



THE REPUBLIC OF UGANDA

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

AND  
IN THE MATTER OF A CONDITIONAL GRANT UTILIZATION AGREEMENT FOR  
FINANCIAL YEAR 2018 – 2019

BETWEEN

MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES  
AND

LOCAL GOVERNMENTS

**THIS Agreement** is made this 25<sup>th</sup> day of August 2017 between the **Ministry of Trade, Industry and Cooperatives** of P.O. Box 7103, **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 requires negotiations on programs and the expenditure of the conditional grants in accordance with the conditions agreed upon and this necessitates for the local Governments to interface with the Sector ministries (Government) to agree upon the conditions.

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.

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The negotiations are organized and chaired by the Local Government Finance Commission, and witnessed by LGFC, Ministry of Local Government, Ministry of Finance, Planning and Economic Development and Ministry of Public Service.

The Negotiations are organized and chaired by the Local Government Finance Commission, and witnessed by LGFC, Ministry of Local Government, Ministry of Trade, Industry and Cooperatives.

**WHEREAS;**

1. The Ministry of Trade, Industry and Cooperatives has the statutory responsibility for sector policy, sector planning, inspection, supervision, monitoring, regulation, coordination, mentoring, and provision of technical guidance to Local Governments in the implementation of sector 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 here below.

**Agreement**

- a) The Agreement shall come into effect on the date of last endorsement of signature to this agreement and shall run during budget formulation and implementation for Financial Year 2018-2019.
- b) Modification of the terms and conditions of this Agreement shall only be made by written and signed Agreement between the Parties hereto.
- c) 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.
- d) 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 Trade, Industry and Cooperatives, National Planning Authority, Office of the Prime Minister and Ministry of Public Service.



## 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 2018/2019 in the Trade, Industry and Cooperatives Sector.

## Mid-term Review

The Parties shall have a mid-term review to discuss the progress in implementation; highlight challenges faced and make recommendations to improve the process. This review shall be organized with the following framework:

- 1) There shall be a Joint Technical Committee (JTC) comprising of Thirteen (13) members drawn in the following ratio;
  - a) Local Governments Finance Commission: 2
  - b) Uganda Local Governments Association: 2
  - c) Urban Authorities Association of Uganda :2
  - d) Ministry of Trade, Industry and Cooperatives: 2
  - e) Office of the Prime Minister: 1
  - f) Ministry of Finance: 1
  - g) Ministry of Local Government: 1
  - h) Ministry of Public Service: 1
  - i) National Planning Authority: 1
- 2) The Local Government Finance Commission shall be the Chair and Secretariat of the Joint Technical Committee.
- 3) The JTC shall sit on a quarterly basis at a time and place determined and communicated by the Local Government Finance Commission.
- 4) The Joint Technical Committee shall execute the following tasks.
  - a) Oversee implementation of the agreements and monitor the progress of either party.
  - b) Ensure that the Agreements are disseminated to all stakeholders.
  - c) Conduct a mid-term review of the implementation process so as to obtain feedback and disseminate it to the parties.

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d) Identify the non-complying parties and make recommendations to MoFPED, and Office of the Prime Minister and MoLG for appropriate sanction.

e) Handle any other upcoming issues.

f) The Joint Technical Committee shall report to the respective Policy Organs of their Institutions.

### **General Obligations of the Parties**

The Parties shall perform the services and carry out their obligations with all due diligence, efficiency, and economy.

### **Obligations of the Local Governments**

#### **Local Governments shall;**

- a) Through their Constituent organizations (ULGA and UAAU) disseminate the agreements to their members.
- b) Implement the agreed obligations in accordance with this agreement and the guidelines issued by the MoTIC;
- c) Ensure timely response to issues raised by the Sector Ministry;
- d) Provide timely and accurate data on their plans, achievements and status on programme implementation to the MoTIC;
- e) Adhere to the Sector/Grant Utilization Guidelines issued by the Ministry;
- f) Ensure timely submission of Monitoring and Inspection reports to the MoTIC.

Ensure timely submission of the quarterly performance reports.

### **Obligations of the Ministry of Trade, Industry and Cooperatives.**

#### **The Ministry shall;**

- a) Prepare and disseminate the final sector and grant utilization guidelines for (FY 2018/2019) during the local government budget consultative workshops.
- b) Include the signed agreement for the FY 2018/19 as an annex to its Ministerial Policy Statement.
- c) 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.
- d) Ensure timely response to issues raised by the Local Governments, Local Government Associations and Local Government Finance Commission.
- e) Implement its obligations in accordance with this agreement.

- f) Liaise with MOFPED to ensure that all funds for capital development are released to Local Governments by the third Quarter.
- g) Ensure adequate involvement and participation of the Accounting Officers of Local Governments during its sector reviews.
- h) Invite and provide a slot to the Local Government Associations (ULGA and UAAU) to make a presentation on the key issues affecting service delivery in the Commercial Services sector.

#### **SPECIFIC OBLIGATIONS OF THE PARTIES.**

##### **1. Implementation of the Trade, Industry and Local Economic Development Department.**

LGs noted that this is a new department, however, the wage bill has not allowed for recruitment of all the required staff. Despite the LGs' proposal to trade off some positions during the payroll customization process, the final structure did not consider these proposals.

MoTIC reported that it engaged MoFPED to avail funds to implement the new structure. It advised the LGs that those with wage bills should recruit, but prioritize the key positions first.

**It was agreed that;**

- a) LGs with money on the wage bill shall recruit with priority given to the key positions in the structure.
- b) LGs shall utilize the existing Commercial Officers to kick start the department as the sector awaits wage bill provisions from MoFPED to fully implement the structure.

##### **2. Agriculture Produce Marketing Bill**

MoTIC reported that the Draft principles for the Bill are ready for submission to cabinet.

**It was agreed that;**

**MoTIC shall share a progress report on the Bill at mid-term review in April 2018.**

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### **3. Buy Uganda Build Uganda (BUBU)**

MoTIC reported that it continues to sensitize the public through the press, radio programs and regional workshops on BUBU. The Prime Minister also launched the BUBU Strategy where key local suppliers of products and services were invited and attended the launch. There is need for quality assurance and suppliers must be trained. The strategy of BUBU is to ensure that LGs should consider local products and services during procurements. It also proposed that LGs identify local suppliers and manufacturers and prepare them to benefit from the BUBU.

**It was agreed that;**

**LGs shall identify local suppliers and manufacturers and prepare them to benefit from BUBU.**

### **4. Trade Licensing**

MoTIC reported that all the LGs submitted their grading of business areas proposal and the Ministry issued Statutory Instruments No 1 of 2017 amending Instrument No1 of 2011. In the same line the Ministry issued Statutory Instrument No.2 of 2017 with new trade licensing rates.

It also noted that some LGs are charging fees different from those in the schedule such as Njeru MC as well as issuing trade licenses based on calendar year instead 12 months from date of issue. Cabinet has directed that the tendering of licenses by LGs be stopped.

MOTIC developed regulations on submission of returns pending approval of the Minister, when ready, they will share them with the LGs.

**It was agreed that;**

- a) MoTIC shall develop the form on submission of returns in consultation with the LGs and thereafter distributed to Local governments for onward submission of returns.**
- b) MoTIC shall issue a circular to LGs indicating the cabinet directive banning the tendering of business licenses by 30<sup>th</sup> September 2017.**
- c) MoTIC shall issue a circular indicating the approved rates for trade licenses to CAOs and Town Clerks.**
- d) MoTIC shall give an update on the progress of tools for generating data on trade activities in LGs, at the midterm review in April 2018.**
- e) LGs shall implement the directive as soon as they get the circular.**



## **5. Sector performance indicators and standards.**

MoTIC reported that the sector performance indicators and standards have been included in the minimum national service delivery standards and the revised national assessment tool by the MoLG. MoTIC was reminded that there is a new assessment tool by OPM under the department of Monitoring and Evaluation.

**It was agreed that;**

**MoTIC shall obtain the National Assessment Manual from the Office of the Prime Minister.**

## **6. Micro, Small and Medium Enterprises (MSME)**

MoTIC reported that it has set up a directorate of MSME. Both the policy and implementation framework are ready for implementation. MoTIC implored LGs to collaborate with this new department using the LED model.

**It was agreed that;**

- a) MoTIC shall disseminate to LGs the information on the roles of the MSME department**
- b) LGs working with MoTIC shall identify the artisans/MSMEs that can be helped through this Directorate.**

**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**

Mr. George Mutabazi

  
.....  
**Authorised Representative**  
**UNAT**

Signed for and on behalf of the **Ministry of Trade, Industry and Cooperatives**

Mr. Raymond Agaba

.....  
**Authorised Representative**  
**MoTIC**



**IN WITNESS, HEREOF  
Authorized Representatives**

Mr. Lawrence Banyoya

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LGFC

Mr. Olarker Charles

MOLG  
MOFPED

Mr. Sam Omaido

MOPS

Ms. Samalie Ibanda

NPA

Mr. David Katungi

OPM

Mr. Nobert Katsirabo

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