



THE REPUBLIC OF UGANDA

IN THE MATTER OF THE CONSTITUTION OF THE REPUBLIC OF UGANDA AND
THE LOCAL GOVERNMENTS ACT CAP 243

CONDITIONAL GRANT UTILIZATION AGREEMENT

FOR FINANCIAL YEAR 2013 – 2014

BETWEEN

MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES

AND

LOCAL GOVERNMENTS

THIS Agreement is made this 20th day of March 2013 between the *Ministry of Agriculture Animal Industry and Fisheries* of P.O. Box 34518, Kampala (hereinafter referred to as the "First Party") of the one part and which expression where the context so permits shall include its assignees, representatives and anyone acting under its authority, and *the Local Governments represented by Uganda Local Government Negotiation and Advocacy Team (UNAT)* of c/o P.O. Box 23120 or P. O. Box 23092 Kampala (hereinafter referred to as the "Second Party ") of the other part and where the context so permits shall include its assignees, representatives and any one acting under its authority. For purpose of this Agreement, the two shall be jointly referred to as "the Parties".

Preamble:

Article 193(3) of the Constitution of the Republic of Uganda and Section 83(3) of the Local Governments Act Cap 243 provide "*Conditional grants shall consist of monies given to Local Governments to finance programmes agreed upon between the Government and Local Governments; and shall be expended only for purposes for which it was made in accordance with the conditions agreed upon*". The above provision require the expenditure of the conditional grants in accordance with the conditions agreed upon and this necessitates for the local Governments to sit together with the Sector ministries (Government) to agree upon the conditions

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Pursuant to the above, the Uganda Local Governments Association and Urban Authorities Association of Uganda, acting on behalf of the Local Governments, established the Uganda Local Governments Negotiation and Advocacy Team (UNAT) in 2004 with an aim of representing them and negotiating on their behalf, with the Sectors, the conditions for Conditional Grants utilization

The UNAT is constituted by members of Uganda Local Governments Association and Urban Authorities Association of Uganda.

The negotiations are organized and chaired by the Local Government Finance Commission, and witnessed by Local Government Finance Commission, Office of the Prime Minister (OPM), Ministry of Local Government, Ministry of Finance, Planning and Economic Development, Ministry of Public Service and National Planning Authority (NPA).

WHERE AS

1. The Ministry of Agriculture, Animal Industry and Fisheries has the statutory responsibility of inspection, supervision, monitoring, regulation, coordination, mentoring, and provision of technical guidance to local governments in the implementation of government programmes;
2. The Local Governments are the implementers of government programmes within their locality and jurisdiction in accordance with the Constitution of the Republic of Uganda and the Local Governments Act Cap 243;
3. Both parties have a common objective of implementing agreed upon conditions for expenditure of the Conditional grants;

NOW THEREFORE, having deliberated, do hereby agree to work together towards achieving the above common goal and in so doing, the Parties agree to be bound by the terms and conditions as stipulated herein below.

Agreement:

- a) The Agreement shall be deemed to have come into effect on the date of commencement of the financial year and shall run for a period of one year from 1st July 2013 to 30th June 2014
- b) There shall be a Mid Term Review to assess the progress on implementation of the agreed positions by the parties.
- c) Modification of the terms and conditions of this agreement shall only be made by written and signed agreement between the Parties hereto.
- d) None of the parties to this agreement shall be held liable on any of their obligations herein, if owing to an occurrence or event beyond their control or reasonable foresight and without negligence on their part,



execution of this Agreement has been rendered impossible. In such circumstances, the parties shall mutually agree on the appropriate way forward

- e) Failure to implement any of the provisions of this agreement by any of the parties shall be communicated to the affected party by the defaulting party within two (2) months from the date of failure to implement. The notification shall clearly state the reasons for failure and shall be delivered at the duly appointed and known address of the Local Government Finance Commission, with copies to Uganda Local Governments Association (ULGA), Urban Authorities Association of Uganda (UAAU), Ministry of Local Government, Ministry of Finance Planning and Economic Development, Ministry of Public Service, Office of the Prime Minister (OPM) and National Planning Authority.
- f) The Parties shall perform the services and carry out their obligations with all due diligence, transparency, efficiency, and economy.
- g) The Parties shall have a midterm review to discuss the progress in implementation; highlight challenges faced and make recommendations to improve the process.

Purpose

The purpose of this agreement is to define and set out the terms and the conditions for the expenditure of the conditional grants for the financial year 2013/2014 in the Agricultural Sector.

Obligations of the Agriculture Sector

- a) The Ministry shall prepare and disseminate the sector guidelines which will become effective at the commencement of the year for which the negotiation is targeting (FY 2013/2014)
- b) Shall communicate through circulars addressed to the Chief Administrative Officers and Town Clerks, the issues agreed upon in the negotiations for local governments to implement in their respective sectors.

Obligations of the Local Governments

- a) The UNAT through their Constituent organizations (ULGA and UAAU) shall disseminate to their members the agreements and highlight the obligations of the local governments.
- b) Implement their programmes based on the guidelines issued by the MAAIF.
- c) Ensure timely response to issues raised by the Agricultural Ministry.



- d) Provide timely and accurate data on their plans, achievements and status of Agriculture, Animal Industry and Fisheries activities.
- e) Share the agreed positions with the Parliamentary Committee on Local Government and Public Service and the Office of the Prime Minister.

Mid-term Review (October 2013)

- (1) There shall be a Joint Technical Committee (JTC) comprising of six (6) members drawn in the following ratio
 - 1. Local Governments Finance Commission: 1
 - 2. Uganda Local Governments Association: 1
 - 3. Urban Authorities Association of Uganda :1
 - 4. Sector Ministries: 2 from sector
 - 5. Office of the Prime Minister: 1
- (2) It is agreed that the following shall be ex-officio members to the Committee for purposes of providing technical guidance.
 - 6. Ministry of Finance : 1
 - 7. Ministry of Local Government: 1
 - 8. Ministry of Public Service: 1
 - 9. National Planning Authority: 1
- (3) It is further agreed that Local Government Finance Commission shall be the organizer and Chair of the JTC
- (4) It is agreed that the following shall be the terms of reference (TORs) for the Joint Technical Committee.
 - Oversee implementation of the agreements and monitor the progress of either party.
 - Ensure that the Agreements are disseminated to all stakeholders.
 - Conduct a midterm review of the implementation process so as to obtain feedback and disseminate it to the parties.
 - Identify the non complying parties and make recommendations to MoFPED, and Office of the Prime Minister for appropriate sanction
 - Handle any other upcoming issues.
 - The Joint Technical Committee shall report to the respective Policy Organs of their Institutions.
 - Any other activity that may be agreed upon by the parties.



Obligations of the Agricultural Sector

1. Production and Marketing Grant:

The LGs noted that the major functions of this grant are Disease Control, Regulatory Services, Data Collection and Coordination of Production activities which are recurrent in nature. The guidelines allow an allocation of 45% to the recurrent budget and 55% for Capital Development. In view of the inflation and high costs of operation, the 45% has become inadequate and should at least be increased and share in the ratio 50:50

On the other hand, the Ministry of Agriculture noted that the issue is not on the % but on the inadequacy of the grant and that it is lobbying MoFPED for an increase of the grant. The meeting noted that the best practice in the Sector is that a percentage allocation of 6% is given, and a minimum threshold of 32 million so that where 6% falls below 32m, the Local Government is allowed to upscale it to 32 million and that Agriculture could borrow from this.

Agreed That:

- i) The Status Quo remains at 45%:50%, but the Ministry should study and establish the minimum operating cost for recurrent expenditures for a District.
- ii) The Ministry should continue to advocate for the increase in the Production and Marketing Grant

2 Restructuring of the Production Department:

The LGs noted the delayed implementation of production and marketing structure, at both Higher and Lower Local Government levels has left many offices unmanned, hence affecting service delivery. This has been worsened by the ban on LG recruitment. Production levels have gone down with the remaining few extension workers are uncertain about their job security, hence there is high attrition of the staff in the production department.

On the other hand the Ministry said that the cabinet memo in respect to this structure was completed and submitted to MoFPED for issuance of a Financial Certificate before presentation to cabinet. MoFPED responded to MAAIF with recommendations for amendment and the matter is before a Sub Committee of cabinet chaired by the Minister for Presidency.

Agreed That:

MAAIF shall continue to follow up with the cabinet Sub Committee and MoFPED on the approval of the revised structure.



3 National Agricultural Advisory Services (NAADS) Grant

Local Governments noted the following issues with regard to the NAADS grant, the bigger portion of the funds is used to support Food Security Farmers whose impact is very low in terms of development, access of the funds by people who are above the Food Security Category and can afford to buy inputs on their own and the Market Oriented and Commercialized Farmers receive very little support in form of amounts granted and number of farmers supported and yet it is these two categories that can cause Agricultural Transformation.

Agreed That:

- i) The support to Food Security farmers should gradually be phased out. Those farmers who need such support can be served using inputs recovered from the already existing pool of Food Security Farmers
- ii) The bulk of the fund should be used to support Market Oriented and Commercializing Farmers. This is because food security farmers are expensive to maintain i.e. they are paid on average UGSHS 65, 000 per farmer per year yet the yields are low
- iii) NAADS guidelines should be reviewed with more focus on wealth creation

4. Information Sharing

The feedback from the Ministry is that agreed position has been partially implemented through securing consultancy services to undertake a feasibility study on existing ICT infrastructure for NARO and NAADS, in addition to establishing stakeholder information needs. However, the agreed position on NARO identifying two UNAT representatives and communicate to them by September 2012 is still pending.

The Ministry further informed the meeting that NARO developed a Communication Strategy and is organizing a meeting to take place in the 3rd quarter of financial year 2012/2013, which the meeting observed was not feasible given that the quarter is already ending.

Agreed

That a meeting shall be held by the Ministry with the UNAT representatives and other stakeholders before close of the fourth Quarter of financial year 2012/2013.



5. Urban Agriculture Policy:

The Meeting noted with concern the fact that the development of the policy has been on table for a long time and it needs to be finalized and disseminated to the local governments.

The Ministry informed the meeting that in terms of progress so far, the draft policy is at technical level.

Agreed

- i) The Ministry should expedite the process of finalizing and sharing the draft policy with UAAU as soon as it's endorsed by the Ministry by the next negotiations
- ii) Urban LGs should develop bye laws/ordinances to regulate agriculture in the urban areas

6. Accountability and Reporting under NAADS:

With regard to the agreed position that NAADS funds for Municipal Councils should be remitted directly to Municipal Councils' accounts so that the Town Clerk disseminates the funds to the Divisions, the Ministry informed the meeting that according to the Credit Agreement between the Government of Uganda and the Development partners stipulates that the mechanism for funds flow is through the District grant account.

The meeting was informed by the CAO Wakiso, that in his District, when disbursing funds, he communicates to the Municipal Town Clerk and that when the Division Clerk is submitting accountabilities to the CAO, copy is given to the Municipal Town Clerk

Agreed

- i) MAAIF shall discuss with the Supervision Mission with regard to the disbursement of funds directly to the Municipal Councils.
- ii) The Ministries of Agriculture and Finance should hold a discussion with the view of disaggregating the funds for MCs by July 2013.
- iii) The best practice of Wakiso District in the use of NAADS grants, the CAO gives a copy to the Municipal should be officially documented and submitted by UNAT to the MAAIF for consideration.



7 Licensing of Fisheries Activities:

In terms of revenue generation from fishing activities, Local Governments expressed concern over the fact that since the MAAIF took over the licensing mandate from the Local Governments, it has become impossible for Local Governments to raise revenue from this area. It was further noted that the situation has worsened with non compliant fishermen being arrested and released.

On the other hand the Ministry informed the meeting that it has guidelines for harmonized enforcements that were formulated with the involvement of all stakeholders. However, it still has challenges in establishing how many vessels are there and how to allocate the revenues accruing from them. The vessel marking and registration process is still ongoing. The Ministry has developed a Draft Memorandum of Understanding to guide on the revenue collection and utilization.

Agreed

- i) The Ministry should expedite the finalization of the Memorandum of Understanding bearing in mind that MAAIF retains the mandate of licensing however the revenue accruing should be shared with the Local Governments as their local revenue.
- ii) By December 2013, MAAIF will have finished registration of fishing vessels and determined the potential revenue from licensing.

IN WITNESS WHEREOF the appointed representatives of Parties hereto have set their hands on this agreement on the day, month and year first above written.

Signed for and On Behalf of *Local Governments*:

By: Odok Peter W'ochieng.....
Authorized Representative
UNAT

Signed for and on behalf of the Ministry of Agriculture Animal Industry and Fisheries

By: Samuel Ssemanda.....
Authorized Representative

In witness hereof:

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(Authorized Representative)

(Authorized Representative)

For and On Behalf of LGFC
Mr. Lawrence Banyoya

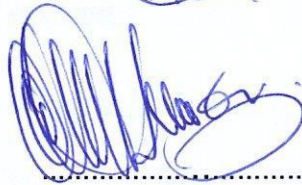
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For and On Behalf of MoFPED
Mr. Godwin Kakama

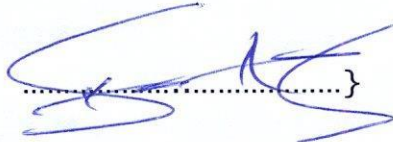
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For and On Behalf of OPM

Mr. Ssansa Mugenyi

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For and On Behalf of MoLG
Mr. Samuel Amule

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For and On Behalf of MoPS

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For and On Behalf of NPA
Mr. David Katungi

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