contract management and procurement; and (vi) ensuring achievement and reporting on the results envisioned in the Reform Program relating to the adequacy and equity of LG transfers.

- ii.) **The Budget Transparency function** will be coordinated by the Budget Evaluation Section, Budget Policy and Evaluation Department, MoFPED. The Commissioner, Budget Policy and Evaluation Department will ensure the participation of Officers in the Budget Evaluation Section; Officers from FDS, the respective Sectoral Desk Officers and BMAU. The function will involve publicizing budget information. The specific tasks include (i) overseeing the development, management and popularizing of the tools that are used to publicize budget information e.g. the budget website and call centre; (ii) ensuring that budget information that is comprehensive and accurate is provided on time e.g. to the budget website, newspapers, others; (iii) coordinating the process of receiving feedback on the publicized budget information and service delivery in general; and (iv) coordinating the process of responding to feedback.
- iii.) **The function of providing advice on improving LG financing** will be coordinated by the Directorate of Research and Revenue, LGFC. The Director, Research and Revenue, LGFC will ensure the participation of: Officers in the Directorate of Research and Revenue, LGFC; Officers from MoLG, MoFPED and sectors making transfers to LGs. Performing the function will involve: (i) coordinating the annual negotiations between Ministries, Departments and Agencies on one hand and LGs on the other regarding transfers to LGs (size, formulas, modalities, systems and procedures etc.); (ii) conducting studies and providing advice on LG finance, especially on how to improve grants, own source revenues and other sources of LG financing; and (iii) verifying the achievement and report to the technical committee on the results envisioned in the Reform Program relating to the adequacy and equity of LG transfers.
- iv.) **Performance Assessment function** will be coordinated by the M&E Department, OPM. The Commissioner M&E, Office of Prime Minister will ensure the participation of representatives from OPM, MoLG, LGFC, MoFPED, MAAIF, MoPS, MoES, MoH, MoWE, ULGA and UAAU. Representatives from other MDAs will also be co-opted depending on the subject discussed. Performing the function will involve coordinating the design and implementation of the performance assessment system for MDAs, Local Governments and Service Delivery Units. The key tasks include: (i) coordinating the formulation (and refinement) of the Performance Assessment Manuals; (ii) procuring and managing the firms contracted to conduct the LG performance assessment exercises and the quality assurance team; (iii) coordinating the orientation and training of LGs and teams contracted to conduct the LG performance assessment exercises; (iv) validating the results of the LG PA and presenting to the Technical Committee with a clear recommendation on the impact of the results to the allocation of grants, the poorly performing LGs that require support, and common thematic areas of underperformance requiring support; (v) coordinating the dissemination and use of the LG performance assessment results including presentation to GAPR; and (vi) ensuring achievement and reporting on the results relating to LG assessment and performance as envisioned in the Reform Program.

- v.) **LG Performance Improvement function** will be coordinated by the District Administration Department, MoLG. The Commissioner, District Administration, MoLG will ensure the participation of representatives from MoLG (Urban Administration, District Inspection; Urban Inspection and Local Council Development); Office of the Prime Minister; LG Finance Commission; ministries of Finance, Planning and Economic Development; Public Service; Education and Sports; Health; Agriculture, Animal Industries and Fisheries; Water and Environment; Lands, Housing and Urban Development as well as ULGA and UAAU. Representatives from other MDAs will be co-opted depending on the subject being discussed. The function will involve coordinating and managing the multi-sectoral National Resource Pool supporting the preparation of Performance Improvement Plans, dissemination of guidelines and other core activities to LGs. This will involve: (i) developing the framework, principles and modalities for providing targeted performance improvement support to LGs; (ii) determining the most appropriate institutions to provide the support and method of support (based on the recommendations of the LG PA results); (iii) coordinating the development of training materials tailored to addressing the identified gaps; (iv) coordinating the provision of technical advice, supervision and training by the respective sectors according to their mandates; (v) maintaining an up-to-date inventory, co-ordinate and ensure harmonisation of government and externally-funded capacity building initiatives directed towards LGs; and (vi) ensuring achievement and reporting on the results (relating to planning and effectiveness of targeted technical support as envisioned in the reform program).
- vi.) **Joint Monitoring Function:** Monitoring the construction and maintenance of facilities function will be coordinated by the Fiscal Decentralization Section, Budget Policy and Evaluation Department, MoFPED. The Commissioner, Budget Policy and Evaluation Department will: (i) ensure that the respective sector ministries conduct monthly routine monitoring of construction and maintenance of facilities; (ii) coordinate the joint quarterly monitoring of construction and maintenance of facilities; (iii) ensure that Ministry of Works and Transport organizes spot checks on key issues identified from the routine and joint monitoring exercises; and (iv) Office of the Auditor General conducts annual technical infrastructure audits as well as VFM service delivery audits every second year starting in FY 2020/21.
- vii.) **Sector grant management function** will be coordinated by the Policy and Planning department of the respective MDA making transfers to LGs. The Commissioner Policy and Planning of the respective MDA will ensure the participation of Officers from Policy and Planning; the relevant departments in the MDA (e.g. Officers from Primary Education; Secondary Education; Directorate of Education Standards; and BTVET in the Education sector); as well as sector Desk Officers from MoFPED, MoPS and MoLG. The tasks will include: (i) developing sector policies and strategies that govern local service delivery; (ii) developing and issuing grant guidelines including associated formulae, budget requirements and medium-term grant allocations within sector ceilings; (iii) provision of data for formulae variables not available from UBOS (e.g. enrolment); (iv) follow up on assessment of the LG draft BFP Papers and draft budgets compliance with the budgeting requirements; (v) verification/accreditation of cost centre data submitted by LGs and used in the IFMS/PBS; (vi) participate in LG Performance Improvement exercises and support to the LG Performance Assessment System, and (vii) develop/ refine LG performance assessment parameters in the sector.

6.0. RESULTS MONITORING AND EVALUATION ARRANGEMENTS



A positive development has been the formation of multi-sectoral National Resource Pools which support the preparation of Performance Improvement Plans, the dissemination of guidelines, and the newly established quarterly Joint Monitoring exercises.

The results monitoring and evaluation arrangements are intended to progressively assess whether the reform is achieving its objectives and goals. Monitoring the attainment of results will be coordinated by BPED of MoFPED. It will involve four components described in subsections 4.5.1, 4.5.2, 4.5.3, and 4.5.4.

6.1. Quarterly progress reporting

Every quarter each of the IGFTTR Implementation Structures will prepare a progress report against the planned activities. The report will be presented and discussed by the IGFTTR TC.

6.2. Joint Annual Reviews

- a) Preparation of annual IGFTTR Progress Reports
An annual report will be prepared reporting progress on the IGFTTRP results framework as outlined below:

Table 4: IGTRP Results Framework

Objective	Indicator	Baseline (2019/20)	Milestone 2020/21	Milestone 2021/22	Target 2022/23	Data Source and Monitoring Procedure
Adequacy, equity and discretion in the financing of local service delivery	Adequacy and Equity of Staffing for service delivery - % of Higher LGs with enough staffing to meet minimum levels in (i) primary (81% of all positions filled) and (ii) secondary schools (56.5 % of all positions filled) and (iii) health facilities (82% of all positions filled) and (iv) all critical heads of department positions (as per LGPA).	Primary Education: 64% Secondary Education: 35% Health Facilities: 19% All critical heads of department positions: 2%	Primary Education: 64% Secondary Education: 35% Health Facilities: 19% All critical heads of department positions: 5%	Primary Education: 64% (50% additional staff recruited) Secondary Education: 35% (50% additional staff recruited) Health Facilities: 19% (50% additional staff recruited) All critical heads of department positions: 10%	Primary Education: 90% Secondary Education: 90% Health Facilities: 90% All critical heads of department positions: 15%	Data Source: IPPS – MoPS (Education & Health), LGPA Results (Heads of Department) Monitoring Procedure: Calculations presented in the IGTRP Annual Report/ LGPA Report
	Adequacy of Non-Wage Recurrent (NWR) and Development (Dev) Financing for Service Delivery - Nominal budget allocations for (i) non-wage recurrent for all sectors and UCG and (ii) development financing for health, education, water, environment, irrigation and DDEG. (Total Allocation as per MTEF, UGX bn)	Total: UGX 1,207.4 Bn NWR: UGX 526.2 Bn Dev: UGX 681.2 Bn	Total: UGX 1525 Bn NWR: UGX 607.5 Bn Dev: UGX 917.5 Bn	Total: UGX 1,839.7 Bn NWR: UGX 868.1 Bn Dev: UGX 971.6 Bn	Total: UGX 1,645.6 Bn NWR: UGX 931.1 Bn Dev: UGX 714.5 Bn	Data Source: Approved/ Revised Budgets Monitoring Procedure: Calculations presented in the IGTRP Annual Report
	<u>Equity & Discretion of Non-Wage Recurrent and Development Financing for Service Delivery</u> - % of (i) non-wage recurrent (nwr) and (ii) development (dev) grant allocations to which equitable formula for conditional non-wage recurrent and development grants in health, education, water and environment and DDEG has been applied.	NWR: 90% Dev: 78%	NWR: 92% Dev: 79%	NWR: 92% Dev: 77%	NWR: 92% Dev: 64%	Data Source: Approved/ Revised Budgets Monitoring Procedure: Calculations presented in the IGTRP Annual Report
	Discretion: Increased share of DDEG compared to other development grants	58%	Yes (Higher Share)	Yes (Higher Share)	Yes (Higher Share) ¹	Data Source: Approved/ Revised Budgets Monitoring Procedure: Calculations presented in the IGTRP Annual Report

Objective	Indicator	Baseline (2019/20)	Milestone 2020/21	Milestone 2021/22	Target 2022/23	Data Source and Monitoring Procedure
Improved CG performance in the oversight, management and delivery of LG services	Number of core functions carried out in support of service delivery in (i) education, (ii) health, (iii) water and environment, (iv) micro irrigation and (v) across sectors as measured in the annual performance assessment.	N/A	1 out of 2 (in each sector, crosscutting)	2 out of 4 (in each sector, crosscutting)	3 out of 4 (in each sector, crosscutting)	Data Source: Independent Verification Agent (IVA) Report Monitoring Procedure: OPM/LGFC conclusions based on IVA Report
Improved LG performance in the management of local service delivery	Improvement in the overall LG Performance in the management of services delivery: in health, education, water and environment, irrigation and crosscutting areas as measured in the annual performance assessment.	N/A	(Baseline given LGPA changes, excludes irrigation) Performance: 57% Minimum Conditions: 63%	Yes	Yes	Data Source: LGPA Results Monitoring Procedure: LGPA Report
	Improvement in LG performance in the management of resources in the 20 worst performing LGs in health, education, water and sanitation and crosscutting areas as measured in the annual performance assessment.	N/A	(Baseline given LGPA changes) Performance: 37% Minimum Conditions: 37%	Yes	Yes	Data Source: LGPA Results Monitoring Procedure: LGPA Report
Improved the effectiveness and efficiency of service delivery	Functional Service Delivery: <ul style="list-style-type: none"> Education: % of sub-counties with a population >15,000 with a government secondary school with basic facilities, equipment and staffing Health: % of sub-counties with a population >15,000 with a functional health centre III or IV with basic facilities, equipment and staffing Water: % of sub-counties with functional safe water coverage > 77% Micro Irrigation: Number of farmers with new or improved irrigated land. 	Education: 84% Health: 94% Water: N/A Micro Irrigation: N/A	Education: 84% Health: 96% Water: N/A Micro Irrigation: N/A	Education: 87% Health: 97% Water: 50% Micro Irrigation: 2000	Education: 87% Health: 97% Water: 70% Micro Irrigation: 4000	Data Source: OTIMS (Health & Education), Uganda Water Supply Atlas & Irrigation MIS System. Monitoring Procedure: Calculations presented in the IGFTRP Annual Report

Objective	Indicator	Baseline (2019/20)	Milestone 2020/21	Milestone 2021/22	Target 2022/23	Data Source and Monitoring Procedure
Improved the effectiveness and efficiency of service delivery	<p>Improved Service Delivery</p> <ul style="list-style-type: none"> • Education: Average score in the primary school performance assessment improves in the sample LGs • Health: Average score in RBF facility assessment improves • Water: Average score in the water and sanitation sub-county performance assessment improves • Irrigation: Average score in the irrigation sub-county performance assessment improves. 	<p>Education: N/A</p> <p>Health: N/A</p> <p>Water: N/A</p> <p>Micro Irrigation: N/A</p>	<p>Education: N/A</p> <p>Health: N/A</p> <p>Water: N/A</p> <p>Micro Irrigation: N/A</p>	<p>Education: N/A</p> <p>Health: N/A</p> <p>Water: N/A</p> <p>Micro Irrigation: N/A</p>	<p>Education: Yes</p> <p>Health: Yes</p> <p>Water: Yes</p> <p>Micro Irrigation: Yes</p>	<p>Data Source: LGPA Results</p> <p>Monitoring Procedure: LGPA Report</p>

6.3. Joint Annual Review of IGFTPR

The Joint Annual Review is a performance review mechanism that brings together a wide range of stakeholders from Ministries, Departments and Agencies; local governments; development partners; CSOs and the private sector to jointly assess the progress made in implementing the IGFTPR.

The joint Annual Review will discuss key elements of the annual report including key findings and recommendations of any commissioned analytical work.

One of the key outputs of the Joint Annual Review will be an Action Plan for implementing the IGFTPRs in the coming financial year.

Overall, a joint review of implementation progress and action planning will enable stronger political buy-in and deepen the technical soundness of reforms.

7.0. RISKS AND RISK MITIGATION MEASURES IN THE IGFTRP

The risks involved in the implementation of the IGFTRP (2021) will be continuously evaluated and addressed through appropriate mitigation measures as described in Table 5 below:

Table 5: IGFTRP Risk Matrix

Objective	Risk	Probability	Impact	Proposed Actions/Mitigation Measures
Adequacy, equity and discretion in the financing of local service delivery	Delays in the approval, effectiveness & disbursement of donor funds (e.g. UglFT-Additional Financing) may limit the fiscal space increase adequacy of fiscal transfers and improve equity of allocations	Possible	Major	GoU is prioritizing work on the development of the program and ensuring stakeholders are appropriately informed about the proposed disbursement linked indicators that will need to be met for disbursement to take place.
	Limited fiscal space by MoFPED to increase funding to the DDEG will constrain the number of discretionary funds available to LGs	Possible	Major	<ul style="list-style-type: none"> i) Development of a realistic costing for DDEG based on the definition of investment service delivery standards and gaps; ii) Document the results achieved with the higher allocations through the M&E system; iii) Renegotiation of targets of donor-funded programs supporting this reform if the combination of formulae, equity targets and medium-term plan to uplift transfers become misaligned, which significantly increases the cost of achieving adequacy and equity targets.
	Further creation of LGs bringing up the cost of service delivery, as well as the cost of achieving equitable and adequate LG transfer allocations.	Very likely	Moderate	MoFPED will study the cost of further creation of Higher Local and Lower LGs, and present the political leadership with objective criteria to be taken into account when decisions regarding the creation of further LGs and LLGs are being made.
	The fiscal shock associated with COVID-19 might further constrain the available fiscal space for increased transfers to Local Governments.	Very likely	Major	GoU is prioritizing work to ensure external financing from Development Partners (e.g. UglFT AF and EU budget support).

Objective	Risk	Probability	Impact	Proposed Actions/Mitigation Measures
Improved CG performance in the oversight, management and delivery of LG services	The performance assessment system is not implemented neutrally and objectively compromising credibility.	Very likely	Severe	<ul style="list-style-type: none"> i) Enshrined the independence of the assessors (as a private firm) in the design ii) Institutionalize division of roles in the management of the assessments, building effective checks and balances
	Lack of financial and human resources by Central MDAs to provide the necessary support and oversight to LGs	Possible	Major	<ul style="list-style-type: none"> i) Adequate financial resources will be put at the disposal of central MDAs to provide further oversight and support to LGs; ii) These resources will be used to, inter-alia, fund technical assistance in MoFPED and Line Ministries for the implementation of IGFTRP.
Improved LG performance in the management of local service delivery	Revised performance assessment system does not influence behaviours that matter for improving financial management or services	Possible	Severe	<ul style="list-style-type: none"> i) LGs will be engaged extensively in the refinement and testing of the assessment to identify and respond to potential risks at the design stage; ii) Revised LG PA system will be more focused on incentivizing service delivery results; iii) Results will continue to be publicized and disseminated among service delivery stakeholders such as the citizens and Local Political leaders to exert pressure on their administration; iv) Continue orienting the LGs on the process, indicators and implications of the assessment results for them to sufficiently prepare for the exercise. v) Provision of targeted support in form of Capacity Building and Performance Improvement Plans shall help LGs that perform poorly to overcome their challenges.
	Lack of critical staff at LG and service delivery level will constrain the capacity of LGs and facilities to effectively respond to performance requirements and to positively respond LG Performance Improvement Plans.	Possible	Severe	GoU will prioritize recruitment to the LGs with the highest gaps in critical service delivery positions.

Objective	Risk	Probability	Impact	Proposed Actions/Mitigation Measures
Improve the Effectiveness and Efficiency of Service Delivery	Complexity in the mainstreaming of results-based financing and the implementation of facility-level performance assessment and improvement plans in key sectors.	Possible	Severe	<ul style="list-style-type: none"> i) The Results-Based Financing model implemented in the health sector will build on the experience accumulated in two projects financed by Development Partners (i.e. ENABEL and URMCHIP); ii) Gradual implementation in the education sector starting with a pilot and randomized-control trial to assess feasibility and impact; iii) Financial incentives provided to LGs will be more closely linked to service delivery results to incentivize improved support to facilities.

ANNEXES

ANNEX 1: Medium Term Expenditure Framework for Financing LG Services

The table below corresponds to the Medium-Term Expenditure Framework for Financing of Local Government Services. This MTEF incorporates the commitment to uplift the financing of the Education, Health, Water & Environment and Agriculture conditional grants, the DDEG grant and the commitments made for other sectors in the FY 2021/22 approved budget MTEF. Changes in scope – addition of new policy areas and mandates to the LG grants from MDA controlled finances – would require additional resources to the allocations outlined below.

Proposed annual expenditure in Ushs. billion¹¹

Financial Year (Ushs. Bn)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Approved Budgets				2021/22 MTEF Commitments		
Sector Wage Grants							
Agriculture	39.5	71.6	73.5	77.3	80.5	84.5	88.7
Education	1155.5	1251.7	1328.3	1420.5	1529.1	1615.6	1696.4
Health	291.4	424.5	437.0	452.2	500.1	527.3	553.7
Wage Total	1486.5	1747.9	1838.8	1949.9	2109.6	2227.4	2338.8
Sector Non-Wage Recurrent Grants							
Agriculture	6.5	36.0	33.8	33.8	198.4	198.4	220.3
Education	226.7	255.3	298.1	335.3	384.7	438.4	597.2
Health	39.9	39.9	56.2	85.9	131.4	140.1	205.5
Water and Environment	5.3	5.3	7.8	15.5	16.0	16.6	18.4
Social Development	7.6	7.6	7.6	7.6	7.8	7.8	13.6
Trade and Industry	0.0	0.0	2.2	2.2	2.2	2.2	2.5
Non-Wage Recurrent Total	286.1	344.1	405.7	480.4	740.5	803.5	1057.5
Sector Development Grants							
Agriculture	5.5	15.4	15.4	18.7	80.7	97.7	183.3
Works and Transport	10.9	10.9	22.9	24.8	33.7	33.7	37.1
Education	32.5	128.6	153.6	188.4	186.2	239.2	249.0
Health	0.0	69.4	56.3	85.2	139.5	126.5	160.5

¹¹ As explained in section 3.2, the proposed Health, Education, Agriculture and Water & Development sector figures include the WB PfR resources. All other figures are as per the approved budget for FY 2020/21 MTEF.

Water and Environment	48.4	48.4	51.5	79.4	80.3	100.9	110.9
Development Total	97.4	272.7	299.7	396.5	520.3	598.0	740.9
Unconditional Grant							
Wage Recurrent	110.5	264.7	277.8	286.2	321.1	341.5	358.5
Non-Wage Recurrent	110.5	120.5	120.5	127.1	127.6	127.6	141.6
Discretionary Recurrent Total	221.1	385.3	398.3	413.4	448.7	469.1	500.2
Discretionary Development Equalisation Grant (DDEG)							
DDEG Total (including External Financing)	234.5	141.1	419.7	558.6	515.7	180.3	187.8
Public Sector Management (PSM)							
Recurrent	235.4	215.9	241.6	346.9	318.7	318.7	353.8
Development	12.6	12.6	17.4	4.9	4.9	4.9	5.4
PSM Total	248.0	228.5	259.0	351.8	323.6	323.6	359.1
Central MDAs - Routine Over- sight & Systems Strengthening	0.0	11.2	16.9	18.2	63.0	62.9	56.4

MTEF Aggregated	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Total Grants	2,573.5	3,118.1	3,620.7	4,163.9	4,716.6	4,660.0	5,235.3
Wage recurrent total	1,597.0	2,012.6	2,116.5	2,236.2	2,430.8	2,568.9	2,697.3
Non-Wage Recurrent Total	632.0	680.6	767.8	954.4	1,186.8	1,249.8	1,552.9
Development Total	344.4	413.8	719.5	955.1	1,036.0	778.3	928.7
Central MDAs - Routine Oversight & Systems Strengthening	-	11.2	16.9	18.2	63.0	62.9	56.4

(Footnotes)

¹ To put into consideration, the likely reduction in DDEG funding due to completion of USMID Program funded by the WB.

Notes

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