



THE REPUBLIC OF UGANDA

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

CONDITIONAL GRANT UTILIZATION AGREEMENT

FOR FINANCIAL YEAR 2017 – 2018

BETWEEN

MINISTRY OF WATER AND ENVIRONMENT

AND

LOCAL GOVERNMENTS

THIS Agreement is made this 7th day of November, 2016 between the Ministry of Water and Environment (MWE) of P.O. Box 20026 Kampala (hereinafter referred to as the **"First Party"**) of the one part and which expression where the context so permits shall include its assignees, representatives and anyone acting under its authority, and the local governments represented by Uganda Local Government Negotiation and Advocacy Team (UNAT) of c/o P.O. Box 23120 or P. O. Box 23092 Kampala (hereinafter referred to as the **"Second Party"**) of the other part and where the context so permits shall include its assignees, representatives and any one acting under its authority. For purpose of this Agreement, the two shall be jointly referred to as **"the Parties"**.

Preamble:

Article 193(3) of the Constitution of the Republic of Uganda and Section 83(3) of the Local Governments Act Cap 243 provide "*Conditional grants shall consist of monies given to Local Governments to finance programmes agreed upon between the*

Government and Local Governments; and shall be expended only for purposes for which it was made in accordance with the conditions agreed upon". The above provision requires the expenditure of the conditional grants in accordance with the conditions agreed upon and this necessitates for the local Governments to sit together with the Sector ministries (Government) to agree upon the conditions.

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

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

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

WHERE AS

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

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

Agreement

- a) The Agreement shall come into effect on the date of last endorsement of signature to this agreement and shall run until 30th June 2018.
- b) Modification of the terms and conditions of this Agreement shall only be made by written and signed Agreement between the Parties hereto.
- c) None of the parties to this agreement shall be held liable on any of their obligations herein if owing to an occurrence or event beyond their control or reasonable foresight and without negligence on their part, execution of this Agreement has been rendered impossible. In such circumstances, the parties shall mutually agree on the appropriate way forward.
- d) Failure to implement any of the provisions of this Agreement by any of the parties shall be communicated to the affected party by the defaulting party within two (2) months from the date of failure to implement. The notification shall clearly state the reasons for failure and shall be delivered at the duly appointed and known address of the Local Government Finance Commission, with copies to Uganda Local Governments Association (ULGA), Urban Authorities Association of Uganda (UAAU), Ministry of Local Government, Ministry of Finance Planning and Economic Development, National Planning Authority, Office of the Prime Minister and Ministry of Public Service.

Purpose

The purpose of this agreement is to define and set out the terms and the conditions for the expenditure of the conditional grants for the financial year 2017/2018 in the Water and Environment Sector.

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Mid-term Review

The Parties shall have a mid-term review in March 2017 to discuss the progress in implementation; highlight challenges faced and make recommendations to improve the process. This review shall be organized with the following framework:

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



- f) The Joint Technical Committee shall report to the respective Policy Organs of their Institutions.
- g) Any other activity that may be agreed upon by the parties.

General Obligations of the Parties

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

Obligations of the Ministry of Water and Environment

The Ministry shall;

- a) Prepare and disseminate the final sector and grant utilization guidelines for (FY 2017/2018) not later than end of December 2016
- b) Include the signed agreement for the financial year 2017/18 as an annex to its Ministerial Policy Statement.
- c) Communicate through circulars addressed to the Chief Administrative Officers and Town Clerks, the issues agreed upon in the negotiations for Local Governments to implement in their respective sectors.
- d) Ensure timely response to issues raised by the Local Governments, Local Government Associations and Local Government Finance Commission.
- e) Implement its obligations in accordance with this agreement.
- f) Liaise with MOFPED to ensure that all funds for capital development are released to Local Governments by the third Quarter.
- g) Ensure adequate involvement and participation of the Accounting Officers of Local Governments during its sector reviews.
- h) Invite and provide a slot to the Local Government Associations (ULGA and UAAU) to make a presentation on the key issues affecting service delivery in the Water and Environment Sector.







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Obligations of the Local Governments

Local Governments shall;

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

Specific Obligations of the Parties

A. Water and Sanitation Sub-sector issues

1. Redesign of Sector Conditional Grant and Budget Requirements.

MoWE reported that reforms in the grants allocation formulae for the transfers to local governments were spearheaded by the MoFPED. The reforms focused on the structure of water sector grant, purpose of each grant, budget and management requirements.

It was noted that, the Water and Environment Sector was appreciative of the reforms based on previous engagement between the sector and MoFPED but more consultations were required to generate consensus on key parameters, weights and other issues.

It is agreed that;

- a) The MoWE shall hold more consultations with MoFPED and UNAT to generate acceptable parameters, weights and budget requirements by end of November 2016.

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- b) The allocation formula should be reviewed in consultation with LGs before allocation of the DWSCG for FY 2017/18 to benefit from lessons from FY 2016/17.

2. District Water and Sanitation Development Grant.

It is agreed that:

The allocation guidelines of water Grant to various activities shall be applied for the financial year 2017/2018 as follows;

i) Non-Wage Recurrent Budget

- a) Software activities for rural water supply and sanitation- up to 50%
- b) Supervision, monitoring and DWO operational costs -up to 14%.
- c) Stakeholder coordination activities –up to 26%.

ii) The following parameters shall be applied with respect to the development Budget;

- a) Development of New Water and Sanitation Facilities- minimum of 80%
- b) Rehabilitation of boreholes and piped water schemes- up to 15%.
- c) Investment Servicing Costs- up to 5%

iii) These allocations shall be finalized when the new allocation formulae is finalized by November 2016.

3. Staffing in District Water Offices.

Whereas;

Recruitment of District Water officers in the LGs still remains a challenge. A total of 20 districts do not have substantive Water Officers inclusive of the four newly created districts. In addition, 24% of the districts have District Water Officers doubling as acting District Engineers, thus occupying two offices. MoWE in addition advised as follows;

- a) MoWE recruited a total of 15 Water engineers, 12 of whom have been seconded to the districts, but some districts such as Masindi, Apac, Lira and Busia had rejected those posted.



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- b) The MoWE proposed that the DWOs employed on contract basis, be absorbed and paid by the LG as opposed to using the Grant.
- c) MoWE proposed that the districts with District Water Officers doubling as District Engineers be reinforced with an additional Water Engineer to support implementation of DWSCG.
- d) Ministry of Public Service guided that when the district has no budget to recruit, they should write to the MoWE and request for the support.

It is agreed that;

- a) MoWE shall continue to support LGs with Water Engineers on a case by case basis depending on the capacity needs and request by the LGs.
 - b) LGs can either confirm these seconded staff or advertise the positions to be filled.
 - c) MoPS shall guide LGs on recruitment of staff on contract basis especially in the water sector.
4. Use of district groundwater maps in planning and implementation of water supply projects.

It was noted that ground water maps are just a guide and therefore LGs should engage consultants to locate the potential areas for borehole sites. It was also reported that MoWE is discouraging construction of shallow water wells. Local Governments were encouraged to do the same. This is because the construction of shallow water wells by LGs has been found to be in low lying areas and which are prone to contamination.

It is agreed that ;

- a) LGs should stop the construction of shallow wells using the grant funds and explore other options such as deepwater boreholes and piped water systems.
- b) LGs should encourage the public to carry out rain water harvesting on their own.
- c) LGs shall use the approved list of licensed companies by the MoWE to carry out the drilling and choosing of sites works.



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5. Borehole rehabilitation .

Following the MoWE's initiative to promote the use of stainless steel/uPVC pipes by LGs in the construction and rehabilitation of boreholes, it was noted that some uPVC pipes on the market lacked the strength for deep borehole construction.

It is agreed that;

- a) LGs should use stainless steel/uPVC pipes in all the construction and rehabilitation of boreholes.
- b) The MoWE should finalise and disseminate to LGs the alternative material specifications for stainless steel/uPVC for deep boreholes.

6. Inequitable distribution of water resources.

It was reported by the MoWE that their database on access to safe water in the country indicated that the extra new facilities were being concentrated in the same areas already served with water facilities, leaving a number of other areas under served. This is against the Ministry's principle of "Some for more rather than more for some" that promotes equity.

It was also noted that there are many public buildings such as schools with no lightening arrestors which has resulted in death of many innocent children and Adults.

An issue was raised on the quality of the lightening aresters. For example, there was a school (Kabera Primary school in Pallisa) which had a lightening arrester and still a pupil was struck by lightening.

MoWE further reported that District Investment Plans (DIPs) have been produced for 65 LGs that are instrumental in addressing the equity principles in water sources allocations with guidance from MoWE. This exercise is still ongoing in the remaining districts.

It is agreed that ;

- a) MoWE completes the identification and dissemination of villages without safe water sources to LGs.

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- b) LGs shall prioritise construction of new water sources to only villages without water sources as guided by MoWE.
- c) MoWE shall consult UNBS to assist in the standardization of the lightening arresters and advise LGs on the genuine suppliers.

7. Vehicles for District Water Offices and construction of Water Offices.

For the FY 2015/16, the MoWE authorized 16 local governments to purchase vehicles so as to limit expenditure on activities that do not impact directly on service delivery. However, in line with the new guidelines, the budget line associated to Vehicle procurement cannot support vehicle acquisition by LGs.

It is agreed that ;

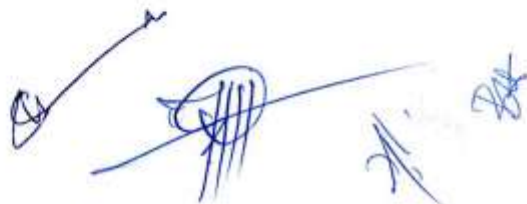
MoWE shall continue to engage the MoFED with regards to revision of the development expenditure allocation. In the interim , no vehicles will be purchased using the DWSCG.

8. Low absorption by new districts

MoWE reported that new districts are slow in absorbing allocated resources especially in the first year of operation due to lack of staff and necessary structures. UNAT observed that delays in release of funds to LGs contribute a lot to low absorption.

It is agreed that ;

- a) MoWE shall provide support to such LGs to improve timely utilisation of Funds.
- b) MoWE shall share information about the projects implemented at sector level with LGs.
- c) MoWE shall release funds to LGs for monitoring the implementation of these projects.



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PART B: ENVIRONMENT SUB-SECTOR.

9. Environment and natural resources grant allocation.

The Environment subsector has one grant which caters for wetland management activities. The grant is too small to cater for the expected outcomes under the environment subsector.

It is agreed that MoWE shall design programmes to enable it secure more funding for LGs to implement the decentralised services in the sub-sector.

10. Cancellation of Titles in the Wetlands, Local and Central Forest Reserves, River Banks etc.

It was reported that both the central and local governments had issued land titles in wetlands.

The central government was in the process of cancellation of land titles issued in wetlands.

It is agreed that:

- a) LGs which issued land titles in wetlands should cancel the issued land titles.
- b) Central Government fast track the cancellation of illegal land titles and provide capacity building for District Land Boards and Area Land Committees.

11. Poor Solid Waste Management:

It was reported that solid waste management has been made worse with the continuous production of Polythene Bags and absence of guidelines to enforce the ban.

It is agreed that;

- a) MoWE shall support Urban Councils to procure land for development of lagoons.
- b) MoWE shall develop a solid waste management strategy and drainage master plans for urban authorities.

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

Signed for and on behalf of **Local Governments**

By: Mr. Mutabazi George


.....
Authorized Representative
UNAT

Signed for and on behalf of the Ministry of Water and Environment

By: 
.....
Authorized Representative
Ministry of Water and Environment

IN WITNESS HEREOF:

(Authorised Representative)

Mrs. SARAH NAMBASA MUKASA


.....
CHAIRPERSON LGFC


Mr. SSEBYALA MOHAMMED


.....
MOLG

Mr. OMAIDO SAM


.....
MOFPED

Ms. SAMALIE IBANDA


.....
MOPS

Mr. DAVID KATUNGI


.....
NPA

Mr. HORRACE BASHAJA


.....
OPM