



REPUBLIC OF UGANDA

LOCAL GOVERNMENT FINANCE COMMISSION

ANNUAL REPORT 2011

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THE REPUBLIC OF UGANDA

**LOCAL GOVERNMENT
FINANCE COMMISSION
10th Floor Workers' House
1 Pilkington Road
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KAMPALA – UGANDA**

IN ANY CORRESPONDENCE

IN THIS SUBJECT PLEASE QUOTE NO. ...ADM/150/03.....

29th February 2012

The Rt. Hon. Speaker,
Parliament of the Republic of Uganda,
Parliament House,
Kampala.

LOCAL GOVERNMENT FINANCE COMMISSION – ANNUAL REPORT, 2011

In compliance with Section 25 (1) of the Local Government Finance Commission Act, 2003, I have the honor and pleasure to submit the Annual Report of the Local Government Finance Commission in respect of the financial year 2010/11.

The report covers the activities, challenges and recommendations of the Local Government Finance Commission.

A handwritten signature in black ink, appearing to read 'Johnson Bitarabeh'.

Johnson Bitarabeh

CHAIRPERSON



REPUBLIC OF UGANDA

LOCAL GOVERNMENT FINANCE COMMISSION



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ACKNOWLEDGEMENT

The Commission would like to acknowledge the support in various capacities and ways received from:

- i. The Government of the Republic of Uganda;
- ii. The donor fraternity working to strengthen the operations and results of the Public Management Sector;
- iii. The Parliament of the Republic of Uganda through the Sessional Committee on Public Service and Local Government;
- iv. Minister of Finance, Planning and Economic Development;
- v. The Hon. Minister of Local Government;
- vi. Uganda Local Governments Authorities Association (ULGA);
- vii. Urban Authorities Association of Uganda (UAAU);
- viii. The Local Governments;
- ix. Commission Chairperson, Vice Chairperson and all the Commissioners who have always provided guidance on matters of policy and implementation strategy of key programs touching the mandates of the Commission.

Lastly, I recognize the tremendous efforts and contribution from the Commission's technical team including all the staff of the Secretariat in ensuring that the technical outputs from the Commission are delivered accordingly.

I look forward to our continued engagement in the coming year.



Lawrence Banyoya

COMMISSION SECRETARY



Hon. Adolf Mwesigye
Minister of Local Government

MEMBERS OF THE FOURTH COMMISSION (2008 – 2012)



**MR. JOHNSON BITARABEHO
CHAIRPERSON**

Mr. Johnson Bitarabeho is the Chairperson of the Local Government Finance Commission. Prior to his appointment, he served as Public Administrator in various positions for 26 as civil servant and 4 years in the public service. At the inception of decentralisation, Mr. Bitarabeho had worked in various districts in the country as a District Executive Secretary. He participated in the debates and processes that culminated in the development of the decentralisation policy and attendant legal framework. While a Chief Administrative Officer, Mr. Bitarabeho won many awards particularly during his term of office in Bushenyi district where he served for over ten years. Mr. Bitarabeho was appointed Commissioner and elected chairperson of the Commission in April 2004 and in October 2008 was re-elected Chairperson. He is serving his second term both as Commissioner and Chairperson of the Commission.



**MRS. SARAH NAMBASSA MUKASA
VICE CHAIRPERSON**

Mrs. Sarah Nambassa Mukasa was appointed Vice Chairperson of the Commission in October 2008 and this is her first term on the Commission. Ms. Mukasa is a distinguished professional Accountant with vast experience. She previously worked in the Ministry of Finance, Planning and Economic Development and Uganda Revenue Authority in various capacities in tax administration and financial management. She brought into the Commission a wide and hands-on experience in taxation policy and tax/revenue forecasting, skills which are very crucial in the Commission's advisory role, especially in local taxation and revenue mobilisation in Local Governments.



**MR. RICHARD SANTO APIRE
COMMISSIONER**

Mr. Richard Santo Apire is an accomplished financial specialist. He was appointed on the Commission as a member in April 2004 and reappointed in October 2008. Mr. Apire worked with Bank of Uganda for over twenty years where he retired at the level of Director. Upon retirement from Bank of Uganda, Mr. Apire worked as a consultant on risk management with Tropical Bank for two years. Mr. Apire brought to the Commission a wide but incisive and meticulous analytical acumen that is very pivotal in the work of the Commission. He is an active member of the Finance and Administration Committee of the Commission. Commissioner Apire is currently serving his second term as a Commissioner.



**ENG. IAN KYEYUNE
COMMISSIONER**

Mr. Ian Kyeyune is a professional engineer, physical planner, and university lecturer. He was Local Council V Chairperson in Wakiso District, a cosmopolitan local government and one of the notable success stories. Mr. Kyeyune brought to the Commission a methodical and profession approaches. He chairs the Research and Policy Committee of the Local Government Finance Commission. Mr. Kyeyune was first appointed member on the Commission for his first four year term in April 2004. He is currently serving his second four year term on the Commission which started October 2008.



**MR. GEORGE MICHAEL EGUNYU
COMMISSIONER**

Mr. George Michael Egunyü is a seasoned and career tutor and administrator with a commendable track record and performance in many schools and colleges. Mr. Egunyü was Mayor of Soroti Municipality for over ten years during which Soroti experienced tremendous achievements including being rated one of the cleanest towns in Uganda. Mr. Egunyü is the current Chairperson for Soroti District Local Government. He has wide experience in matters of urbanisation and urban development. Commissioner Egunyü was first appointed on the Commission in April 2004. He is a member of the Research and Policy Committee. He is serving his second term of four years on the Commission with effect from October 2008.



**Mr. ADRIAN KYAMUGINA
COMMISSIONER**

Mr. Kyamugina is a tax administration specialist with a long track history of service in the East African Community, Ministry of Finance and Uganda Revenue Authority. Mr. Kyamugina rose through the ranks to become Deputy Commissioner Customs, Finance and Administration, Commissioner Internal Audit and Tax Investigation. He retired from Uganda Revenue Authority in 2005 and is now involved in private consultancies in areas of tax and financial services. Mr. Kyamugina currently serves as Chairperson of Finance and Strategic Planning Committee of Kampala International University Council. He is also the Vice- Chairperson for Kampala International University Teaching Hospital. Commissioner Kyamugina is serving his first four year term having been appointed in October 2008. He is the Chairperson, Finance and Administration Committee of the Commission.



**Ms. GRACE FREEDOM KWIYUCWINY
COMMISSIONER**

Ms. Kwiycwiny is a rural development consultant. She worked in Government as an Administrative Officer and Gender/Women in Development Officer for 7 years. She has worked in Non Government Organizations covering national and district levels for 14 years. Grace has participated in the local government revenue enhancing programmes, bottom up planning and budgeting processes, Public Private Partnership and Local Economic Development. She has been on various boards including National Forest Authority. Currently, Grace is the Chairperson of the Governing Council of Uganda College of Commerce – Pakwach and served as Chairperson of Nebbi Community Ltd. Commissioner Kwiycwiny was appointed on the Commission in October 2008. During the year under review, she resigned from the Commission to join active politics and was elected a Woman Member of Parliament for Zombo District Local Government.

Top Management as at 30th December 2011



Mr. Lawrence Banyoya
Commission Secretary



Mr. Ashaba Aheebwa
Director, Finance and Administration



Mr. Bernard Ogwang Okuta
Director, Research and Policy Analysis

FOREWORD

I am glad and privileged to present the 9th Annual Report of the Local Government Finance Commission (LGFC), for the Financial Year (FY) 2010/2011 in accordance with section 25 (1) of the Local Government Finance Commission Act, 2003. The report sets out the legal status, mandate, mission, core values and the current functional structure of the Commission.

The Report gives an overview of the performance achieved against the Approved Work Plan for the period under review. The Work Plan was drawn on the basis of the Medium Term Strategic Objectives that are spelt out in the Corporate Strategic Plan of the Commission for the period 2008/09 – 2011/12.

The Medium Term Objectives are:

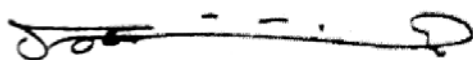
- Advising on equitable distribution of revenue between Central Government and Local Governments and among Local Governments for effective and efficient Service Delivery
- Enhancement of Local Revenue generation in Local Governments
- Improving Local Governments Budget Analysis and Tracking
- Strengthening the Institutional Capacity of the Commission

Just like the previous financial years, during the last financial year, the Commission operated under financial constraints. The Commission continues to lack adequate funding for its core activities to effectively execute its Constitutional mandate. The absence of a legal framework for consideration and feedback on advice given to Government by the Commission weaken would be desired impact of the work of the Commission particularly on the financing of Local Governments in Uganda.

Notwithstanding the challenges faced, I am most certain that the Commission will continue to do its best to deliver policy-relevant, evidence-based recommendations and insightful policy advice based on sound and innovative researches to meet the expectation of its key stakeholders.

I wish to express my sincere thanks and appreciation to my fellow Commissioners, Hon Minister of Local Government and the Technical Staff, Ministry of Finance Planning and Economic Development, the Parliamentary Committee on Local Government and Public Service for the support always given to the work of the Commission.

Finally, I thank all staff at the Secretariat who meticulously continue to work with dedication and commitment to the work of the Commission. This gives me the strength and assurance that the Commission is well on its way to being a credible and strong institution capable of delivering its constitutional mandate.



Johnson Bitarabehö
CHAIRPERSON

ABOUT THE REPORT

This is the 9th Annual Report of the Local Government Finance Commission and is in respect of the FY 2010/11. The report covers the activities, challenges and recommendations of the Commission reviewed over the period 01/07/2010 – 30/06/2011.

Section One provides a background to the Commission's mandate, functions, and core philosophy. A recap of the previous performance in 2009/10 is given as a backdrop to the review of the current reporting period. The section highlights the Commission's progress towards achieving the medium term objectives laid out in its Corporate Strategy 2008/09 - 2011/12.

Section Two highlights the performance of the Commission based on the approved annual work plan for FY 2010/11. The performance is according to each medium term objective and a description of implemented activities.

Section Three highlights progress made on the Study to Review the Local Government Financing, Management and Accountability for Decentralised Service Delivery.

Section Four gives highlights on aspects where the Commission continues to work in collaboration with stakeholders within the legal and policy framework of Public Sector Management (PSM).

Section Five outlines the financial performance of the Commission for the financial year under review.

Section Six provides the Commission's recommendations on LGs revenue distribution and generation as well as proposals to mitigate the challenges faced by the Commission in implementing its activities.

Annexes at the end of the report present the organisation structure and staffing of the Commission as at the end of the period under review.

ABBREVIATIONS AND ACRONYMS

BFP	Budget Framework Paper
CG	Central Government
DMTWG	Decentralisation Management Technical Working Group
FDA	Fiscal Decentralisation Architecture
FDS	Fiscal Decentralisation Strategy
FINMAP	Financial Management and Accountability Programme
FY	Financial Year
JAF	Joint Assessment Framework
JARD	Joint Annual Review on Decentralisation
LG	Local Government
LGBFP	Local Government Budget Framework Paper
LGFC	Local Government Finance Commission
LGHT	Local Government Hotel Tax
LGMSD	Local Government Management & Service Delivery
LRECC	Local Revenue Enhancement Coordinating Committee
LST	Local Service Tax
MC	Municipal Council
MDAs	Ministries, Departments and Agencies
MOFPED	Ministry of Finance Planning & Economic Development
MOLG	Ministry of Local Government
MTOs	Medium Term Objectives
NDP	National Development Plan
NPA	National Planning Authority
PSM	Public Sector Management
SIP	Strategic Investment Plan
SW	Solid Waste
TC	Town Council
TOR	Terms of Reference
UCCBP	Uganda Country Capacity Building Programme
WB	World Bank

EXECUTIVE SUMMARY

This is the 9th Annual Report of the Local Government Finance Commission. The report highlights the activities, challenges and makes recommendations based on the Annual Work Plan for the FY 2010/11.

The Annual Work Plan for FY 2010/11 was derived from the Commission's four (4) year Corporate Strategy 2008/09 - 2011/12 as informed by the Local Government Sector Investment Plan (LGSIP) and the Fiscal Decentralization Strategy (FDSJ).

The medium term objectives are:

- a) Advising on equitable distribution of revenue between central government and local governments and among local governments for effective and efficient service delivery.
- b) Enhancement of local revenue generation in local governments.
- c) Improving Local Governments budget analysis and tracking.
- d) Strengthening the institutional capacity of the Commission.

Progress made

A total of UGX 3,192,307,596 was released to the Commission for the FY 2010/11. In this reporting period, the Commission carried out capacity building for 18 districts and 4 municipal councils. Three (3) reviews were conducted on: the implementation of the 2010 Sector Conditional Grant negotiations; the role of the Commission in the national planning and budget process and the assessment of funding gaps for garbage collection in urban councils. A review of the LGs financing, management and accountability is scheduled for FY 2011/12.

The Commission also supported the realisation of land based revenues in 18 LGs; identified uncollected revenues in 7 LGs; conducted outreach activities in 6 LGs; trained 1 LG in management of Local Service Tax (LST) and Local Government Hotel Tax (LGHT) and supported the operations of the Local Revenue Enhancement Coordinating Committee. (LRECC)

The Commission strengthened its own institutional capacity streamlining the manual records system; recruiting three senior staff to fill positions that had fallen vacant; capturing, verifying and validating fiscal data from the LGs for the FYs 2006/07 to 2009/10 for some districts, municipalities and town councils.

The Commission continued to make recommendations on financing of LGs for effective and efficient service delivery under the decentralisation framework.

However, the funding gaps and the return of unspent balances from LGs continued to impede service delivery. The Commission is therefore concerned that the trend of

LGs financing through CG transfers is declining yet the demand for service delivery is steadily increasing.

Key Challenges

During the period, the Local Government Finance commission was faced with the following challenges:

- i. Inadequate funding for the commissions programmes;
- ii. Institutional Weaknesses in implementation of the Commission's recommendations;
- iii. Conflicting roles and responsibilities of the Public Sector Management constituent MDAs.

Key Recommendations

The Commission recommends that:

- Funding for local governments should be reviewed to help increase the staffing level from the current average of 47% to at least 65% capacity if average service delivery is to be realised.
- More financial resources should be provided for staff training, equipping and tooling the new local governments and setting up office accommodation for newly created LGs.
- An independent party should be engaged to carry out an assessment of the effect of the different conditionalities on the conditional grants in relation to service delivery and policy formulation.
- For a Town Council to effectively manage garbage and solid waste within its borders, it should be provided with at least UGX 109m for recurrent work and UGX 930m for capital development.
- For a Municipal Council to effectively manage solid waste within its borders, it should be provided with at least UGX 442m for recurrent and UGX 916m for capital development.
- The flexibility principle under the FDS should be reinstated to allow LGs to flex proportionately within the constrained resources.
- Non wage unconditional grant should be increased proportionately with the operational service standards for effective public service delivery.

1.0 INTRODUCTION

1.1 Mandate and Functions of the LGFC

The Local Government Finance Commission (LGFC) was established under Article 194 (1) of the Constitution of the Republic of Uganda (1995). The mandate and functions of the Commission are defined under Article 194 (4) of the Constitution and the operational framework of the Commission is provided for in the Local Government Finance Commission Act (2003).

The functions of the Commission as further elaborated in section 9 of the Local Government Finance Commission Act are largely of an advisory nature and include:-

- a) Advise the President on all matters concerning the distribution of revenue between the Government and Local Governments and the allocation to each Local Government of money out of the consolidated fund.
- b) Consider in consultation with the National Planning Authority and recommend to the President the amount to be allocated as equalization and conditional grants and their allocation to each Local Government.
- c) Consider and recommend to the President potential sources of revenue for Local Governments.
- d) Advise the Local Governments on appropriate tax levels to be levied by Local Governments.
- e) Mediate in case a financial dispute arises between Local Governments and advise the Minister accordingly.
- f) Analyze the annual budgets of Local Governments to establish compliance with the legal requirements and notify the Councils concerned and the President through the Minister for appropriate action.
- g) Recommend to the President through the Minister, the percentage of the National Budget to be transferred to Local Governments every financial Year.
- h) Recommend to the President, Central Government taxes that can be collected by Local Governments in their respective jurisdiction on an agency basis.
- i) Perform such other functions as may be prescribed by law.

1.2 Core Philosophy

Vision Statement

“A Uganda with financially sustainable Local Governments that provide efficient and effective services”.

Mission Statement

To ensure effective mobilization and equitable distribution of financial resources for service delivery in Local Governments.

Medium Term Objectives

The medium term objectives of the Commission are derived from the four (4) year Corporate Strategy 2008/09 - 2011/12 as informed by the Local Government Sector Investment Plan (LGSIP) and the Fiscal Decentralization Strategy (FDS). The medium term objectives are:

- a) Advising on equitable distribution of revenue between central government and local governments and among local governments for effective and efficient service delivery.
- b) Enhancement of local revenue generation in local governments.
- c) Improving Local Governments budget analysis and tracking.
- d) Strengthening the institutional capacity of the Commission.

Core Values

In the achievement of the above objectives, the Commission works through participation, consultation, networking and advocacy with key stakeholders guided by the following core values:

- a) Professionalism;
- b) Commitment;
- c) Transparency and Integrity;
- d) Team Work.

1.3 Looking Back at 2009/10

In 2009/10, the Commission received a total of UGX 3,710,508,917 to carry out its activities including research and analysis of LGs financing. The Commission was able to provide technical support to 58 LGs in the application of FDS modalities. In addition, five key capacity building activities were carried out to improve the performance of the Commission's staff. Collaborations with the DTWG, PSMWG and NPA were fostered, while the Commission continuously interacted with CG and LGs through various fora and studies on LG financing and revenue generation.

It was noted that the proportion of total grant transfers to LGs compared to the total CG budget had been declining. Furthermore, there was significant imbalance in the levels and growth of the conditional, unconditional and equalisation grants. The LGs were able to generate local revenue amounting to only UGX 118 bn.

1.4 Progress towards achieving the Commission's MTOs

The Commission has persistently made recommendations to the CG as constitutionally mandated, on financing of LGs for effective and efficient service delivery under the decentralisation framework. However, the funding gaps and returned unspent balances from LGs have greatly impeded service delivery under the decentralised framework. The Commission is concerned that the trend of LGs financing through CG transfers is declining yet the demand for service delivery is steadily increasing.

A total of UGX 3,192,307,596 was released to the Commission for the FY 2010/11, which could not adequately finance all its activities to effectively support the LGs. Nevertheless, the Commission has continued to provide technical guidance to the LGs to enhance their potential and efficiency in generating local revenue to fill the funding gap from CG releases.

In this reporting period, the Commission carried out capacity building for 18 districts and 4 municipal councils. Four (4) review studies were conducted on: the implementation of the 2010 Sector Conditional Grant negotiations; the role of the Commission in the national planning and budget process; assessment of funding gaps for garbage collection in urban councils; and review of the LGs financing, management and accountability. The Commission also supported the realisation of land based revenues in 18 LGs; identification of uncollected revenues in 7 LGs; conducted outreach activities in 6 LGs; trained 1 LG in management of LST and HT and supported the operations of the LRECC.

The institutional capacity of the Commission was strengthened by streamlining the manual records system; recruitment of three senior staff; capturing, verifying and validating fiscal data from the LGs for the FYs 2006/07 and 2009/10 for some districts, municipalities and town councils.

1.5 Key Challenges

Despite the above achievements and gains, the Commission experienced several challenges during implementation of its activities in the FY 2010/11. These included:

- i. Inadequate funding;
- ii. Staff turnover;
- iii. Weaknesses in implementation of the Commission's recommendations;
- iv. Conflicting roles and responsibilities of the Public Sector Management constituent MDAs.

2.0 ANNUAL PERFORMANCE

2.1 Introduction

Within the overall Fiscal Decentralisation Strategy (FDS), the National Development Plan and the Public Sector Management Strategic Investment Plan (PSM SIP), the Local Government Finance Commission is currently implementing its Corporate Strategy for the period 2008/09 – 2011/12. Annually, the Commission derives its work plan and budget for implementation from the Medium Term Objectives of this Corporate Strategy. For the FY 2010/11, the Commission expended UGX 3,179,692,873 on activities presented below and returned an unspent balance of UGX 12,614,723.

2.2 Revenue Distribution between Central Government and Local Governments

2.2.1 Allocation of Grants

The Commission has noted from the Medium Term Expenditure Framework (MTEF) for 2009/10 - 2011/2012, the National Budget Framework Paper (NBFP 2011) and the 2011/12 Budget Speech that Local Government Grants accounted for only 23% in 2010/11 and 17% in 2011/12 of the Annual National Budgets. This has made it difficult to attract and retain staff particularly in the education and health sector. The wage component of the recurrent transfers constitutes 79% compared to 21% as non-wage in 2010/11 and 81% compared to 19% respectively in 2011/12. The result of this is seen in insufficient funds for operations and maintenance of existing LG infrastructures.

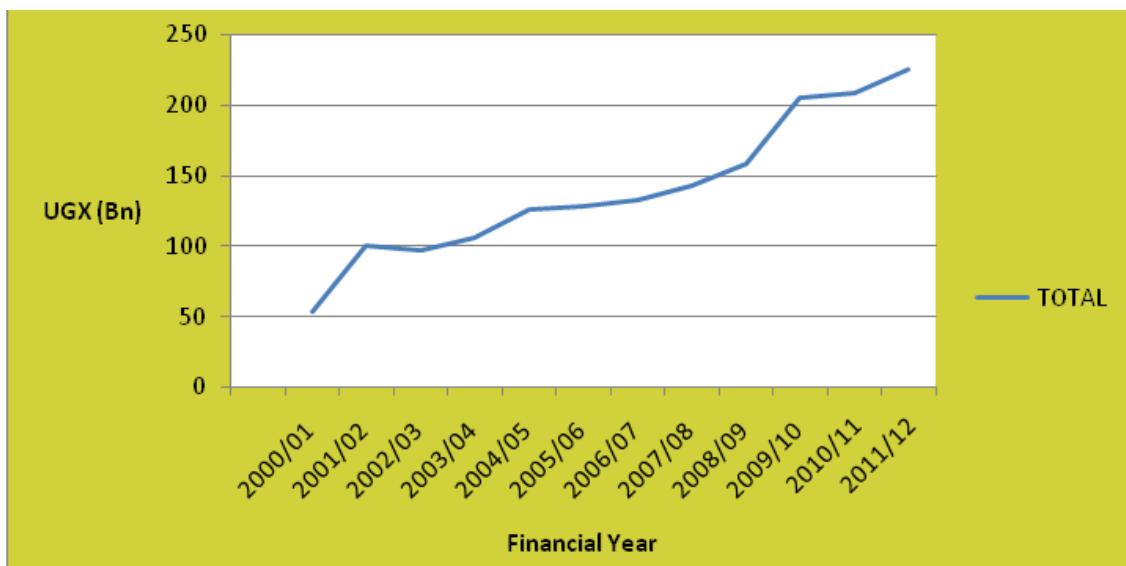
The wage provision for FY 2011/12 for LGs amounting to UGX 942.7bn includes conditional grant salaries, UGX 517bn for primary school teachers, UGX 128bn for secondary school teachers, UGX 18bn for tertiary institutions and UGX 141.6bn for health workers salaries leaving UGX 131.3bn for unconditional grant wage.

2.2.2 Trend of Grant Transfers by Sector

Health Sector Funding

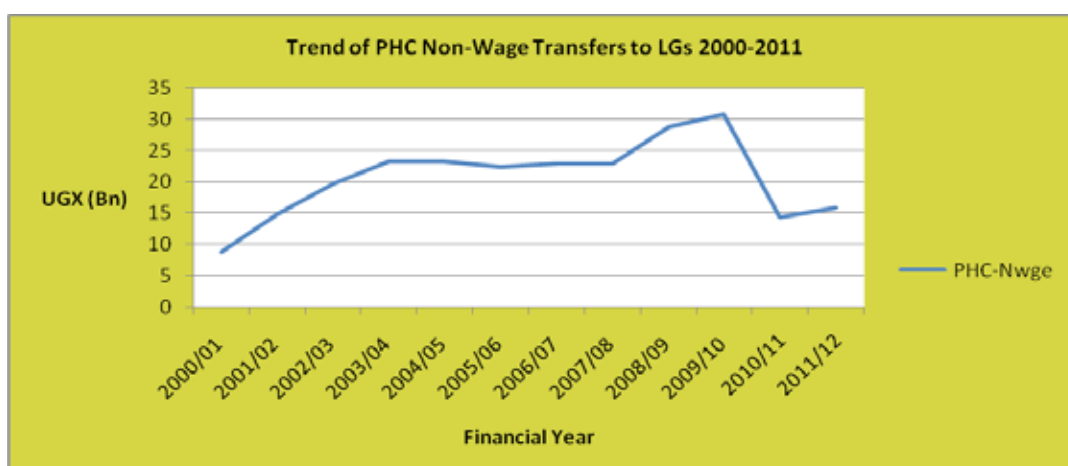
The district health systems receive transfers from the Central Government in form of Primary Health Care (PHC) grants. The grants cater for different components including wage and non-wage for both public and private health facilities, as well as for district general hospitals and for capital development. As shown in **Figure 1** the trend of transfers to LGs shows overall increasing funding.

FIGURE 1: TREND OF TOTAL TRANSFERS TO HEALTH SECTORS FROM CG TO LGS (2000 - 2011)



However, Primary Health Care (PHC) non-wage recurrent funding and District Hospitals' transfers have particularly remained stagnant and in some instances been declining even when it is clear the demand for health services is increasing. PHC non-wage is a recurrent grant used for provision of operational cost for health facilities, purchase of drugs and running of the district health offices. However, the trend of this grant transferred to LGs has been declining over the years, experiencing a sharp decline in FY 2009/10. This was as a result of a shift in policy for the national medicines supply system¹. **Figure 2** shows the trend for PHC non-wage transfers over the last twelve (12) financial years from 2000-2011.

FIGURE 2: TREND OF PHC NON-WAGE TRANSFERS FROM CG TO LGS (2000-2011)



¹ In FY 2009/10, the procurement and distribution of drugs was recentralised. This was largely due to under-utilisation of Essential Medicines and Health Supplies (EMHS) grants by LGs. In 2009/2010, only an average 60% of EMHS Primary Health Care (PHC) grants were utilised compared to 113% for the credit line availed to LGs.

Education Sector Funding

Like the Health Sector, grants in the education have not been growing in tandem with the increasing needs in the sector. The Universal Primary Education (UPE) which was UGX 41bn in FY 2000/01 has been around the same figure till last FY 2010/11 (see **Table 1**. In FY 2011/12, it increased to UGX 49bn. This is still considered inadequate.

The school inspection grant which was established in FY 2008/09 at UGX 2.5bn is considered too inadequate for its function of inspecting every school both public and private once every term across the country. While it was considered inadequate at UGX 2.5bn, in FY 2011/12, it has even reduced to UGX 2.4bn.

TABLE 1: TREND OF DIRECT GRANTS TRANSFERS TO LGS IN THE EDUCATION SECTOR (2000 - 2011)

(Amounts in UGX billions)

FY	UPE Capitation	Pri. Salary	Sec. Salary	Sec. Capitation	Tertiary Salary	Health Training	School Inspection	SFG	TOTAL
2000/01	40.57	143.69	36.22	4.75	7.92	1.76	-	45.91	280.82
2001/02	46.74	155.56	42.81	7.38	9.81	1.93	-	55.90	320.12
2002/03	41.53	185.07	58.25	7.73	13.42	1.89	-	53.88	361.79
2003/04	41.53	208.00	61.25	7.73	15.00	1.89	-	59.78	395.18
2004/05	41.53	230.20	76.15	7.71	14.34	2.06	-	54.58	426.57
2005/06	34.64	249.38	75.20	6.90	15.33	1.77	-	52.19	435.39
2006/07	32.83	342.50	97.69	-	16.62	1.77	-	16.41	507.81
2007/08	32.48	345.00	107.70	-	16.46	1.80	-	16.41	519.84
2008/09	41.01	354.32	117.70	-	16.46	1.89	-	21.71	553.08
2009/10	41.01	372.03	123.25	-	17.13	1.89	-	52.11	607.42
2010/11	41.01	459.26	137.05	-	18.66	2.27	2.50	62.22	722.97
2011/12	49.8	517.1	128.9	89.9	18.5	4.6	2.40	70.5	881.7

Source: MFPED Budget Estimates Various Years

Key: FY – Financial Year; UPE – Universal Primary Education; Pri. – Primary; Sec. – Secondary; SFG – School Facilities Grant.

Enrolment of Pupils in Primary Schools²

The enrolment of pupils into primary schools has been increasing over the years. From the analysis of the trend of enrolment of children from 2000 to 2011 as given by the general equation $Y=10439x+7E+06$ (figure 4), an average of 10,439 pupils are enrolled into primary schools every year. The Ministry of Education and Sports is implementing a policy to (i) have at least a teacher for every class and (ii) to have a pupil teacher ratio of 50:1. However, this National target was achieved way back in 2004 (see **Table 2**).

² Extract from Advisory Note 2011

³ The Ministry of Education and Sports policy is to have a pupil teacher ratio of 50:1

The concern therefore is that maintenance of a pupil teacher ratio of 50:1³ over the years may have compromised on the quality of children leaving primary education. According to Ministry of Public Service report, UGX 30.5bn is the additional finances required by Ministry of Education and Sports in the FY 2011/12 to maintain the current teacher pupil ratio.

TABLE 2: PUPIL ENROLMENT AND TEACHERS FOR PRIMARY EDUCATION (2000 - 2010)

YEAR	ENROLMENT (E)	TEACHERS (T)	E/T
2001	6,900,916	127,038	54.32167
2002	7,354,153	139,484	52.72399
2003	7,633,314	145,587	52.43129
2004	7,377,292	147,242	50.10318
2005	7,223,879	143,247	50.42953
2006	7,362,938	150,135	49.04212
2007	7,537,971	152,086	49.56387
2008	7,963,979	159,516	49.92589
2009	7,792,432	161,609	48.21781
2010	7,880,480	165,180	47.70844
2011*	7,968,528	168,751	47.22063
2012*	8,056,576	172,322	46.75303

Source: Ministry of Education and Sports; Statistical Abstract

*These are extrapolated.

FIGURE 3: TREND OF ENROLMENT OF PUPILS IN PRIMARY SCHOOLS (2000/01-2010/11)

Source: MoES

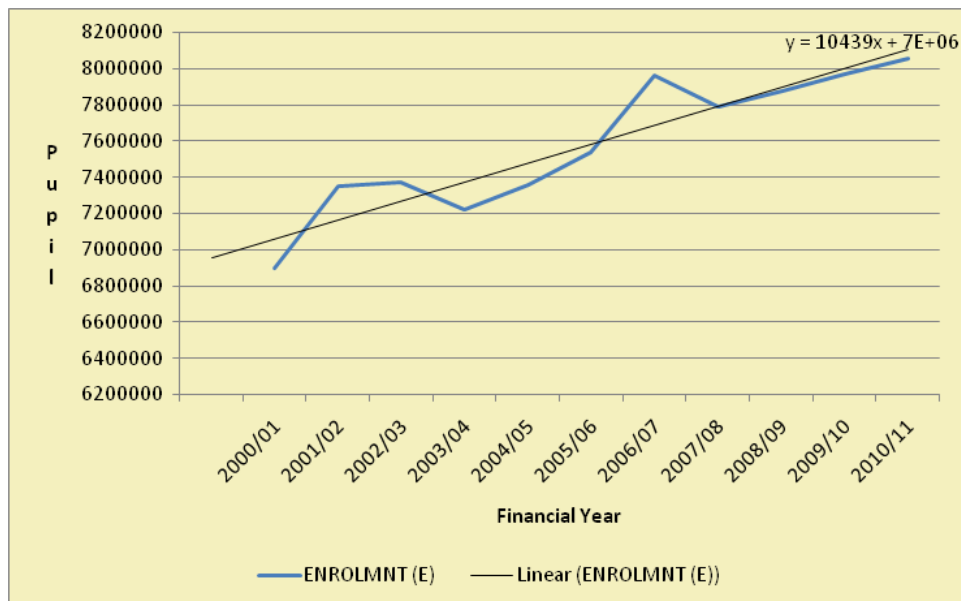
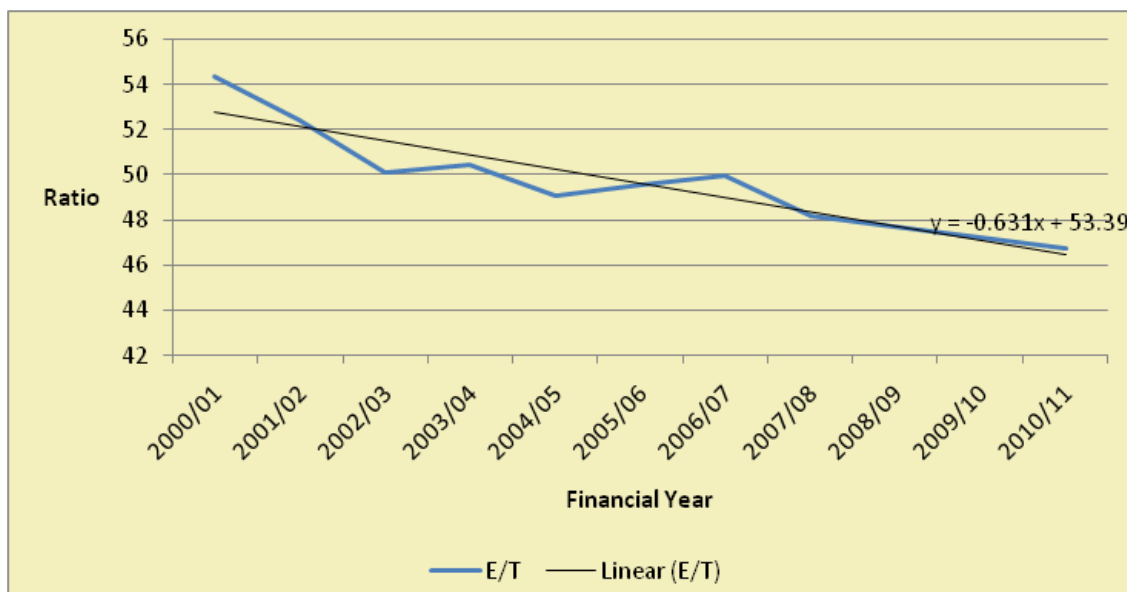


FIGURE 4: TREND OF PUPIL ENROLMENT TO TEACHER RATIO IN PRIMARY SCHOOLS (2000/01-2010/11)



Source: MoES

Issues to Note:

As in the health sector, significant increases of funding in the education sector have only been registered in the salary grants. This has been as a result of increase in the numbers of teachers recruited and increases in salaries received by the teachers.

2.2.3 Providing Technical Support in Budget Formulation to Newly Created Districts and Municipal Councils

Between 2006 and 2010, Government created 32 districts and elevated 9 Town Councils to Municipality status. This gave a total of 112 districts, 22 municipalities and 174 Town Councils as of July 2010, up from 80 districts and 13 municipalities in 2006. Section 77 of the Local Government Act (CAP 243) requires every local government to formulate, approve and execute an annual budget and work plan. In addition, under the Fiscal Decentralisation Strategy, local governments are required to uphold key principles in budget formulation and approval process (i.e. participation of key stakeholders, widening decision making, following the budget timetable, etc).

During the year under review it became imperative that the newly created districts and Municipal councils be trained in budget formulation and approval process. The objective was to improve the knowledge and skills of officials of the newly created local governments in budget formulation process. However, due to inadequate budget release, only 18 districts⁴ and 4 municipal councils⁵ were trained out of the 32 districts and 9 municipalities.

⁴ Namayingo, Kibuku, Serere, Ngora, Nwoya, Agago, Buyende, Luuka, Lwengo, Bukomansimbi, Lwamwo, Kalungu, Otuke, Zombo, Bulambuli, Ishaka-Bushenyi, Kiryandongo and Kyankwanzi districts.

⁵ Rukungiri, Iganga, Masindi and Busia Municipal Councils.

Emerging Issues from the Training:

- Concerns were raised in respect of continuing changes in indicative planning figures during budget formulation process and budget cuts when implementation is taking place.
- All the districts supported had not recruited appropriate staff to be trained. It was observed that almost all of the core staff available were still in acting position. This was partly because the new districts had not formalized their appointments as a result of not constituting the District Service Commissions.
- The process of formulating the budget requires that every decision is fed into the Local Government Output Budget Tool (LGOBT) software. This requires reliable power supplies. However, some districts did not have power supply and therefore were depending entirely on generators which are expensive.
- The local governments lacked computers to facilitate quick compilation of the OBT. In many cases, it was only the planner who had a laptop. This considerably slowed the process.
- At the time of conducting the training, all the local governments visited lacked office space/accommodation. Many were sharing desks, chairs and rooms. This was likely to negatively affect service delivery.
- The key roles of political leaders and those of the technical staff were not very clear to each party resulting into accusations. This in effect affects the process of budget formulation.
- The OBT software does not take care of all LGs budgeting and reporting requirements.

2.2.4 Facilitating Negotiations on the Utilization of Conditional Grants Between Sectors and Local Governments

Section 83(1) of the Local Governments Acts provides that the President shall for each financial year, cause to be presented to Parliament proposals for monies to be paid out of the Consolidated Fund. Among the grants is the conditional grant. In clause 3, conditional grants are defined as monies given to local government to finance programmes agreed between the Government and local governments and shall be expended for the purposes for which it was made and in accordance with the conditions agreed upon.

It is against that background that the Commission has been on an annual basis convening and facilitating negotiations between Government represented by respective sector ministries managing conditional grants and local governments represented by their national associations since 2004. While sector ministries constitute a team from their Technical Top management team, the LG associations constitute a Uganda Local Governments Negotiation and Advocacy Team (UNAT) from members of Uganda Local Governments Association (ULGA) and Urban Authorities Association of Uganda (UAAU).

During the negotiations in May 2010, the two parties observed that many agreements reached are never implemented when they are reviewed during the following negotiations. Therefore, they agreed that before the next negotiations are conducted, there should be a mid-term review of the implementation of the agreements reached by the two parties.

In the financial year under review, the Commission therefore planned to have two sub-activities; one on the mid-term review of the negotiations carried out in May 2010 and the negotiations to be carried out in April 2011.

i. Mid-Term Review of the Implementation of 2010 Sector Conditional Grant Negotiations

A mid-term review was conducted on specific agreements on utilization of conditional grants reached between Uganda Local Government Negotiation and Advocacy Team (UNAT) and respective Sector Ministries. The review was conducted on agreements signed during the sector negotiations on conditional grants in the previous financial year 2009/10 which were designed to come into effect starting 1st July 2010 to 30th June 2011.

To assess the status of implementation of the agreements by both parties, a Joint Technical Committee chaired by LGFC was constituted. Its major task was to oversee the implementation of the agreements, monitor their progress and give feedback to the parties as well as make the necessary recommendations. Since 2004 when negotiations started under the Fiscal Decentralization Strategy, a mid-term review was conducted for the first time in October 2010.

The purpose of the mid-term review was:

- To assess the progress of the implementation of the Agreements
- To identify the non complying parties and make recommendations to the Ministry of Finance, Planning and Economic Development and office of the Prime Minister for appropriate sanctions
- To handle any other upcoming issues during the review.

Review Findings

The review found that Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) had disseminated sector agreements to the LGs as required. Ministry of Gender, Labour and Social Development reported that sector agreements had been incorporated to sector guidelines while Ministry of Education issued a circular to LGs in relation to the agreements.

It was noted that Ministry of Water and Environment (MoWE) had the best performance having implemented 86% of the agreements by review time.

Ministry of Gender, Labour and Social Development, Ministry of Education and Sports and Ministry of Health although invited did not participate in the review workshop.

A summary of performance on sector conditional grant agreements for FY 2010/11 is shown in the **Table 3**.

TABLE 3: STATUS OF IMPLEMENTATION OF SECTORAL AGREEMENTS AS AT 30TH JUNE 2011

S/N	Sectors	Agreements				
		Total No.	Fully Implemented		Partially Implemented	
			No.	%	No.	%
1	Ministry of Water & Environment	7		86%		14%
2	Ministry of Health	15				
3	Ministry of Education & Sports	18				
4	Ministry of Agriculture, Animal Industry & Fisheries	12		33%		64%
5	Ministry of Gender, Labour & Social Development	14				
6	Ministry of Works & Transport	12		70%		30%

ii. Conducting of Negotiations for FY 2011/12

The negotiations for FY 2011/12 had been planned to be conducted in March of 2011 but did not take place due to inadequate release of funds from the Ministry of Finance, Planning and Economic Development. Therefore, sectors with new initiatives in conditional grants went ahead to implement them without agreeing with local governments on whether such programmes were required and with what conditions.

The sector ministries which introduced new initiatives are:

- a) Ministry of Water and Environment introduced the sanitation and hygiene conditional grant.
- b) The Ministry of Education and Sports decentralized the Universal Secondary Education (USE) Capitation Grant.
- c) The Ministry of Trade, Tourism and Cooperatives introduced the Trade and Commercial Services Grant.

All the three ministries introduced the grants without guidelines that were discussed and agreed with local governments. These decisions besides being unconstitutional are likely to face challenges during implementation.

The Commission, plans to convene and facilitate conditional grants negotiations for FY 2012/13.

2.2.5 Review of the Role of Local Government Finance Commission in the National Planning and Budget Process

Article 194 (4) of the Constitution of the Republic of Uganda mandates the Commission to provide advice to government on the sharing of financial resources between the Centre and Local Governments. The advice is partly given through the national budget process each financial year. The activities and processes that lead to the formulation of National Budgets are guided by the Budget Act.

However, the Budget Act (2001) does not capture the above mandate thus diminishing the role of the Commission in advising government on fiscal and financial matters such as determining the ceilings in the MTEF for local governments.

The purpose of the review was to capture international best practices to inform recommendations for Uganda. Under the review, a consultant was engaged to document local and international best practices and identify areas to strengthen the mandate of LGFC.

Consequently, two international study tours were conducted in Thailand and the Republic of China to benchmark best practices. This was supported by desk reviews on practices in the role of similar institutions in the budget processes from other countries i.e. South Africa, Tanzania, Kenya, Rwanda and India.

Findings from the Consultancy:

It was found that all countries reviewed have a framework for advising government on financing of local governments. As a result of having a framework in place, the levels of local participation in issues of budgeting, transparency, accountability is high and have equitable, effective and sustainable system of intergovernmental fiscal relations.

However, in the case of the Commission, the study found out that a framework for advising government on financing of local governments is lacking. Specifically, there are the following gaps in the advisory function of the Commission:

- The power to sanction or enforce its advice to government is seriously weakened by the current practices. This is because the Commission's functions were traditionally done by line sectors. Even after decentralization, sectors did not let go of Commission functions. *For example, the Education Sector continues to allocate and monitor education grants which defeat the advantages of the principal of separation of roles under decentralization policy.*
- The Commission is not effectively involved in determining the amounts of grants transferred (unconditional, conditional and equalization) to LGs.
- The Budget Act does not provide for the role of the Commission in the budget process. Therefore, the Commission is not able to determine the percentage of the National Budget to be transferred to LGs.

- The Commission is not involved in determining the tax rate to be levied by individual LGs. In some cases this has been worsened by conflicting Acts of Parliament e.g. Property Rating Act which provides for a range of tax levels and LGs have to determine individually, and the Trade Licensing Act which gives powers to the Minister to issue Trade Licensing rates yet the Local Government Finance Commission Act requires the Commission to advise LGs on tax rates.
- There is no formal system for the Commission to receive financial disputes from warring LGs and mediate on respective issues.
- The LGFC therefore recommended a review of relevant laws and policies to have in place a clear framework for advise on Local Government Financing.

2.2.6 Finalisation of the Study on the Assessment of Funding Gaps and Designing a Financing Framework for Garbage Collection in Urban Councils

The Local Governments Act (Cap 243) Schedule 2, part 3.1(w) stipulates that sanitary services for the removal and disposal of waste soil, rubbish, carcasses of dead animals and all kinds of refuse and effluent are part of the functions and services devolved by the Central government to the Urban Local Governments. However, Urban Councils continue to face the challenge of financing collection of garbage/solid waste which has contributed to extremely undesirable environmental conditions in Urban Councils and their neighbourhoods.

Given its mandate to advise government on all matters concerning the financing of local government, the Commission conducted an assessment in 18 Urban Councils to establish the funding gap during FY2009/10.

Key Findings from the Assessment:

- The status of collecting garbage/Solid Waste (SW) was very low. For example, Municipal Councils collect an average of 35% while Town Councils collect 20% of their garbage/SW using 4% and 6.5% of their approved budgets respectively, annually.
- A total funding gap of approximately UGX 136.2bn is required to enable urban LGs effectively collect garbage/SW.
- There is no specific office charged to spearhead garbage collection and disposal at urban LGs.
- Urban dwellers thought the function of collection and disposal of garbage/SW was solely a responsibility of urban LGs.
- There was poor sanitation: In terms of toilet/latrine coverage, some Urban Councils have as low as 45% while the rest are in the average of 70%.
- There was poor involvement of the private sector in garbage/SW collection.

A few LGs (only 17%) have privatized the garbage/SW collection because of the practical challenges like Inadequate legal and regulatory frameworks; Concerns over market size, affordability and payment risks; Anti-competitive behaviour and illegal dumping of garbage/SW; Structural problems; Insufficient mobilization of funds.

- Physical planning was found to pose hindrances in garbage collection and disposal in almost all the sample LGs visited.

During the financial year under review, the Commission specifically continued with consultations on the draft report with relevant stakeholders⁶ at national level to ensure harmonization of findings before dissemination. A final report is now available.

Options for Financing the Management of Garbage in Urban LGs:

The Commission has outlined financing options to constitute the financing framework for management of garbage collection in Urban Councils.

TABLE 4: FINANCING OPTIONS FOR MANAGEMENT OF GARBAGE IN URBAN LGS

Proposed Financing Options	
Option 1:	Grants from the central government to urban LGs
Option 2:	Local revenues raised by urban LGs
Option 3:	Sale of Certified Emission Reductions (CERs) as per the agreements under the Kyoto Protocol, where WB is to buy CERs at an agreed price of US \$13.8 per unit.
Option 4:	Cost saving: sale of compost manure; levying a garbage/ SW collection charge on the residents/ town dwellers; sale of re-usable and recyclable materials; and sale of fuel/ steam/ energy generated from waste treatment technologies.
Option 5:	Permitting private firms to collect at a cost to the garbage/ SW generators
Option 6:	Option Mix - A combination of any or all of the above five options

The study recommended that once funds are mobilized, allocation criteria with parameters such as the ones shown below be used:

- Day time population:
- Terrain with respect to the location of the urban LG: An urban LG situated on a hill slope or slanting hill top has a better opportunity to benefit from natural gravitational force which will carry the dirt down the hill while the one in a valley is likely to have a bigger burden of receiving a lot of garbage with runoff down-hill besides having to construct expensive toilets in marshy areas.
- Nature of garbage/solid waste generated in the locality.

⁶ National Environment Management Authority and the Ministry of Water and Environment.

Furthermore the study proposed that central government provides funding through a relevant grant top-up on LGMSD which should have clear guidelines for implementation by urban LGs. Therefore, enhancement of local revenue mobilization by the Local Governments is a critical.

2.3 Support to the Enhancement of Local Revenue Generation in LGs

Locally generated revenue is one of the sources of funding for decentralized service. The Local Government Act (CAP 243) provides for sources of local revenue where local government benefit. However, the performance of these sources has remained very low and in some cases completely not viable. The contribution of local revenues to local government annual budgets has remained dismal currently performing at only 3% on average⁷.

2.3.1 Analysis of the Trend of Local Revenues

The Commission undertook an analysis of the performance of current local revenue sources. The analysis established that although collection is still below the estimated potential of UGX 334.6 billion, the trend in the total local revenue performance shows an improvement. The collection increased from UGX 118.7 billion in FY 2008/09 to UGX 142.8 billion in FY 2009/10.

This improvement was mainly due to technical support in improved strategies in the collection of local revenues offered by the LGFC & MOLG and efforts by some local governments. The performance of local revenue collection is shown in **Table 5**:

TABLE 5: TREND OF LOCAL REVENUE PERFORMANCE UGX'000 (ACTUAL)

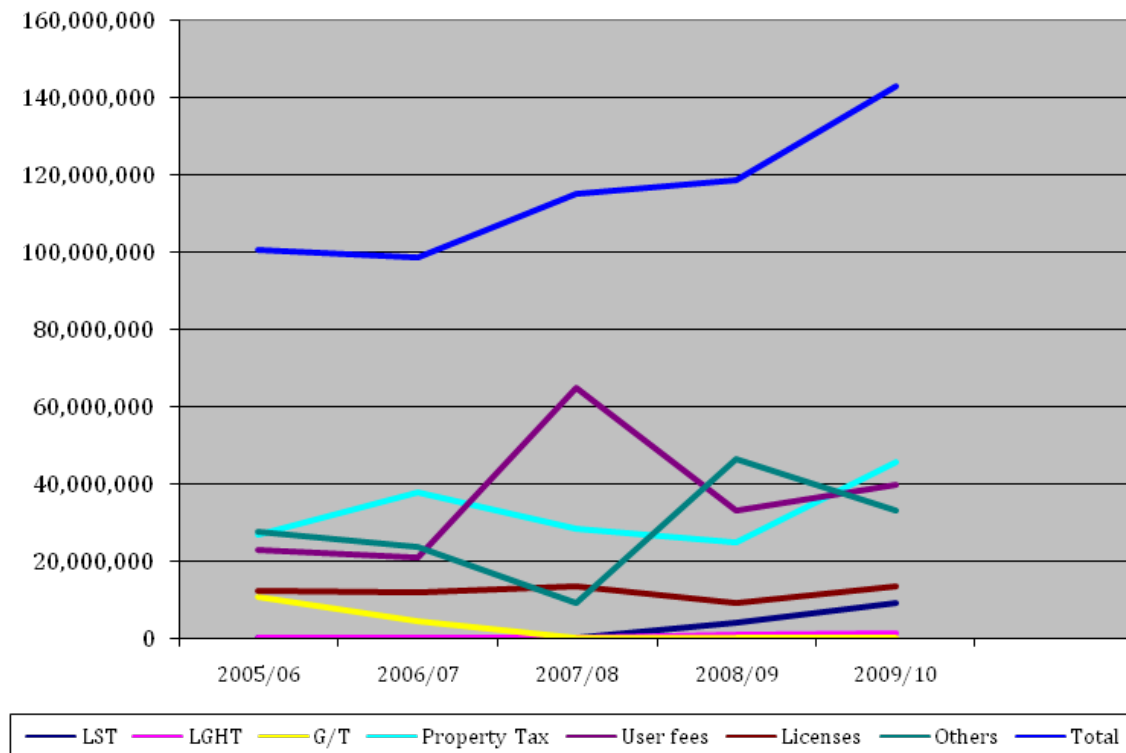
Source	2005/06	2006/07	2007/08	2008/09	2009/10
LST	-	-	-	3,838,412	9,194,611
LGHT	-	-	-	984,867	1,495,594
G/T	10,865,871	4,429,273	-	-	-
Prop. Tax	26,716,387	37,817,156	28,486,603	24,935,686	45,597,944
User Fees	23,095,924	20,945,588	64,854,246	33,153,423	39,923,598
Licenses	12,205,937	11,778,524	13,478,964	9,170,869	13,368,894
Others	27,781,041	23,684,109	9,064,925	46,626,491	33,221,782
Total	100,665,163	98,654,652	115,064,925	118,709,751	142,802,425

Key: LST – Local Service Tax; LGHT – Local Government Hotel Tax; G/T – Graduated Tax; Prop. Tax – Property Tax;

Source: LGFC FISCAL DATABANK

⁷ Analysis of the Local Government Budgets by LGFC.

FIGURE 5: TREND IN THE PERFORMANCE OF LOCAL REVENUES (2005 - 2010)



Although the trends suggest an increase in local revenue performance, during the analysis, the Commission identified a number of challenges that continue to constrain effective collection, mobilization and generation of local revenues by local governments.

Key Challenges:

- The Local Government Act (Cap 243) does not provide for effective mobilization of LST and LGHT, i.e. the tax base is narrow and the threshold is still high since a good number of prospective taxpayers have been exempted from paying LST.
- Lack of data on the employees in the private sector has made assessment difficult.
- Unrealistic reserve prices are normally made by the technical teams to guide the tendering process.
- The charging policies of the Ministry of Trade, Tourism and Cooperatives and local governments are conflicting, thus making administration of license much more difficult.
- Slow tendering process has hindered the parking fee collection, awards are always delayed by the districts

- Unclear government policies and guidelines on modalities for collecting royalties particularly on minerals, electricity and protected areas.

2.3.2 Support to Realization/Recovery of Arrears in Land Based Revenues

The Local Governments Rating Act (2005) empowers Local Governments to levy rates on property within their areas of jurisdiction. Other revenues collectable on land related activities include; ground rents, contribution in lieu of rates from the Central Government and other land transaction charges (i.e. land title processing fee, land transfer fee, land valuation fee, conveyance fee, land inspection fee, approval fee and survey fee). Property related revenues are a major source of local revenues for Local Governments. Findings from earlier studies conducted by the Commission and other stakeholders revealed that urban Local Governments collect approximately only 50% of the property related revenues leaving the 50% completely uncollected.

In FY 2010/11, the Commission supported the realization of land based revenues in eighteen (18)⁸ local governments.

The overall objective of the technical support was to improve the performance of local revenues for the local governments and specifically:

- a) To identify the arrear on revenues from the land based revenues
- b) To develop recommendations to enable the realization of arrears from land based revenues.

Key Findings

During the support, it was established that local governments were collecting only UGX 45.6 billion instead of the revenue potential of UGX 106 billion from land based revenues.

Challenges

- The Local Government Rating Act (2005) does not provide for effective mobilization of Property Rates, the exemption of owner occupied house affected the performance of property rates
- Central government owes local governments much in form of outstanding property rates arrears from government properties and some local government (Apac and Mpigi town councils) had not valued central government properties for valuation purposes; for example Soroti municipal council is owed UGX 1,199,549,496 by government.
- The local governments are not issuing demand notes to all the property owners and there are so much property rate defaulters.
-

⁸ Kabale M.C, Mbarara M.C, Kasese M.C, Masaka M.C, Mpigi T.C, Entebbe M.C ,Wakiso D.C, Lira M.C, Gulu M.C ,Mbale M.C, Soroti M.C, Jinja M.C, Fort Portal M.C,Hoima M.C ,Arua M.C, Busia M.C, Apac T.C,and Iganga M.C

- There is much interference in the collection of property rates by some elected leaders

2.3.3 Support the Realization/Identification of Uncollected Revenues from User Charges

In financial year 2009/10, the Commission undertook the exercise to assess and support the performance of the current local revenue sources; these included among others market dues and parking fees. The exercise revealed that two sources (market dues and parking fees) contributed 33 billion shillings in the FY 2008/09, with 10 billion shillings as inefficiency loss (difference between budgeted figures and actual collection) of revenue by the local governments. The revenue potential for the two was established to be 72 billion shillings that can be collected by local governments.

The exercise revealed a number of challenges that constrain the efficient collection of these revenue sources, among the key challenges were ungazetted markets and interference in market administration, unreliable data on market dues and parking fees, and are not computerized, limited funds to support the implementation of user charges and lack of corporation by transporters on the administration of parking fees.

This prompted the Commission to provide technical support on the realisation of identifying uncollected revenues in seven (7⁹) local governments from market dues and parking fees.

The overall objective of the technical support was to improve the performance of local revenues for the local governments and specifically:

- a) To identify the uncollected revenues from the user charges
- b) To develop recommendations to enable the realization of uncollected revenues from user charges.

Key Findings

- It was found out that whereas the councils were collecting revenues from the two sources, the contracted amounts were not correct; this was due to difficulties in determining the reserve prices for markets and taxi/bus/lorry parks, for all the seven (7) urban councils visited.
- There is political pressure during the time of awarding contracts for the collection revenue from markets and taxi/bus parks.

⁹ Kabale M.C, Luweero T.C, Masindi M.C, Lira M.C, Pallisa T.C, Bugiri T.C, Soroti M.C

2.3.4 Conduct Outreach Activities on Local Revenue Performance in Local Governments

Outreach activities is one the ways the Commission gather views on issues on the financing of local governments that are used in providing information for the Advisory Notes to Governments.

In the Financial year 2010/2011 the Commission conducted outreach consultative meetings aimed at sharing views on the findings and recommendations of the report on land based revenues in six (6) local governments¹⁰. In addition the Commission had made recommendations towards strategies for improving the collections from these revenue sources that needed to be implemented. Also during the outreach the Commission compiled data on arrears from contribution in lieu of rates (CiLR) i.e expected from government owned properties within the local government jurisdiction, for possible realization.

Findings

During the outreach activities, it was realized that Local governments have difficulties in the collection of land based revenues especially in the collection of property rates. Information collected from this exercise was used to inform the Advisory Note submitted to Government in June 2011.

2.3.5 Training of Local Governments in the Implementation of Procedures for the Collection of Local Service Tax and Hotel Tax

The Parliament of Uganda passed the Local Governments (Amendment) Bill 2008, introducing new taxes for Local Governments thus; Local Service Tax and Local Government Hotel Tax. The implementation of the collection of these taxes was supposed to commence on 1st July 2008. However, Local Governments could not immediately implement these taxes without appropriate guidelines in place.

In order to ascertain performance of LST and LGHT, in FY 2008/2009 the LGFC carried out a survey in 27 districts (with the corresponding urban councils) and eventually compiled the estimates and actual collections for nearly all local governments. It was established that, the Local governments collected shillings UGX 4.8 billion from LST and LGHT in that year. It was also found out that collection was from civil servants on government payroll; other taxpayers from other categories were not paying LST.

In FY 2009/10 the Commission developed the implementation guide for people in gainful employment, self-employed, practicing professionals, self-employed artisans and businessmen/women, and distributed to some local governments.

However, the analysis made by the Commission in FY 2009/2010 showed the performance improved with LST generating UGX 9.2 billion and HT generating UGX 1.5 billion. This was due to the technical support offered to some local governments by LGFC & MOLG and efforts by some LGs to improve their collections.

¹⁰ Bushenyi-Ishaka MC, Kasese MC, Masindi MC, Iganga MC, Busia MC, and Arua MC

Interaction with the local government officials and leaders had pointed to the challenge of enumeration and assessment especially for categories that are in the informal employment.

The Commission therefore planned and trained one local government (Kayunga) in the procedures for managing Local Service Tax and Local Government Hotel Tax. The participants included members of the District Technical Planning Committee and representatives of the lower local governments. The objective of the training was to acquaint the local government officials with practical skills in the administration of Local Service Tax and Hotel tax and specifically to improve on the collection of LST and HT.

Challenges

During the training it was realised that the main challenges in the implementation of LST and HT were:

- Lack of data for LST taxpayers in the LGs
- Limited funds to make a follow up on the implementation of the skills imparted during the training.
- LST tax base is narrow and the threshold is still high since a good number of prospective taxpayers have been exempted from paying LST.

2.3.6 Support to the Operations of the Local Revenue Enhancement Coordinating Committee (LRECC)

As a means to promote the coordination of stakeholders in local revenue enhancement efforts, LGFC constituted the Local Revenue Enhancement Coordination Committee (LRECC) in 2003. The Committee is chaired by the Commission and composed of members from central ministries/institutions responsible for local revenue generation, representatives of development partners, local government associations and selected local governments.

During the year 2010/11, LRECC considered issues in the performance and challenges of local revenue sources and made comments that informed decisions of the Commission on:

- Property Rates;
- User fees and Charges (market dues and parking fees);
- Local Service Tax and Hotel Tax;
- Business Licenses.

2.4 Improving Local Governments Budget Analysis and Tracking

Section 78 of the Local Governments Act gives Local Governments the right and obligation to formulate, approve and execute their budgets and plans. One of the conditions that the budgets must comply with is that the budgets must be balanced. The budget also should reflect national priority programme areas as well as all revenues to be collected or received and how funds for each financial year will be apportioned. The annual budgets must always be formulated formally based on the approved three years District Development Plan but now these budgets must be formulated in line with the National Development Plan.

Under this objective, the Commission implemented the following activities during the year under review:

2.4.1 Analysis of Local Government Budget Framework Papers and Budgets for Compliance with Legal Requirements

Section 9 (f) of the Local Government Finance Commission Act (2003) provides for analysis of annual budgets of Local Governments to establish compliance with the legal requirements and notification of identified issues to the relevant Council and the President through the Minister for appropriate action. Furthermore, in accordance to public sector reforms Local Governments are to prepare annual budget framework papers (BFPs) that are intended to provide a link between the development plan and the annual budgets. The BFPs provide indication of Local Governments priorities which are based on the analysis and evaluation of the performance of budget in the previous financial year.

The analysis undertaken by LGFC mainly focuses on the local governments' Budget Framework Papers (BFPs), to identify non compliance area with legal requirement. Local Governments are mandated to submit these documents to the Commission in a timely manner, however only 19 Local Governments submitted and these were analysed.

Findings from the Analysis:

- i. Equalization Grant:* According to Article 193 (4) of the Constitution, equalization grant is money paid to local governments for giving subsidies or making provisions for the least developed districts which should be based on the degree to which a local government service is lagging behind the national average standard for a particular service. The grant is determined and allocated based on analysis of service standards/levels in each local government for each service. The analysis that the Commission carried out indicates that equalization grant has been disappointingly small and constant over the years despite increasing needs as new LGs are created. During the year under review, at least 54 DLGs qualified for equalization grant but only 36 benefited.

- ii. *Conditional Grants*: Article 193 (3) provide for Conditional grants. These grants consist of monies given to local governments to finance programmes agreed upon between the Central Government and local governments. Conditional grants are for purposes for which they are given by Central government and in accordance with the conditions agreed upon. This category form the major source of funds transferred to local governments. Under Fiscal Decentralization Strategy (FDS), application of the principle of flexibility on conditional grants has been halted by the sectors. LGs were supposed to flex 10% or 50% under FDS on conditional grants depending on the location of the LGs however; this principle has been halted by the sectors which have left LGs with less discretion to reallocate funds to meet local priorities. This means that grants are increasingly being operated from the centre, for example:
- a. Primary Health Care Non wage grant
 - b. Secondary School non wage recurrent grant
 - c. Secondary School development grant
 - d. Health Training and Tertiary wage grant
- iii. *Unconditional Grant*: Article 193 (2) of the Constitution defines unconditional grants as the minimum grant that shall be paid to local governments to run decentralized services and shall be calculated in the manner specified in the Seventh Schedule to the Constitution. This schedule provides a formula for determining annual provisions of the grant. This is the grant that funds wage and non-wage expenses for services decentralized to local governments. During the year under review, the analysis found that the size of the wage component of the unconditional grant continues to grow whilst the non wage component is diminishing.

2.5 Strengthening the Institutional Capacity of the Commission

Under this objective, a number of activities were implemented aimed at improving the capacity of the Commission for improved service delivery. For the year under review, the Commission implemented the following activities:

2.5.1 Strengthening and Streamlining the Manual Records System in the Commission

A review on current system for sustainable records management was conducted so as to inform the development of an effective Management Information System for the Commission. The review was done by a consultant and involved a study of the entire records management system in the Commission.

A one day training of staff was conducted at the Commission and a final report on records management was handed over by the Consultant.

Key Findings and Recommendations of the Review:

The review found out that the Commission was lacking a number of facilities in the areas of records/human resource management, fleet management and resource centre. These required financial support for purchasing the necessary equipments, software and further training of staff so as to strengthen the Management Information System (MIS) unit of the Commission.

2.5.2 Human Resources

The Commission conducted a recruitment exercise for three senior positions which fell vacant in the third and fourth quarter of the FY 2010/2011. The three posts included:

- Director Finance & Administration;
- Senior Human Resource Officer;
- Senior Procurement Officer.

These positions were advertised in the media in April 2011. Interviews and selections were done in June 2011. The officers are expected to assume duty beginning July 2011.

2.5.3 Fiscal Data Bank

In line with the structure and operations of the Commission, a fiscal databank has been established and operationalised. The databank maintains fiscal and non-financial data on all levels of local governments (District, Municipal, Divisions, Town Council, and Sub-county). The main sources of this data are Local Government final accounts, approved annual work plans and BFPs. Hence, collection of local governments' data and maintenance of the fiscal databank is a continuous activity.

During the year 2010/11, the following activities to enhance the system for assembling and management of the fiscal databank were undertaken:

- Data capture, verification and validation exercises;
- Updated the fiscal databank with data from final accounts, budgets, BFPs, and data collected from the local governments for the FYs 2006/7 and 2009/10 for some districts, municipalities and town councils.

2.5.4 Monitoring and Evaluation

The Commission launched a Monitoring & Evaluation Framework in September 2010 to assure effective tracking of implementation and assessment of the progress being made towards achieving set targets and key results in its Corporate Strategy 2008/09 - 2011/12. The integration of the M&E Framework into the Commission's management processes had not been finalised by the end of the current period under review.

As such, over the next reporting period the Commission intends to finalise the harmonisation, linkage and operationalisation of the M&E Framework to ensure that a common results framework is used in tracking implementation progress based on the Corporate Strategy, the PSM-SIP, the Annual Work Plan and the M&E Framework. Baseline values will be obtained and performance targets set to track implementation of the Commission's planned activities for the next FY.

3.0 REVIEW OF LG FINANCING, MANAGEMENT AND ACCOUNTABILITY

3.1 Introduction

The “**Review of Local Government Financing, Management and Accountability for Decentralized Service Delivery**” is one of the key undertakings of the Joint Assessment Framework (JAF) based on one of the major decisions made during the 6th Joint Annual Review on Decentralization (JAR) in 2009. In March 2010 the Commission was tasked to lead this review process by the Decentralization Technical Working Group (DTWG). The review is also one of the strategies in the National Development Plan (NDP) to enhance sub-national development. This therefore demonstrates Government’s commitment towards an effective and efficient financing mechanism for Local Governments that addresses their core mandates and functions including service delivery.

It is envisaged that the review will lead to the development of an updated Fiscal Decentralisation Architecture (FDA) with a focus on Uganda’s decentralised system of government which is ‘Decentralization by Devolution’ (DoD); its strategic priorities as outlined in the National Development Plan, and its Public Finance Management Strategy developed under the Financial Management and Accountability Programme (FINMAP).

3.2 Objectives of the Study

The overall objective of the assignment is to review financing of Local Governments in Uganda with focus to adequacy, management and accountability for decentralized service delivery. Specifically this will entail:

- Carrying out a Review of the Impact of Fiscal Decentralization Strategy (FDS);
- Designing a new Intergovernmental Fiscal Decentralization Architecture (FDA);
- Recommending measures to enhance the significance of local revenues.

3.3 Status of the Review Study

During the year under review, the Commission steered the implementation of the following tasks in relation to the assignment:

3.3.1 Development of the Concept Note

The Commission carried out extensive consultations with all relevant stakeholders on areas of focus that the review would consider and on the outputs for the Consultant in the Terms of Reference (TORs). This included Sector Ministries, Local Governments, the Civil Society, and academia. The Concept Note and TORs were eventually finalised.

Although the Commission had planned to consult with Members of Parliament on the Sessional Committee of Public Service and Local Governments, as well as

the Executive Committees of the Local Government Associations, due to resource constraints and the general elections, this did not take place. The Commission will, however, consult with them on the draft report.

3.3.2 Terms of Reference/Scope of work

In summary, the assignment entails:

- A review of the background information relating to the financing of local governments in Uganda;
- Carry out a situational analysis.
- Scrutinising the functions and assignments which Local Governments are mandated to execute to ensure efficient and effective service delivery,
- Identifying gaps, challenges and constraints.

3.4 Implementation Process of the Review

Effective commencement of the assignment suffered significant delays due to:

- Unclear coordination mechanisms on the lead institution for the study until March 2010 when the Commission was officially tasked to take lead.
- Unclear source of funding for the study until MoFPED agreed to fund the task under FINMAP.

Consequently, it is therefore anticipated that the draft report will be in place in May 2012.

4.0 PARTNERSHIPS

4.1 Introduction

The Commission is cognisant that partnerships between and among different levels of government, the private sector, civil society and other stakeholders contributes to successful decentralisation¹¹. The National Development Plan (NDP) 2010/11 – 2014/15 emphasizes Public Sector Management (PSM) as a key function for efficient and effective management of public service delivery. As a member of the PSM Working Group led by the Office of the Prime Minister, the Commission participated with a cross-section of stakeholders in the realisation of the achievements below during the period under review. Furthermore, the institutional capacity of the Commission was enhanced through staff training under the Uganda Country Capacity Building Program (UCCBP), managed by the National Planning Authority (NPA).

4.2 Collaborations with Stakeholders

The Constitution, the Local Government Act (CAP 243), and the Local Government Finance Commission Act, (2003) mandate the Commission to collaborate with key stakeholders in the performance of its work.

In addition, the Decentralization Policy Strategic Framework (DPSF), and the Fiscal Decentralization Strategy (FDS, 2002) provide operating frameworks that require collaboration. The Commission is also a member of the Public Sector Management and the Decentralization Sub-sector working Group. Within these different collaboration frameworks, the Commission contributed to the following activities in the period under review:

- Development of Public Sector Management Strategic Investment Plan (PSM-SIP);
- Compiling of the Public Sector Management Budget Framework Paper (PSM-BFP);
- Joint Annual Review of Decentralization (JAR) under the Decentralization Management Technical Working Group) (DMTWG);
- Regional Local Government Budget Framework Paper (LGBFP) Consultative Workshops;
- Training of Commission staff under the support of the Uganda Country Capacity Building Program (UCCBP).

¹¹ The Role of Participation and Partnership in Decentralised Governance: A Brief Synthesis of Policy Lessons and Recommendations of Nine Country Case Studies on Service Delivery for the Poor; Robertson Work, Chief Editor, Research Director and Principal Policy Advisor (Decentralisation), UNDP New York.

4.3 Development of the Public Sector Management Investment Plan (PSM-SIP)

The Public Sector Management Strategic Investment Plan (PSM-SIP) has been prepared for the PSM Sector Working Group (PSM-SWG) and for the Office of the Prime Minister (OPM) as the lead government agency of the PSM Sector. The guiding principle for the formulation of the PSM-SIP is the National Development Plan (NDP) along with the Terms of Reference for the PSM-WG. The PSM-SIP joins the family of Sectoral Plans that have been prepared for the majority of 16 sectors of the government of Uganda and covers the period 2011/12 - 2015/16. The core PSM Sector interventions, including major cross-cutting and Multi-Sectoral interventions are in:

- Public Sector Reform and Management
- Institutional Arrangements and Coordination
- Regional and international dispensations
- Financial Management, Planning and Budgeting and Aid Effectiveness
- Local Governance and Decentralization and
- Monitoring and Evaluation and Communications Strategy.

The LGFC in the reporting period actively participated in the development of the PSM-SIP. The Commission made a submission of its four year priority actions to the secretariat that broadly fall under the PSM-SIP core intervention on Financial Management, Planning and Budgeting and Local Governance and Decentralization. The PSM-SIP together with the LGFC Strategic plan will now be the basis for the planning and budgeting of the Commission in the medium term.

4.4 Public Sector Management Budget Framework Paper (PSM-BFP)

Government adopted a sector wide approach to planning, budgeting, monitoring and evaluation. PSM-WG is the sector that deals with matters related to the public sector management where the Commission is a member. One of the key gaps identified was the absence of a Sector Investment Plan to support the member institutions in addressing their core objectives. The Sector therefore embarked on the process to develop the PSM-SIP and the Commission has been very active to ensure that its mandates and functions are effectively reflected in the Investment Plan. Other recurrent activities of the PSM in which the Commission participated in this reporting period included:

- Preparation of the annual sector BFPs including agreeing priority activities for the sector and institutional challenges/gaps in the financing of respective member institutions;
- Ensured policy dialogue and coordination within the PSM sector;
- Participation in coordinating the public sector management reforms;

- Discussions of priority outputs and indicators for the Sector BFP.

4.5 JARD/Annual Assessment of Local Government Performance

The Commission fully participated in the exercise that took place in November and December 2009. The overall objective of the Decentralisation Management Technical Working Group (DCMTWG) annual assessment was to enable Government through the MoLG to ensure improved efficiency and effectiveness in governance and service delivery at the Local Government Level.

In the financial year under review, the rationale of the assessment was four-fold, namely:

- To draw lessons for deepening the decentralization policy in general;
- To document emerging best practices which can inform decisions related to the improvement of systems, procedures and performance in LGs;
- To identify progress in building capacities for enhancing decentralized service delivery and;
- To identify gaps in functional capacity and propose remedial measures.

4.6 Local Government Budget Framework Paper Consultative Workshops

The Local Government Budget Framework Paper (LGBFP) Regional Consultative workshops are an annual exercise which marks the beginning of the budget preparation process for the next FY for local governments. The workshops are intended to highlight the key policies that will guide the budget preparation for next FY and at the same time, give an opportunity to stakeholders to discuss the operational issues which constrain local governments in the delivery of public services. These issues in turn are addressed by the relevant Sector Working Groups at the Centre and Government for broader issues.

In the 2011/12 LGBFP Consultative workshops, the Commission seconded four staff that constituted a team of core national facilitators in the regional workshops. The Commission presented a Policy Issue paper on financing of LGs in Uganda. Besides, the Commission wrote a synthesized report based on the operational issues raised by the LGs during the workshops. Some of the issues documented by the Commission during the workshops were sieved to form part of the Advisory Note to government submitted in 2011.

4.7 Uganda Country Capacity Building Programme

The National Planning Authority (NPA) manages the Uganda Country Capacity Building Program (UCCBP) which provides support to 16 beneficiary institutions of which the Commission is one. This programme focuses support on the following areas:

- a) Planning and Economic Policy Making,
- b) Public Expenditure and Accountability,
- c) Human Resource Development, and
- d) Public/Private Sector and Civil Society Partnerships.

The Commission is a beneficiary in the category of Public Expenditure and Accountability and in the financial year under review, 20 staff were trained to improve their skills in budget analysis, policy analysis and local revenue enhancement strategies. The training was conducted by the Uganda Management Institute, Kampala.

5.0 FINANCE & ADMINISTRATION

5.1 Introduction

In pursuit of achieving its objectives, the Commission carries out activities which are funded from the government treasury as well as from Donors. The funding status and financial performance of the Commission are detailed below for the period under review as well as the cumulative trend over the last ten financial years.

5.2 Annual Budget for the FY 2010/11

During the year under review, the Commission received a total UGX 3,191,773,302 (Three billion one hundred ninety one million seven hundred and seventy three thousand three and two only) which translated into a release of 89% of the total approved budget for FY 2010/11. A summary of the funding position of the Commission during the year 2010/2011 is indicated in the **Table 6**.

TABLE 6: LGFC BUDGET FY 2010/11

Source	Category	Approved Budget (UGX)	Releases		Variance	
			Amount (UGX)	%	Amount (UGX)	%
GOU	Non Wage	2,479,371,000	2,250,853,096	90.8%	228,517,904	9.2%
	Wage	918,819,000	778,222,500	84.7%	140,596,500	15.3%
	Development	171,700,000	162,547,706	94.7%	9,152,294	5.3%
	Non Tax Revenue	0	150,000	0.0%	-150,000	0.0%
	TOTALS	3,569,890,000	3,191,773,302	89.4%	378,116,698	10.6%

Source: LGFC Department of F&A

5.3 Financial Performance for the FY 2010/11

The financial performance for the current reporting period (2010/11) is given in **Table 7**. The total expenditure was UGX 3,179,692,873 out of which 95% went to recurrent costs while 5% was expensed on development items. Programme costs accounted for 31% of the Commission's expenditure.

**TABLE 7: LGFC FINANCIAL PERFORMANCE BY EXPENDITURE CATEGORY
FY 2010/11**

S/N	Category	Approved Budget	Releases		Expensed			Unspent	
			Amount	%	Amount	%	%	Amount	%
A	Recurrent								
A.1	Wage Bill	918,819,000	778,222,500	85	778,222,500	100.0	24.5	-	0.0
A.2	Employee Costs	518,415,000	518,415,000	100	518,415,000	100.0	16.3	-	0.0
A.3	Goods and Services	744,437,000	744,437,000	100	735,040,751	98.7	23.1	9,396,249	1.3
A.4	Program Costs	1,217,019,000	988,001,096	81	988,001,096	100.0	31.1	-	0.0
	Sub-total	3,398,690,000	3,029,075,596	89	3,019,679,347	99.7	95.0	9,396,249	0.3
B	Development Costs								
B.1	Transport Equipment	150,000,000	141,532,000	94	140,847,456	99.5	4.4	684,544	0.5
B.2	Machinery & Equipment	10,000,000	10,000,000	100	10,000,000	100.0	0.3	-	0.0
B.3	Furniture and Fittings	11,700,000	11,700,000	100	9,166,070	78.3	0.3	2,533,930	21.7
	Sub-total	171,700,000	163,232,000	95	160,013,526	98.0	5.0	3,218,474	2.0
	Grand Total	3,570,390,000	3,192,307,596	89	3,179,692,873	99.6	100.0	12,614,723	0.4

6.0 RECOMMENDATIONS

6.1 Introduction

The functions of the Commission are largely advisory based on rigorous analyses and technical support offered on revenue distribution and generation for public service delivery. In view of some challenges and emerging issues during the reporting period, the Commission therefore makes recommendations below:

6.2 Revenue Distribution

The Commission recommends that:

- i. Provision of an additional UGX 22.3 billion for PHC wage grant to cater for recruitment of staff for health service delivery, and UGX 15.6 billion for PHC non-wage. This gives a total additional funding for the health sector at UGX 37.9 billion.
- ii. An additional UGX 30.5bn be provided for the Education Sector in the FY 2012/13 to cater for realisation of the recommended teacher per class ratio.
- iii. The 50:1 pupil teacher ratio policy needs to change to a lower value to enable achievement of quality education in the country.
- iv. A more than proportionate increment of an additional UGX 80.06bn should be provided to LGs to bring the ratio of wage to non-wage to 76:24 from 81:19 as provided in the 2011/12 Budget;
- v. An additional UGX 46.3bn be provided to increase LG funded structure from 47.9% to 65%.
- vi. The legal provision to return all unspent conditional grants as at 30th June to the Treasury be amended to extend the period required by three months to enable local governments effectively utilize those resources to implement their programmes.

6.2.1 Training of Newly Created LGs

The Commission recommends that:

- More financial resources should be provided to the Commission to continue and to widen the training to all newly created LGs to equip them with necessary skill to fully comprehend the principles of Fiscal Decentralization Strategy (FDS).
- Resources should be provided to LGs to support the planning and budgeting function in local governments. This is a core function that is inadequately funded across local governments.
- There is need for more financial resources for the procurement of hardware/ computers which are compliant with the new Public Finance Management Reforms (PFMR) and practices.
- It is recommended that LGs OBT software be refined to cover all budgeting and reporting requirements especially for sector performance indicators.
- Government should provide adequate resources¹² to establish appropriate office accommodation for effective management of public affairs.

6.2.2 Sector Conditional Grants Negotiations

Negotiations on sector conditional grants should improve service delivery in local governments by efficiently and effectively utilising conditional grants to achieve this;

The Commission recommends that:

- An independent party should be engaged to carry out an assessment of the different conditionalities on the conditional grants on service delivery to improve policy formulation.
- The framework for negotiations on conditional grants funded programmes should be reviewed especially in terms of the level of participation, timing incentives for implementation of agreements and monitoring the implementation of the agreements.

12 Financial, office space, human resources, logistics, etc

6.2.3 Financing of Garbage Collection in Urban Councils

The Commission recommends that:

- A Town Council should be provided with at least UGX 109m for recurrent work and UGX 930m for capital development by government;
- A Municipal Council should be provided UGX 442m for recurrent and UGX 916m for capital development.
- Local Governments should create awareness among the urban population, on management of garbage by themselves. This includes forming groups and educating them on garbage reduction, reuse and recycling.
- The centre should work with local governments to formulate and operationalise a garbage/solid waste management Policy.
- Physical planning should be a must for all the areas within the urban LG.
- Urban Local Governments should establish a specific office to handle garbage collection in all urban LGs. The responsibility centre could be a garbage management officer or a garbage plant manager or urban sanitation manager etc.
- LGs should establish data systems to document and improve decision making on garbage/solid waste collection and management.

6.2.4 Local Revenue Generation

Revenue Mobilisation

The Commission recommends that:

- The Local Government Act (CAP, 243) especially supplement No.10 should be amended to remove exemptions of some categories of eligible tax payers such as 'boda-boda' cyclists. The tax bands should be reduced with the lowest band at UGX 20,000.
- The Bill for commercial farmers to pay LST should be passed, so that local governments can generate LST from them.

6.3 Recovery of Arrears in Land Based Revenues

The Commission recommends that:

- More funds should be provided to local governments to support the enforcement property valuation, billing systems and property rates collections.
- Government should review The Local Government Rating Act 2005 to remove the exemption on owner-occupied residential properties.
- Funds should be provided for sensitization programmes on administration of land based revenues at all levels to inform the local governments and communities.
- The Uganda Land Commission should ensure payment of arrears of property rates from central government properties in the Local governments.

6.3.1 Realisation of Uncollected Revenues from User Charges

The Commission recommends that:

- Funds should be provided to the Local Governments to support the exercise of setting reserve prices for markets and taxi/bus parks by using guidelines developed for establishing revenue potential.
- Funds should be provided to Local Governments to carry out tax education/ Awareness of the civic, political leaders and communities on the collection, utilization and accountability of local revenues.
- Local governments should improve their physical accountability by improving on the provision of services to the community.

6.4 Training of LGs in Collection of Local Service Tax and Hotel Tax

The Commission recommends that:

- There is need for more funding for the Commission to effectively disseminate the guidelines for implementation of LST and Hotel Tax to Local Governments.
- All the other categories of LST tax payers should be brought on board to pay LST.

6.4.1 Improving Local Governments Budget Analysis and Tracking

The Commission recommends that:

- The Centre should consider increasing the size of equalization grant to cover all qualifying LGs for the grants.
- The flexibility principle under the FDS should be reinstated to allow LGs to flex proportionately within the constrained resources.

The additional funding requirements for FY 2011/12 are summarised in the **Table 8 below**.

TABLE 8: SUMMARY OF THE ADDITIONAL FUNDING REQUIREMENTS FOR FY 2011/12

Areas	Additional Funds (UGX Billions)	Desired Impact
PHC Wage	22.3	Percentage of staff in health facilities increased
PHC N/W	15.6	Increase in health supplies and consumables to LG health facilities
Education	30.5	To cater for a teacher per class
NDP (LGFC)	0.937	Enhanced implementation of prioritized actions in the NDP
LG Operations		
a) Wage	15	To increase LG filled structure from 63.7 - 89
b) N/Wage	81.06	Bring the ratio of wage to non-wage to 76:24 from 81:19 (2011/12 Budget)
Total	165.4	

ANNEX 1: STRUCTURE OF THE COMMISSION

The Local Government Finance Commission is structured into the policy organ and the secretariat.

A.2.1 The Policy Organ

The policy organ comprises seven (7) members appointed by the President for a four (4) year tenure renewable only once in accordance with the Constitution and the Local Government Finance Commission Act (2003). They consist of:

- i. Three (3) persons nominated by the District Councils;
- ii. One (1) person nominated by Urban Councils;
- iii. Three (3) persons nominated by the Minister responsible for Local Governments (MoLG) in consultation with the Minister responsible for Finance (MOFPED).

Both the Chairperson and the Vice Chairperson are elected from amongst themselves and are employed on full time basis.

A 2.2 The Secretariat

The Secretariat is the technical arm of the Local Government Finance Commission responsible for its day to day operations. It is headed by a Commission Secretary who is the Accounting Officer. The secretariat is divided into the Directorate of Research and Policy Analysis, and the Directorate of Finance and Administration.

Directorate of Research and Policy Analysis: Undertakes research and provides technical support to Local Governments on various aspects related to fiscal decentralization for improved service delivery. The Directorate makes analysis of sector policies to derive evidence-based advice that the Commission provides to the Government, Local Governments and other agencies on the financing of Local Governments.

Directorate of Finance and Administration: Provides support services to the Commission in areas that include financial management, human resource management/development, administrative services, logistical and information management systems. There are cross-cutting units that functionally report directly to the Accounting Officer. These corporate units include: Public Relations, Internal Audit, Procurement/Disposal, and Monitoring & Evaluation.

A 2.3 Funding of the Commission

The Local Government Finance Commission is funded from the Consolidated Fund in accordance with article 194 (5) of the constitution. It is a self-accounting (statutory vote 147) organization in terms of section 17 (4) of the Local Government Finance Commission Act, 2003. The Commission may also be funded through grants and donations from non-government sources with the approval of the Minister responsible for local governments.

ANNEX 3: STAFF OF LGFC AS AT 30TH DECEMBER 2011

S/N	Name	Title
1	Mr. Lawrence Banyoya	Commission Secretary
2	Mr. Jim Ashaba Aheebwa	Director Finance and Administration
3	Mr. Bernard Ogwang Okuta	Director Research and Policy Analysis
4	Mr. Adam Babale	Principal Revenue Officer
5	Mr. Johnson Gumisiriza	Principal Revenue Officer
6	Mrs. Christine Kataike Abong	Principal Data and Policy Analyst
7	Mr. Musa Basajjalaba	Senior Revenue Officer
8	Mr. James Ogwang	Senior Revenue Officer
9	Ms Pricilla Asiimire	Senior Revenue Officer
10	Mr. Albert Mwesigwa	Senior Human Resource Officer
11	Mr. Andrew Mugerwa Sewankambo	Senior Accountant
12	Mr. James Menya	Senior Systems Analyst
13	Mr. Mack Opowo	Senior Procurement Officer
14	Mr. Michael Emetu Emodu	Senior Management Information Systems Officer
15	Mr. Stephen Musinguzi	Senior Internal Auditor
16	Mr. Samuel Samson Omwa	Senior Policy Analyst
17	Mr. Dick Asiimwe	Revenue Officer
18	Ms. Patience Akatukunda	Procurement Officer
19	Ms. Vicky Marcelina	Accountant
20	Mrs. Esther Alele	Senior Personal Secretary
21	Ms. Cathy Namatovu Lubega	Records Officer
22	Ms. Kate Apio	Data Officer
23	Ms. Provia Tumukunde	Senior Accounts Assistant
24	Ms. Ruth Neikiriza	Senior Accounts Assistant
25	Ms. Kate Tushemereirwe	Personal Secretary
26	Ms. Miriam Kaseera	Receptionist
27	Mr. Jamiru Mugalasi	Office Attendant
28	Mr. Francis Isingoma	Cleaner
29	Mr. James Birahira	Driver
30	Mr. Bakulumpagi Abdullah	Driver
31	Mr. James Lugwana	Driver
32	Mr. Suleiman Sentamu	Driver
33	Mr. Godfrey Kalema	Driver
34	Mr. Peter Lwamusayi	Driver
35	Mr. Sam Ewan Ogwal	Driver
36	Mr. Abby Mugalasi	Driver

