



# CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



## Government embarks on inter Gov't fiscal transfer reforms

**Government started implementing reforms to Inter-governmental Fiscal Transfers. As stakeholders engaged in influencing the Budget Process, CSBAG in this Edition share with you insights into these reforms which Government has been implementing in phases since FY 2015/16**



The Uganda Local Government Councils Score-Card Initiative (LGCSCI) is a 10 Year initiative with the goal of strengthening citizens' demand for effective public service delivery and accountability...Photo credit @ACODE

and Transport, Education, health, water and environment as well as the Social development sectors.

### Unconditional Grant

The following grant allocations have been folded into the Unconditional Grants: **1) Wage Unconditional Grant** (Conditional transfers to DSC Chairs' Salaries, Salary & Gratuity for LG elected leaders, Hard to reach allowances ii) **Non-Wage Unconditional Grant** (IPPS Recurrent Costs, Boards & commissions, PAF monitoring (Normal and payroll printing), DSC Operational Costs, Councilors Allowances and LLGs Ex- Gratia) The proposed allocation formula for unconditional grants is as follows

- **Constant & Number of Lower Local Governments** - To ensure the basic costs of delivering administrative services in a local government can be met, whatever its size.
- Population (Rural/Urban) reflects the scale of beneficiaries for service delivery in local governments.
- **Land Area** to cater for the varying costs of delivering services in a local government, which are influenced by their geographical size and terrain and distance
- Allocations under the **support services grant which include** o/w Pension and Gratuity 2015/16 allocations, o/w Public Sector Management Ad Hoc Ad hoc would remain ad hoc, and not formula based.

### Discretionary Development Equalisation Grant (DDEG)

There are two Discretionary Development Equalisation Grant and these include; The District DDEG and (ii) The Urban DDEG. The overall objectives and/or purpose of the discretionary development Equalisation grant are two and these according to Ministry of Finance are:

- To enable Local Governments to allocate funds to priority Local Development needs that are within their mandate and that are consistent with the National Priorities.
- Provide LGs with equitable access to development financing, ensuring that more disadvantaged LGs receive additional funding to enable them to catch up.

- Provide development financing which caters for the differing development needs of rural and urban areas.
- Improve Local Government capacities and systems for provision of services

Both the district and Urban DDEGs each have 4 windows i.e for: (i) Peace Recovery and Development Plan (PRDP) and Luwero Rwenzori Development Program (LRDP) District and sub county development. For urban will be the Support to Municipal Infrastructure Development (USMID) for municipal divion and town council development all aimed at Address development needs of rural areas Provide discretion to LGs to fund priorities and increasing Increase adequacy of funding whilst giving preferential treatment to LGs that are lagging

Among the key proposals is for both grants (district and urban) to have two components: (i) the basic component allocated based on the allocation criteria; and (ii) the performance component based on the performance of the LG. The proposed grant allocation formula for the basic component (albeit with different weighting applicable to both district and urban LGs) is described in below.

- Conflict1 -Allocate more resources to LGs severely affected by conflict
- Constant (fixed allocation for higher/ LLGs)- Ensure that Higher and Lower LGs have minimum allocations for construction of meaningful infrastructure
- Rural Population / Urban Population- Provide for demand/scale of delivering Services
- Poverty Head count Equalizing variables - to allocate greater resources to districts that lag behind as per article 193 (4) of the Constitution

In both District and Urban DDEG allocations, the global PRDP and LRDP allocation will be maintained, thereby maintaining the additionally of the PRDP and LRDP to the relevant groups of districts. For example, LGs under PRDP will continue to get relatively higher per capital allocations compared to those that are not covered thereby maintaining the additionally to the PRDP districts.

Similarly, globally, the USMID municipalities will not get a lower per capita allocation. Instead the non-USMID urban LGs will get a higher per capita allocation. However, in application of the allocation formulae, some individuals LGs within these Groups may get less than the existing allocations, some may get more.

Overall, the intent of the allocation formula is that it should: be objective, simple and easy to understand; be (politically) acceptable; use reliable information from official sources; not introduce pervasive incentives at sector level and is above all equalizing. During FY 2016/17 all the grants will be allocated entirely based on the basic allocation criteria and the performance component will not apply except for municipalities under USMID.

## CIVIL SOCIETY BUDGET ADVOCACY ROADMAP FY 2017/18

Gov't Budget Event	CSO budget event	Timeline
Local Government Budget Consultative workshops	CSO Regional consultations on FY 2017/18 budget  Presentation of CSO position in the Local Government Budget Consultative workshops organised by Ministry of Finance	August 2016
Sector Working Group Meetings	Develop CSO sector specific performance analysis for FY 2015/16 for presentation	September – October 2016
National Budget Conference	Analyse Budget Strategy paper FY 2017/18	December 2016
Parliamentary Review of the NBFP FY 2017/18	CSO analysis of the National Budget Framework paper FY 2017/18  Parliamentary committee engagements on CSO position on NBFP FY 2017/18	January 2017
Parliamentary review of the Ministerial Policy Statements	CSO analysis of the Ministerial Policy Statements and Tax bills FY 2017/18  Parliamentary committee engagements on CSO position on Ministerial Policy Statements and Tax bills for FY 2017/18  CSO Pre budget Public debate	March – May 2017
Approval of national budget and tax bills	Know Your budget Campaign  Citizens Budget listening conference  CSO Pre budget Public debate	May – June 2017
Budget implementation	CSO Quarterly budget monitoring	FY 2016/17 (July 2016 – June 2017)