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Report on the Impact Assessment of the Uganda Intergovernmental Fiscal Transfer

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WOMEN IN LOCAL GOVERNMENT

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This report evaluates Uganda's Intergovernmental Fiscal Transfer Regime, specifically the Uganda Intergovernmental Fiscal Transfer (UgIFT) program. The study analyzes the program's impact on local government financing, examining adequacy, equity, and discretion in resource allocation. It also assesses the efficiency and effectiveness of local service delivery and local revenue mobilization efforts. The report utilizes both secondary data analysis and targeted interviews to reach its conclusions and offers several recommendations for improving the regime's performance. These recommendations focus on enhancing resource adequacy, promoting equitable distribution, increasing local government autonomy, and strengthening service delivery mechanisms.

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Acronyms

CAO	Chief Administrative Officer
CFO	Chief Finance Officer
CLGF	Commonwealth Local Government Forum
DDEG	Discretionary Development Equalization Grant
DLG	District Local Government
DLI	Disbursement Linked Indicators
DSC	District Service Commission
EMHS	Essential Medical and Health Services
FDS	Fiscal Decentralization Strategy
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
GPT	Graduated Poll Tax
HC	Health Centre
IFMS	Integrated Finance Management System
IGFT	Intergovernmental Fiscal Transfer
IRAS	Integrated Revenue Administration System
LG PA	Local Government Performance Assessment
LG	Local Government
LGMSD	Local Government Management of Service Delivery
LRDP	Luweero Rwenzori Development Program
MDA	Ministry Department and Agencies
MLG	Municipal Local Government
MoFPED	Ministry of Finance Planning and Economic Development
MSI	Micro Scale Irrigation
NDP	National Development Plan
NMS	National Medical Stores
OPM	Office of the Prime Minister
OSR	Own Source Revenue
PBS	Performance Budgeting System

PDM	Parish Development Model
PRDP	Post Reconstruction Development Program
SFG	School Facilitation Grant
SNE	Special Needs Education
UCG	Unconditional Grant
UgIFT	Uganda Intergovernmental Fiscal Transfer
UGX	Uganda Shillings
ULGA	Uganda Local Government Association
UShs	Uganda Shillings
USMID	Uganda Support to Municipal Development

Executive Summary

This report assesses the performance of the Intergovernmental Fiscal Transfer Regime in Uganda, focusing on adequacy, equity, and discretion in local government financing, as well as the efficiency and effectiveness of local service delivery.

Background and Context

In the early 1990s, the Government of Uganda (GoU) introduced the Decentralization Policy, shifting responsibility for essential services to Local Governments (LGs) while the central government retained roles in policy guidance and oversight. This approach intended to strengthen LGs as primary service providers, but early fiscal strategies like the Fiscal Decentralization Strategy (FDS) of 2002 encountered challenges, particularly around fiscal autonomy and equitable resource allocation. To address these gaps, the GoU partnered with the World Bank to establish the Uganda Intergovernmental Fiscal Transfer (UgIFT) Program in 2017, which was later expanded to additional sectors in 2020. Against this backdrop, the Uganda Local Government Association (ULGA) commissioned this study to assess the performance of Uganda's fiscal decentralization initiatives particularly UgIFT and local revenue and provide recommendations to enhance service delivery effectiveness.

Methodology

The study employed a mixed-methods approach, prioritizing a cost-efficient strategy that leverages existing initiatives and resources. The methodology centered on extensive secondary data analysis, supplemented by targeted interviews with key stakeholders at both the central and local government levels. The decision to focus predominantly on secondary data was guided by two key considerations:

- The Government of Uganda has implemented several online Management Information Systems and Financial Management Systems that collect, store, organize, and make accessible much of the critical data required for this study.
- Numerous previous studies have been conducted to assess various aspects of the Uganda Intergovernmental Fiscal Transfer Program (UgIFT), providing a substantial amount of relevant data for this study.

Targeted interviews with LG and central government officials, along with regionally representative field visits, helped to contextualize the data and provide valuable firsthand perspectives on the operational challenges and progress LGs are experiencing.

Key Findings.

a) **Adequacy of Financing:**

Nominal transfers to LGs increased significantly under UgIFT; however, real per capita allocations remain inadequate due to population growth and inflation. This funding gap is particularly pronounced in non-UgIFT sectors and administrative departments, impacting essential functions such as internal audit, social development, and natural resource management.

Health and education sub-programs have benefited most from UgIFT's funding increases. Yet, other critical areas, like agriculture, works, and administration, experience funding

shortfalls that impact service delivery.

While new infrastructure development has been prioritized, ensuring the functionality of existing facilities, including adequate staffing, remains a challenge.

b) **Equity in Financing:**

Formula-based allocations have improved equity in non-wage recurrent and development grants, but disparities remain, particularly for the 20 least funded LGs. The wage grants, allocated based on need, have been underfunded, limiting improvements in staffing equity.

There has also been Inconsistent application of need-based formulas and discretionary infrastructure allocations have contributed to unequal funding distribution.

Challenges persist in addressing the unique needs of LGs facing specific challenges such as island LGs, refugee-hosting LGs, and hard-to-reach areas.

c) **Discretion in LG Financing:**

Efforts to enhance LG discretion have yielded some progress, with revised guidelines for non-wage recurrent grants offering greater flexibility. However, many development grants remain constrained by strict guidelines, limiting LG responsiveness to local needs.

The adequacy of the Unconditional Grant (UCG) remains low, hindering LGs' ability to exercise discretion, while the Discretionary Development Equalization Grant (DDEG) has faced funding reductions, impacting LG autonomy over development.

d) **Efficiency and Effectiveness of Service Delivery:**

The LGMSD performance assessment system has shown sustained improvement in LG performance, indicating better compliance and service delivery. However, the assessment system's reduced incentive structure poses challenges.

e) **Local Revenue Mobilization:**

The real value of Own Source Revenue (OSR) has declined significantly since 1998, despite the introduction of automated revenue management systems like IRAS and E-LogRev. Challenges include suboptimal utilization of systems, political interference, delayed cash limits, and a declining real value of OSR.

LGs heavily rely on IGFTs, which has discouraged them from actively pursuing local revenue mobilization.

Limited OSR collected is often used for administrative expenses rather than directed towards service delivery.

Conclusions:

While the UgIFT Program has marked significant improvements in the adequacy, equity, and discretionary power of LG financing, further refinement is needed to match local resources with actual service demands. Aligning allocations with local needs remains a priority to enable fully functional and responsive LG units across Uganda.

Recommendations

To enhance the effectiveness of the Intergovernmental Fiscal Regime in Uganda, the following recommendations are proposed:

a) Adequacy:

- Shift focus from new infrastructure to operationalizing existing facilities, including Operation & Maintenance costs in budgets.
- Enhance unconditional grants to adequately finance critical underfunded departments.
- Rebalance sectoral allocations, prioritizing primary education and healthcare.

b) Equity:

- Expand formula-based allocations to all grants, minimizing discretionary infrastructure projects.
- Ensure adequate wage grant disbursement to address staffing inequities.
- Enhance data collection and analysis to inform equitable resource allocation, considering the unique challenges faced by different LGs.

c) Discretion:

- Reduce excessive earmarking within sectoral grants to provide LGs with greater flexibility.
- Increase the adequacy of the UCG to allow for more discretionary spending.
- Introduce block grants in service delivery sub-programs, balancing national priorities with local needs.
- Increase domestic allocations to the DDEG, providing LGs with greater autonomy over development projects.

d) Local Government Management of Service Delivery:

- Revise and strengthen the incentive structure to motivate LG performance improvements.

e) Local Revenue Mobilization:

- Improve system utilization and capacity building for Integrated Revenue Administration System (IRAS) and E-LogRev.
- Enhance system features and integrate IRAS with IFMS for smoother financial management.
- Scale up the use of revenue management systems to cover all potential revenue streams.
- Engage political stakeholders and reduce interference in local revenue collection.
- Expand the revenue base and introduce new tax measures to compensate for lost revenue.
- Strengthen taxpayer identification, registration, and enforcement strategies.
- Advocate for a shift in mindset within LGs to prioritize allocating OSR towards direct service delivery.

1. Introduction

1.1 Background and context of the Assignment.

In the early 1990s, the Government of Uganda (GoU) adopted the Decentralization Policy, which devolved significant responsibilities for delivering basic services to local governments (LGs). This policy aimed to empower LGs to be the primary providers of essential services, while the central government maintained a guiding role through the formulation of sector policies, standards, budget guidelines, and the provision of technical supervision and support. The central government also retained a critical role in monitoring and evaluating the implementation of these policies.

To ensure the effectiveness of the decentralization policy, the GoU recognized the necessity of providing adequate resources to LGs. Consequently, a fiscal decentralization study was commissioned in the early 2000s to explore the financial needs and support mechanisms required for successful decentralization. This study culminated in the development of the Fiscal Decentralization Strategy (FDS) in 2002. Despite its implementation yielding several benefits, the FDS fell short of its goals, particularly in enhancing the fiscal autonomy of LGs and streamlining Inter-Governmental Fiscal Transfers (IGFTs).

In response to the limitations identified in the FDS, two significant studies were undertaken: a review of LG financing and an assessment of service delivery amidst increasing numbers of districts in Uganda, which highlighted fiscal challenges and opportunities for reform. These studies informed the initiation of a reform in IGFT in the fiscal year (FY) 2015/16, resulting in the design of the Inter-Governmental Fiscal Transfer Program (IGFTRP) in 2017. This program was further refined and aligned with the National Development Plan (NDP III) in 2020. The IGFTRP is currently focused on achieving four primary objectives:

a. Enhancing the adequacy, equity, and discretion in the financing of local service delivery;
b. Improving central government performance in the oversight, management, and delivery of LG services;
c. Strengthening LG performance in managing local service delivery; and
d. Increasing the effectiveness and efficiency of service delivery by frontline providers.

To support these objectives, the GoU, in partnership with the World Bank, designed and implemented the Uganda Intergovernmental Fiscal Transfer (UgIFT) Program for Results (P4R). The initial phase of UgIFT, approved in 2017 and effective in 2019, primarily focused on the education and health sectors. In 2020, with continued support from the World Bank, the UgIFT Additional Funding was introduced, expanding the program's scope to include sectors such as water, environment, and micro-scale irrigation. The program's duration was also extended to FY 2023/24, with the current planned conclusion scheduled for December 2025.

Considering this context, the Uganda Local Government Association (ULGA) with support from the Commonwealth Local Government Forum (CLGF) commissioned this study to assess the impact of the Uganda Intergovernmental Fiscal Regime's performance.

The study aimed at generating policy, structural, and operational recommendations to enhance the effectiveness and efficiency of the regime's implementation.

1.2 Study Objectives.

The primary objective of this study was to enhance local government financing through evidence-based advocacy. The specific objectives of the study are as follows:

a) To evaluate the performance of the intergovernmental fiscal transfer regime/program and its impact on local government financing.
b) To assess whether the regime has ensured adequacy, equity, and discretion in the allocation of funds to local governments for service delivery.
c) To assess the efficiency and effectiveness of local government service delivery.
d) To examine local government performance in the management of local service delivery.
e) To document the progress and identify gaps and challenges that local governments face in optimizing local revenue mobilization.
f) To generate recommendations for sustainable financing of local governments.

1.3 Report Structure

The report is divided into five sections:

a) Executive Summary: This section provides a brief overview of the study objectives, methodology, findings, and recommendations.

b) Chapter One: This section includes the background, context of the assignment, and study objectives.

c) Methodology: The report presents the data collection methodology, sampling criteria, data analysis methodology, and reporting methodology.

d) Findings: This section presents the assessment of the inter-governmental fiscal transfer regime, including adequacy, equity, discretion in LG financing, effectiveness, efficiency, and LG's own source revenue. It also includes challenges and recommendations for each of these areas.

e) Conclusion and Recommendations: This part includes the overall conclusion and a summary of recommendations.

f) Annexures: The report also includes data tables, and a list of people met and documents reviewed.

2. Methodology

The study employed a cost-efficient approach that prioritized quality by leveraging existing initiatives and resources. The methodology centred on extensive secondary data analysis, supplemented by targeted interviews with key stakeholders. The decision to focus predominantly on secondary data was guided by two key considerations:

a) The Government of Uganda has implemented several online Management Information Systems and Financial Management Systems that collect, store, organize, and make accessible much of the critical data required for this study.

b) Numerous previous studies have been conducted to assess various aspects of the Uganda Intergovernmental Fiscal Transfer Program (UgIFT), providing a substantial amount of relevant data for this study.

In addition to secondary data analysis, targeted interviews were conducted with both local government and central government officials, particularly those involved in local government financing and service delivery. These interviews were essential for obtaining firsthand information on the status, challenges, and factors influencing the observed outcomes. Furthermore, they helped to substantiate and validate the findings derived from secondary data.

The methodology was structured in a phased manner, ensuring a systematic and comprehensive approach to data collection and analysis.

Phase 1: Inception Phase.

During the inception phase, the team sought to deepen their understanding of the assignment that enabled us to refine the methodology and tools initially proposed. The activities undertaken during the inception phase are outlined below.

The team initiated a preliminary review of secondary data, focusing on documents related to the design and implementation of the Uganda Intergovernmental Fiscal Transfer (UgIFT) program. Key documents reviewed included the UgIFT Program Operations Manual, UgIFT Technical Assessment Reports, UgIFT Impact Assessment Study, UgIFT Technical Assessment Report Prior to the Mid-Term Review, and the National Local Government Management of Service Delivery Performance Assessment Synthesis Reports.

Based on this documentary review and a deeper understanding of the context, the team refined the approach, the revised approach detailed the specific issues to be explored, identified target information sources, and outlined the methods for collecting, analyzing, and reporting data. During this phase, the team also developed data collection instruments to ensure the accuracy and comprehensiveness of the information gathered. Additionally, the team developed the reporting formats and templates for the assessment report these were aligned with the thematic issues outlined in the Terms of Reference.

The information gathered and the refined approach were compiled into this inception report, which was submitted to the client for review and approval.

Phase 2: Data collection phase.

Data collection primarily focused on an in-depth review of secondary data supplemented by collecting hard data from government finance management systems and conducting

a few targeted interviews.

Documentary Review: Documentary review enabled the team obtain information from all participating LGs and MDAs according to activities and Disbursement Linked Indicators (DLIs). Key documents reviewed include:

a) Uganda Intergovernmental Fiscal Transfer Program for Results (UgIFT) Program Operations Manual
b) Intergovernmental Fiscal Transfer Reform Program (IGFTRP)
c) UgIFT annual implementation reports
d) Joint Monitoring Reports
e) UgIFT Impact and Lessons Learned Report
f) Uganda Public Expenditure Review 2022-23: Intergovernmental Fiscal Transfers Module.
g) LG Performance Assessment National Synthesis Reports (LG PA)
h) Reports on verification of the DLIs
i) Planning and Grant Guidelines
j) Reports on local revenue performance among others.

Review and analysis of hard data from the existing financial Management systems: The documentary review was supplemented by reviewing and analyzing data from existing financial management systems, specifically the Performance Budgeting System (PBS) to obtain LG budgets, the Online Transfer Information Management System (OTIMS) to collect information on allocations and inter-governmental fiscal transfers, the Online Performance Assessment Management System (OPAMS) to obtain reports on LG performance assessments, joint monitoring reports, and DLI verifications reports to obtain the performance of CG in the oversight and supervisions, and the Integrated Finance Management System to obtain details of LG expenditures.

Secondary Data Analysis: The team conducted a comprehensive analysis of the information obtained from the documentary review and financial management systems. This analysis aimed to identify key emerging issues related to the study's objectives.

Targeted interviews: Although the study was primarily based on secondary data review, the team conducted a few targeted interviews. These were intended to provide additional information, substantiation, clarification, and validation. The respondents were drawn from both the Central Government level and the LG level. At the Central Government level, consultations were held with officers from the UgIFT secretariat, the LG Finance Commission, and the Ministry of Local Government.

To gain a comprehensive understanding of local government performance and dynamics across Uganda, the team selected five LGs for field visits. The selection criteria was based on geographical representation and unique regional characteristics.

The selected LGs represent a mix of urban and rural areas, newly established and older LGs, as well as varying performance levels as indicated by the Local Government Performance Assessment. The table below details the selected districts per region:

Table 1: Sampled LG.

S/N	Region	Selected LG
1	Karamoja	Moroto MLG
2	East	Kumi DLG
3	North	Lira DLG
4	West	Masindi MLG
5	Central	Kiboga DLG

During the LG field visits, interviews were conducted with the following officers:

a) Political leaders including the LG Chairperson/Mayor and Secretary in charge of Finance,

b) Technical Staff including Chief Administrative Officer/Town Clerk, Chief Finance Officer, District Planner, and LG Revenue Officers.

Phase 3: Analysis and reporting phase.

The reporting phase commenced after completion of the data collection phase. During this phase, the team inspected, reviewed, and cleaned the collected data. This aided in transforming and modelling the data to discover useful information for this study and enable inferences or conclusions.

Data was analyzed along the following broad areas:

a) Allocations of the grants disaggregated by development, non-wage recurrent and wage considering the base year before UgIFT implementation and the last FY showing the trends and comparing the Medium-Term Plan (the basis for this is that the figures for last FY will be available

b) Allocations and utilization of the un-conditional grants considering the base year before UgIFT and tracking the changes realized overtime and how this has enhanced the LG discretion in allocation and expenditures

c) The adequacy of UgIFT financing in terms of; real per capita transfers, share of the budget etc

d) Amount of transfers allocated and transferred following the objective allocation formula and analysis improvements in equitable distribution of the resources

e) The trends in the performance of LG in the Local Government Management of Service Delivery Performance Assessments.

f) Analysis of the trends in performance of Central Government MDAs in terms of management of service delivery and oversight.

g) Status, trends and challenges in Local revenue collections and management.

Making recommendations: Based on the emerging findings, the team formulated recommendations on how to address the gaps identified in the analysis and findings. The recommendations are addressed to a variety of audiences, including central government

ministries, local governments, and frontline service delivery units.

Following the completion of the above processes, the team compiled and submitted the draft assessment report structured along the assignment objectives and the scope of analysis elaborated above. This draft assessment report was presented to the client for review. The comments raised by the client were addressed to produce the final draft assessment report with recommendations that was presented to the key stakeholders during the validation meeting held at Hotel Africana. Following the validation meeting, the team has incorporated feedback from the stakeholders to produce the final assessment report.

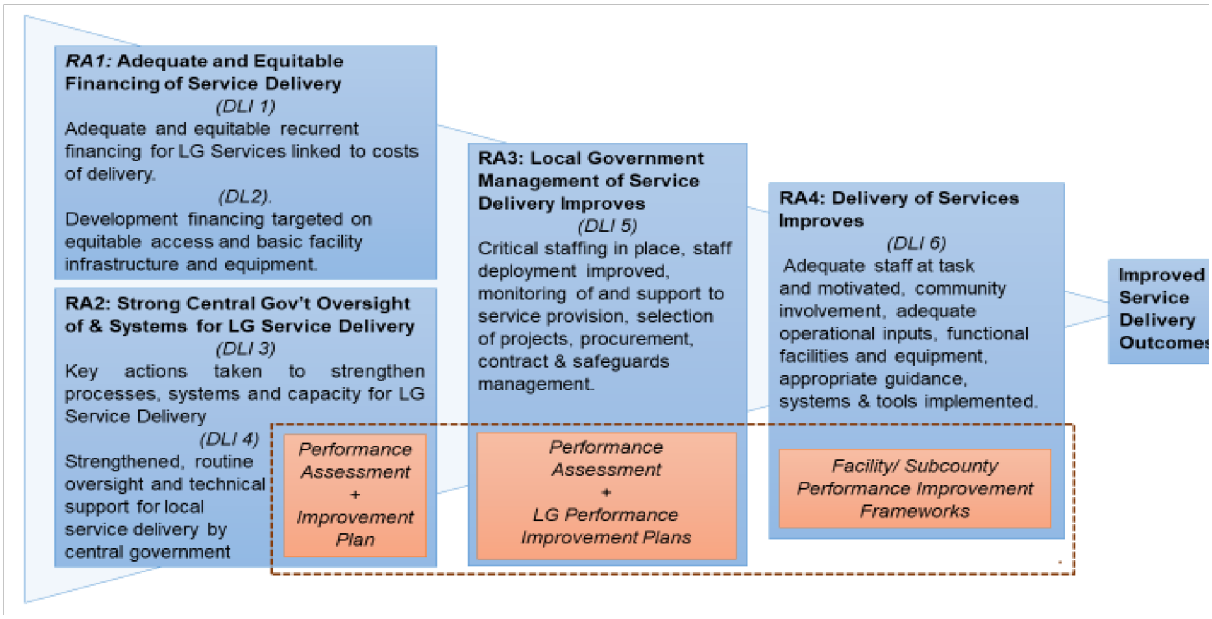
3. Findings

3.1 Assessment of the Intergovernmental Fiscal Transfer Regime

3.1.1 IGFTRP Result Areas

To understand the Uganda Intergovernmental Fiscal Transfer Reform Program (UgIFT) and the findings outlined in this report, it is essential to consider the theory of change guiding the program's interventions, as illustrated in the Result Chain below. The IGFTRP is structured around four interconnected result areas, designed to incentivize performance at the Central Government, Local Government, and service delivery facility levels.

Figure 1: Basic Result Chain



Source: UgIFT POM.

Results Area 1: Focuses on enhancing the Central Government's role in providing adequate and equitable financing for both recurrent and development needs in relation to service delivery. This is achieved by linking financing to LG performance and the actual costs of delivering services. This area is measured by Disbursement Linked Indicators (DLIs) 1 and 2.

Results Area 2: Aims to facilitate the Central Government in taking critical actions to strengthen local service delivery systems and processes. This includes addressing systemic challenges to service delivery (DLI 3) and improving oversight and technical support for LG service delivery (DLI 4)

Results Area 3: Focuses on empowering and incentivizing Local Governments to enhance the management and supervision of their core functions. This includes (i) recruitment, deployment and management of human resources in line with basic requirements, (ii) management, monitoring and supervision of services (iii) investment selection, delivery and management, and (iv) environment and social management, using strengthened guidelines, systems and processes and increased resources (DLI 5).

Results Area 4: Ensures that health facilities, schools, and Lower Local Governments (LLGs) are adequately resourced. This includes providing the necessary staffing, infrastructure, equipment, operational inputs, and motivation to meet basic service delivery standards and enhance performance.

These result areas collectively form the backbone of the IGFTRP, aiming to improve the efficiency and effectiveness of service delivery across all levels of government.

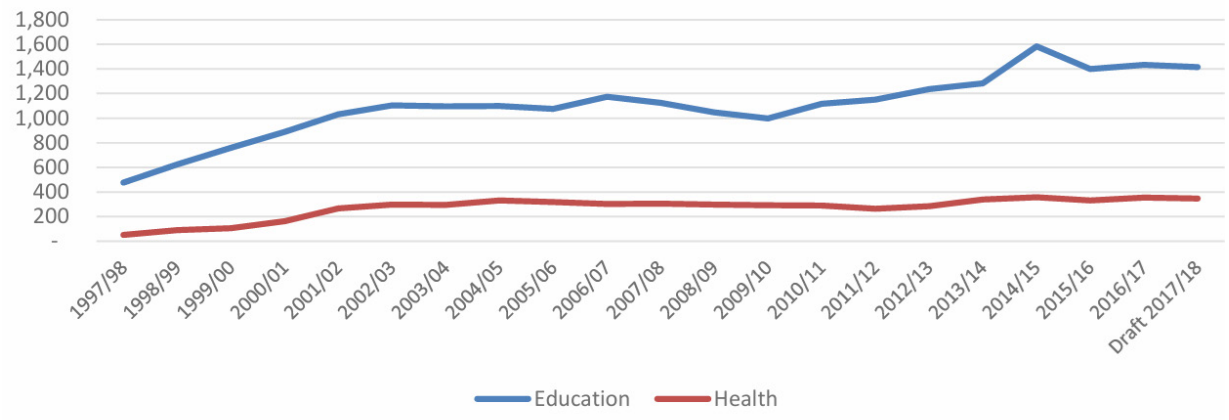
3.1.2 Adequacy of Financing for LG Services

3.1.2.1 Status of LG Financing Before the IGFTRP.

Prior to the implementation of the Inter-Governmental Fiscal Transfers Reform Program (IGFTRP), funding from the central government to LGs had increased nominally but remained insufficient to meet the growing needs of key sectors, such as education, health, water, and agriculture. From FY 1993/94 to FY 2017/18, allocations grew from UGX 0.35 trillion to UGX 2.73 trillion (in 2016 UGX terms). However, the initial surge in funding during the late 1990s and early 2000s, driven by debt relief and donor support, began to stagnate as the government shifted focus towards the productive sectors of the economy.

Between FY 2000/01 and FY 2017/18, real per capita allocations to LGs grew by only 9%, in contrast to a nearly doubled central budget and a 23% increase in real GDP per capita. Additionally, rising wage bills crowded out spending on non-wage recurrent and development grants, especially in the health and education sectors. As a result, per capita funding for primary education and primary healthcare dropped by approximately 70%, with development grants experiencing an even sharper decline of over 80%. These trends placed immense pressure on LGs to deliver critical services amidst growing populations and inflationary challenges.

Figure 1: Trends in LG financing for Education and Health Services, Real value in 2016 UGX



Source: IGFTR Program document.

3.1.2.2 Status of LG Financing During the IGFTP Implementation.

In 2017, the UgIFT was introduced to reverse the decline in LG financing and enhance adequacy. Initially, the program prioritized increased non-wage recurrent and development funding for education and health, later expanding to other sectors such as water, agriculture, and refugee-hosting LGs.

In more specific terms, UgIFT intended to:

a) Increase budgetary appropriations to recruit teachers (10,000 for primary and 8,000 for secondary) and health personnel (7,000) in understaffed LGs and facilities, as well as fill crucial gaps (for example, in water and environment).

   Under education, 537 teachers were recruited in 2022/23, 5,656 teachers in 2023/24, and 10,810 teachers are expected to be recruited in 2024/25. Good performance has been realized mostly in secondary education, with 5,119 teachers hired in 2023/24 and plans to recruit an additional 8,684 teachers in 2024/25, exceeding the MTP of 8,000 secondary school teachers.

   Under health 1,684 health workers were recruited in 2021/22, 6,670 recruited in 2022/23, 7,755 recruited in 2023/24 and the planned recruitment in 2024/25 is 9,717 health workers.

b) Enhance the NWR Grants – continued uplift of education (mainly capitation grants) and health (mainly facility funding) but also additional allocations for, Water and environment, and transitioning primary schools and health facilities in refugee hosting districts into LGs.

   The fixed UPE basic allocation per school has been maintained at Ushs. 1,350,000 per year, but the capitation per pupil has increased to 20,000, with SNE per pupil at 26,565. Secondary school capitation per student raised to Ushs. 175,000, with SNE at 219,450 and UPOLET at 275,000.

c) Enhance development funding. Additional money for health and education formula-based development grants for the renovation and extension of existing facilities. Arising from this, financing has been committed to constructing 259 seed secondary schools, upgrading 340, constructing 31 new HC IIIs, providing additional water sources in underserved LGs, and providing smallholder farmers access to micro-scale irrigation under a co-funding arrangement of 25% by the beneficiaries.

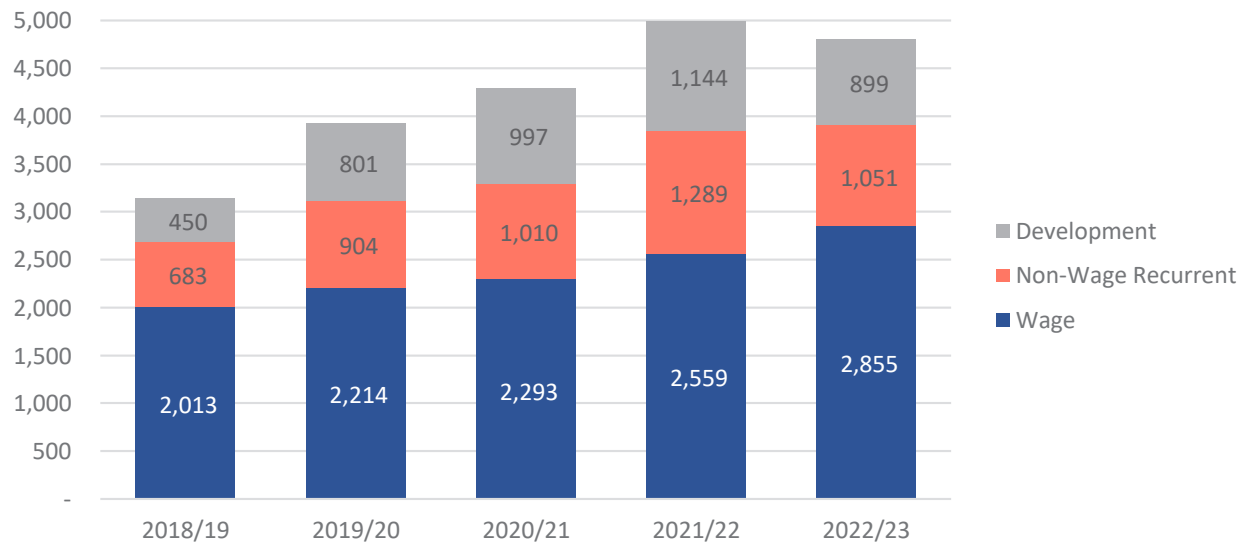
For the detailed performance, refer to Annex I.

Under the program, intergovernmental fiscal transfers increased significantly in nominal

terms rising from UGX 2.7 trillion in FY 2017/18 to UGX 4.8 trillion in FY 2022/23. In percentage terms, the transfers increased by 25% percent between FYs 2018/19-2019/20, 10% percent between FYs 2019/20-2020/21, 16% percent between FYs 2020/21-2021/22, and fell by 4% between FYs 2021/22 and 2022/23. The nominal growth observed in LG Grants allocations over 2019/20 and 2020/21 was primarily driven by increases in Development Grants (i.e. 78 percent - 2019/20, 24 percent – 2020/21), followed by the growth of Non-Wage Recurrent Grants (i.e. 32 percent – 2019/20, 12 percent – 2020/21) and Wage Grants (i.e. 10 percent – 2019/20, 4 percent – 2020/21 .

However, these gains were undermined by a sharp decline in FY 2022/23, where overall LG allocations fell by 4% in nominal terms, largely due to a 21% decrease in development grants and an 18% decrease in non-wage recurrent allocations. The wage component, however, increased by 12% during the same period, providing some relief in staffing across LG services.

Figure 2. MTP for Uplifting Local Government Transfers (In Mn nominal UGX)



Source: MoFPED IGFTRP Implementation Report FY 2021/22 – 22/23

In per capita terms, the overall grant funding has increased significantly for all four sub-programs of interest. The health sector has seen the most substantial growth, with real per capita allocations nearly doubling since the program's inception, reflecting a 97% increase. Education sector allocations have grown by 21% since FY 2017/18, while the agriculture sector experienced a significant 157% increase, with 75% of this growth attributed to the Parish Development Model. The water and environment sector also saw a considerable boost, with a 44% increase in allocations. Furthermore, the development grants stand out with the most pronounced increase, jumping by 246%. The total real per capita allocation to non-wage development grants increased by 74%. Wage grants, which were introduced in FY 2020/21, show more modest growth, with health and education wage grants increasing by 4% and 2% respectively since FY 2019/20[1].

1 Refer to UgIFT Impact and Lessons Learner Report. August 2022.

Table 2: Trends in Individual LG Grants (FY 2019/20 – 2022/23)

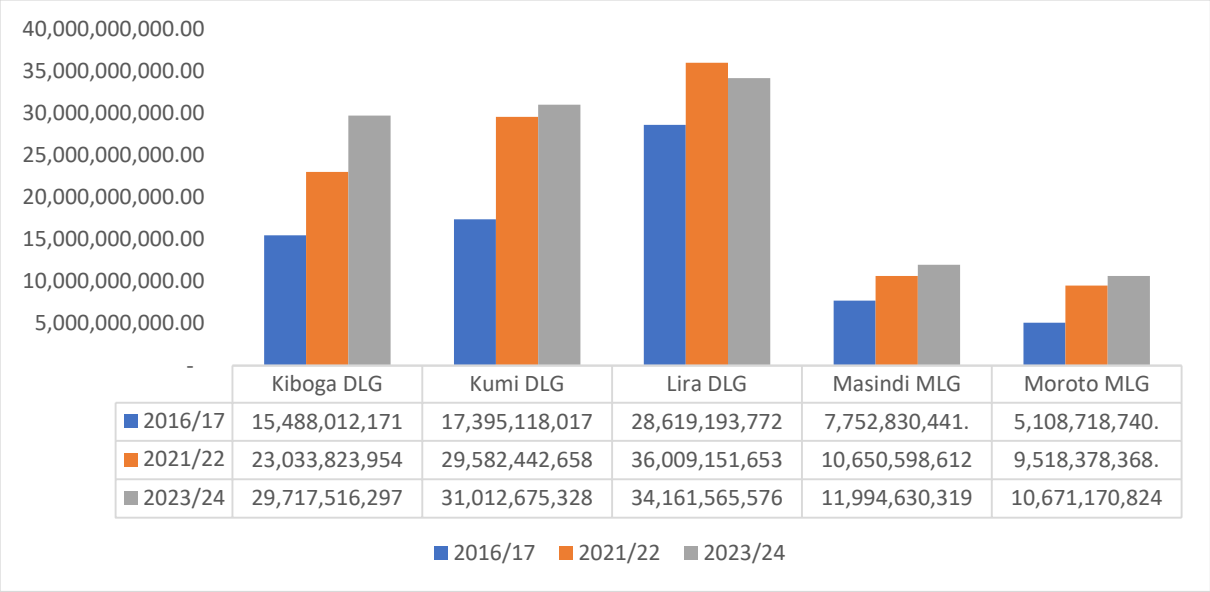
Grant	Sector	Nominal (Ushs Bn)					Real Per Capita (Ushs, 21/22 prices)				
		19/20	20/21	21/22	22/23	Change FY 19/2022/23 (%)	19/20	20/21	21/22	22/23	Change FY 1 9/2022/23 (%)
Wage	Education	1,404.8	1,457.9	1,545.6	1,560.0	11%	37,473	36,945	36,487	34,715	-7%
	Health	447.3	459.1	596.1	751.8	68%	11,931	11,635	14,073	16,731	40%
	Agriculture	76.9	82.6	83.7	120.7	57%	2,051	2,093	1,975	2,687	31%
Non-Wage Rec.	Uncondi-tional	284.9	293.7	334.0	422.8	48%	7,600	7,443	7,885	9,408	24%
	Education	298.1	340.3	385.2	335.1	12%	7,951	8,624	9,093	7,458	-6%
	Health	78.4	92.0	179.2	94.9	21%	2,091	2,331	4,229	2,111	1%
	Agriculture	33.8	33.8	198.4	44.3	31%	901	856	4,685	985	9%
	Water and Environ-ment	7.8	15.5	15.5	15.5	99%	208	393	366	345	66%
	Trade and Industry	2.2	2.2	2.2	2.2	0%	60	57	53	50	17%
	Social Develop-ment	7.6	7.6	7.8	7.6	0%	204	194	183	170	17%
Develop.	Uncondi-tional	122.1	127.2	136.2	161.6	32%	3,257	3,224	3,215	3,596	10%
	Education	181.5	199.1	243.0	238.8	32%	4,842	5,045	5,738	5,314	10%
	Health	80.1	95.4	161.5	120.1	50%	2,136	2,419	3,812	2,673	25%
	Agriculture	15.4	18.2	80.2	79.9	420%	410	460	1,893	1,778	334%
	Water and Environ-ment	48.4	77.0	77.7	77.0	59%	1,292	1,951	1,833	1,714	33%
	Works and Transport	10.9	10.9	10.9	10.9	0%	291	276	258	243	17%
	DDEG	419.7	552.5	515.7	279.3	33%	10,816	13,692	12,174	6,482	40%

Source: UgIFT 2023 Annual Report.

Reflections from the District Consultations

Local Government stakeholders across Uganda have directly benefited from the Uganda Intergovernmental Fiscal Transfer (UgIFT) program, with significant increases in funding observed across all LGs since the program's inception. For instance, between fiscal years 2016/17 and 2023/24, Kiboga DLG experienced a 91.87% rise while Kumi DLG also recorded a substantial increase of 78.28% during the same period

Figure 3: Trends in IGFTs to the Sampled LGs



	Kiboga DLG	Kumi DLG	Lira DLG	Masindi MLG	Moroto MLG
2016/17	15,488,012,171	17,395,118,017	28,619,193,772	7,752,830,441.	5,108,718,740.
2021/22	23,033,823,954	29,582,442,658	36,009,151,653	10,650,598,612	9,518,378,368.
2023/24	29,717,516,297	31,012,675,328	34,161,565,576	11,994,630,319	10,671,170,824

Source: Computations by the author based on IFMS figures.

While they primarily associated UgIFT with the construction of seed secondary schools, upgrading of health facilities, and implementation of Micro-Scale Irrigation (MSI), they noted visible impacts across these sectors.

These increases have been particularly noticeable in the education, health, and agriculture sectors. In education, the introduction of the UgIFT program has led to a significant increase in funding for school facilities, allowing for the construction of seed secondary schools in several districts. For example, before UgIFT, Kumi DLG education department received approximately 280 million Ugandan Shillings (UGX) under the School Facilities Grant (SFG), which could only fund the construction or rehabilitation of up to four classrooms annually. With UgIFT, the education department now receives over 2 billion UGX, enabling the construction of two seed schools in the district.

In the health sector, UgIFT funding has facilitated the upgrading of health facilities, enabling LGs to improve the quality of healthcare services. Kiboga DLG, for instance, has utilized UgIFT funds to upgrade Bulaga and Buninga Health Center IIs (HC IIs).

The agriculture sector has also witnessed significant advancements, with the introduction of the Micro-Scale Irrigation (MSI) grant. Kumi DLG, which had not previously received any MSI funding, was allocated 620 million UGX in 2022/23, allowing for the development of micro-scale irrigation systems to support agricultural productivity.

Furthermore, UgIFT has supported the expansion of piped water supply systems through increased allocations to the water development grant, benefiting LGs like Kumi DLG.

Table 3: List of UgIFT funded Projects in Education and Health in the Sampled LG

LG	Seed School	Health Facility Upgrade
Kiboga DLG	• Katoma Seed School • Lwamata	• Bulaga HC II • Buninga HC II
Kumi DLG	• Kumi Seed School • Dr. Aporu Okol Memorial SS	
Lira DLG	• Agali Seed School • Ogur Seed School	• Alik HC II • Barlonyo
Masindi MLG		• Katasenywa HC II
Moroto	• Nil	• Nil

Source: Records from the sampled LGs

Despite these advancements, there have been observations that municipalities have not benefited from the UgIFT program to the same extent as rural LGs. Several municipalities, including Moroto MC, reported that most infrastructure developments funded by UgIFT have been concentrated in the districts, leaving municipalities with comparatively fewer benefits. For instance, Moroto MC received an education development grant of 28 million UGX in FY 2022/23, a significant decrease from the 102 million UGX it received in FY 2020/21 and 2021/22. However, further investigation confirmed that some municipalities have received UgIFT-funded infrastructure support, albeit at a lower scale than their rural counterparts. It is worth noting that municipalities do benefit from other infrastructure funding sources, such as the Uganda Support for Municipal Infrastructure Development (USMID) program, which may explain the perceived discrepancy in UgIFT benefits.

Regarding Non-Wage Recurrent (NWR) allocations, although there was a substantial increase in the NWR grant, none of the officers in the sampled LGs attributed this increase to the UgIFT program. Instead, they viewed it as a routine adjustment by the government.

When asked about specific areas where increases were observed, officers primarily noted a new allocation of 15 million UGX to the office of the Chief Administrative Officers for monitoring projects implemented in 2023/24, along with enhanced allocations to statutory bodies. For instance, the District Service Commission (DSC) received an increase to 18 million UGX in 2023/24, with an additional 25 million UGX in 2024/25 to address recruitment backlogs. The District Public Accounts Committee also received an allocation of 25 million UGX in 2024/25. Previously, these three statutory bodies combined had an annual allocation of only 25 million UGX, which was widely considered insufficient.

The focus on administrative department allocations in this feedback is likely due to the respondents' roles; most were from the finance and administration departments and may have had limited knowledge of developments in other departments.

In terms of wage allocations, LG officers confirmed enhancements both in the increased number of newly recruited staff and salary improvements for science staff cadres.

While LG officers expressed satisfaction with the construction of new, high-quality facilities, they raised concerns about functionality and effective utilization. Challenges cited included inadequate staffing and the absence of critical infrastructure; for example, school laboratories were built without running water, a vital resource for their operation.

Additionally, LG officers felt that the goal of adequacy could be better met if the budget were more equitably allocated between the central government and local governments. Officers observed that although the national budget has increased each year, the portion allocated to LGs has continued to decline, even though service delivery is primarily conducted at the local level.

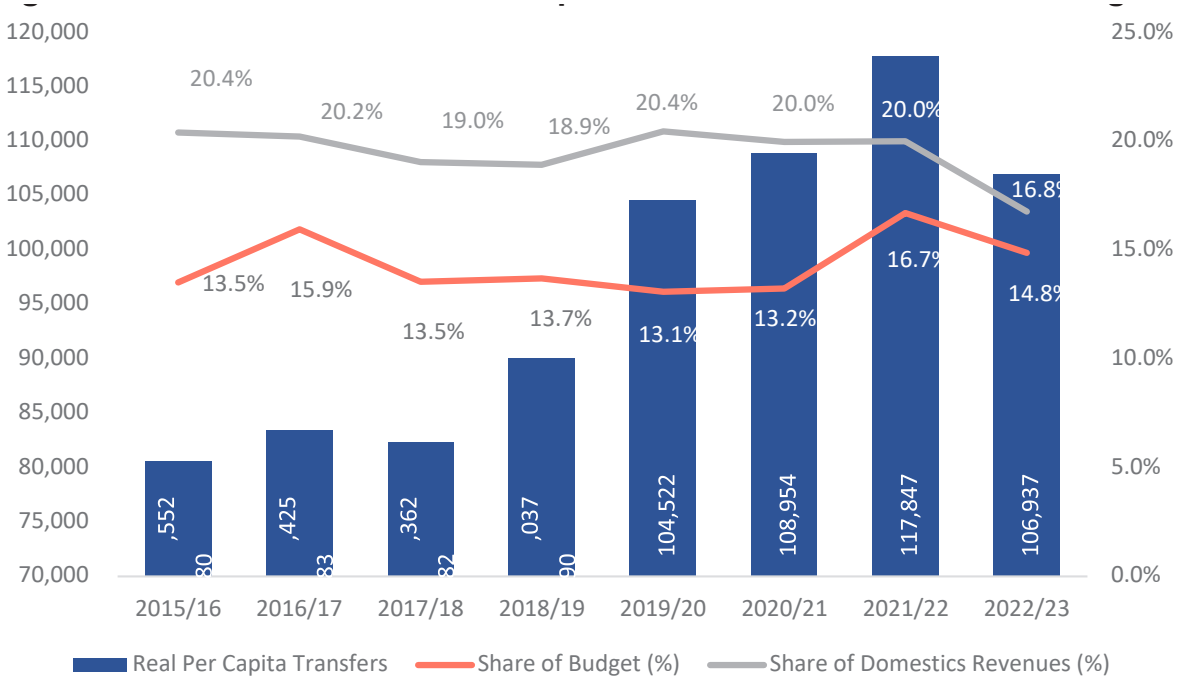
Overall, the UgIFT program has had a positive impact on LG financing and service delivery in Uganda. However, stakeholders have highlighted some shortcomings that need to be addressed to enhance the program's effectiveness, including:

- Procurement challenges related to the lotting system, where contractors are awarded multiple lots despite potentially lacking sufficient capacity.
- Concerns about the use of standard costing for all projects, irrespective of location-specific conditions, leading to variations in project costs and potential delays in project completion.
- The involvement of the Uganda People's Defence Forces engineering brigade has also been flagged as a challenge, as it may affect LGs' ability to effectively supervise projects.
- Ensuring the functionality of newly constructed facilities by addressing staff shortages and providing essential infrastructure is crucial to maximizing the impact of UgIFT investments.
- Promoting equitable distribution of UgIFT benefits between districts and municipalities requires careful consideration and planning to address perceived disparities.

3.1.2.3 Challenges in Enhancing Adequacy of LG Financing.

Despite progress made under the IGFTRP, significant fiscal challenges continue to affect Local Governments (LGs). A primary concern is the declining share of the national budget allocated to LGs. While the national budget has consistently grown, the portion allocated to LGs has decreased from 20.4% in FY 2019/20 to 16.8% in FY 2022/23. This trend is particularly alarming considering that service delivery primarily occurs at the local level. The decline in LG budget allocation has been exacerbated by the tendency of Ministries, Departments, and Agencies (MDAs) to retain significant portions of allocated funds, further constraining LGs' capacity to deliver services effectively. This pattern has continued in FY 2023/24, with the overall LG budget decreasing to UGX 6.072 trillion from UGX 6.9 trillion in the previous fiscal year.

Figure 3. LG Transfers- Real Per Capita and Share of the National Budget



Inadequate Real Per Capita Allocations: Although transfers increased in nominal terms, real per capita allocations remain insufficient due to population growth and inflation. For instance, while total LG funding increased, the real value of the grants declined, according to the graph above, a fall is observed from UGX 117,847 achieved in 2021/22 to UGX 106,937 in 2022/23.

Sectoral Imbalances: There are notable inefficiencies in how funds are allocated within sectors. For example, the capitation grant for Universal Primary Education (UPE) stood at UGX 20,000 per student in FY 2021/22, only 31.5% of the National Planning Authority (NPA) recommended rate of UGX 63,546 for urban schools. Moreover, Uganda's primary education funding is 50% below the median for Low-Income Countries (LICs), while secondary education spending is 85% higher than the LIC median, indicating a mismatch in sectoral priorities. Certain sectors such as water, agriculture, and environment receive inadequate funding, with development grants in these areas averaging only UGX 1,800 per capita, far below the threshold required for effective service delivery.

A more pressing concern lies in the funding of non-UgIFT sectors and functions. These areas, which include crucial administrative and political functions, internal audit, social development, works and transport, natural resource management, commercial services, and pre-primary education, face severe financial constraints. They rely entirely on meagre and unreliable sources: Own Source Revenue (OSR), Unconditional Grants (UCG), or project financing outside the UgIFT framework. This precarious funding situation puts these essential functions at risk, potentially undermining the overall effectiveness of local governance and service delivery.

The functionality and operationalization of existing infrastructure, including those established with UgIFT support, present another significant challenge. There is a concerning trend of prioritizing the construction of new infrastructure without ensuring the full functionality of existing facilities. This approach often leads to new facilities being underutilized due to inadequate staffing, lack of essential equipment, or incomplete critical amenities, while existing facilities continue to operate below capacity. This situation underscores the need to shift focus from new construction to equipping and staffing existing infrastructure to ensure optimal service delivery.

3.1.2.4 Proposed Recommendations to Improve LG Financing

First, it is crucial to shift the focus from establishing new physical infrastructure to ensuring the full operationalization of existing facilities. This can be achieved by equipping all established infrastructure, both old and new, with the necessary critical amenities and requirements for their complete functionality. LGs should incorporate Operation and Maintenance (O&M) costs for existing physical infrastructure into their budgets. To support this, LGs should conduct regular facility assessments, which will inform the allocation of O&M budgets effectively.

Secondly, there is a need to enhance unconditional grants to LGs. This increase would enable LGs to adequately finance critical departments such as the Office of the Chief Administrative Officer, the Internal Auditor, Community Development, and Natural Resources. By strengthening these core departments, LGs will be better positioned to perform their roles effectively and respond to local needs more efficiently.

This study endorses the need to revise the Intergovernmental Fiscal Framework, specifically adopting recommendations from the fiscal decentralization architecture study. The key recommendation emphasizes that grant allocations should be based on each grant's real value to its expenditure assignment. The detailed expenditure assignments outlined in this fiscal decentralization architecture study should serve as the foundation for grant negotiations between LGs and CG.

Lastly, it is imperative to rebalance sectoral allocations, with a particular focus on primary education and healthcare. In the education sector, more than half of the education grants should be allocated to primary education. This reallocation would help meet the national target pupil-to-teacher ratio of 53:1 and align Uganda's primary education funding with Low-Income Country (LIC) medians. For the health sector, we recommend doubling the current allocations to align with LIC medians. This increase would address critical shortages in medicines and insufficient numbers of health workers, thereby improving the overall quality of healthcare services at the local level.

3.1.3 Equity in LG Financing

The second objective of the Inter-Governmental Fiscal Transfer Reform Program (IGFTRP) was to enhance equity in the allocation of inter-governmental fiscal transfers (IGFTs). The Government of Uganda (GoU) committed to ensuring that resources are allocated based on objective, transparent, and equitable formulas. This was intended to address

significant disparities in the horizontal allocation of resources, which have historically favored better-off local governments (LGs).

By adopting formula-based allocations, the aim was to shift away from input-based allocation models, which disproportionately benefited districts with better infrastructure and staffing levels, thereby reinforcing existing inequalities. The new approach considered factors such as performance, hard-to-reach populations, and total land area—variables that typically hinder service delivery in underserved areas. These adjustments primarily targeted non-wage recurrent and development grants, with the intention of gradually closing the service delivery gap between better-off and less advantaged districts.

3.1.3.1 Equity in aggregate LG Financing

The 2023 UgIFT Annual Report indicates that equity in both wage and non-wage recurrent grants has remained stable over the past four financial years, based on measures like the Gini coefficient and max/min ratios. Non-wage recurrent allocations have become more equitable since 2015/16, following the introduction of formula-based allocations. For instance, in FY 2022/23, the average aggregate transfer per capita across all LGs was USh 129,077. However, the 20 least funded LGs received only 62% of this amount, demonstrating a persistent funding gap. Although the max/min ratio remained high at 13, the Gini coefficient dropped to 22%, signalling a modest improvement in equity.

Development grants also saw marginal improvements in equity, as the allocation ratio between the best and least funded LGs decreased from 60 to 52 over FY 2019/20–2022/23. This shift reflects increasing allocations to formula-based windows in education, health, and water sectors, as well as targeted increases to the least funded LGs.

Table 4. Equity of Total Fiscal Transfers and by Economic Classification (FYs 2018/19-2022/23)

Equity of Fiscal Transfers	19/20	20/21	21/22	22/23	19/20	20/21	21/22	22/23	Note
	Aggregate				Wage				
Average Transfer per capita	135,671	138,364	146,682	129,077	70,983	70,313	72,554	75,062	
20 least funded LGs/Average e Transfer per capita	64%	62%	68%	62%	69%	66%	70%	65%	Higher Better
Max/Min Ratio	11	12	13	13	6	13	7	7	Lower Better
Gini Coefficient	25%	26%	22%	22%	20%	23%	20%	21%	Lower Better
	Non-Wage Recurrent					Development			
Equity of Fiscal Transfers	19/20	20/21	21/22	22/23	19/20	20/21	21/22	22/23	Note
		Aggregate				Wage			
Average Transfer per capita	29,489	31,508	36,151	26,698	35,198	36,542	37,978	27,316	
20 least funded LGs/Average e Transfer per capita	63%	58%	68%	59%	30%	34%	49%	44%	Higher Better
Max/Min Ratio	6	13	7	7	60	60	52	52	Lower Better
Gini Coefficient	23%	24%	20%	23%	54%	52%	46%	45%	Lower Better

Source: UgIFT Annual Report.

3.1.3.2 Equity in Grant Allocations

The wage grants saw limited progress. In FY 2021/22, GoU allocated USh 74.2 billion in wage increments to LGs with critically low staffing levels in education and healthcare. However, by FY 2022/23, only a fraction of this had been disbursed: 54% for primary education, 0% for secondary education, and 23% for primary health care. This underfunding hindered the intended improvements in staffing equity. The wage grants, which have not been formula-based, were allocated to improve staffing levels in newly constructed facilities (e.g., Seed Secondary Schools and upgraded HCIIs). GoU's FY 2021/22 wage increments were specifically intended for LGs with low staffing, but as previously mentioned, these allocations were underfunded due to fiscal constraints.

While non-wage recurrent transfers have been allocated according to agreed formulas since FY 2019/20, some key grants have only partially adhered to formula-based allocations. For example, in FY 2022/23, 33% of the education development grant was allocated via formula, with the remainder earmarked for constructing Seed Secondary Schools in underserved sub-counties. Similarly, 31% of the health development grant was formula-driven, with the rest used for upgrading facilities to Health Centre III (HCIII) level in selected areas. The discretionary nature of these allocations has led to significant variations in funding between LGs.

The District Development Equalization Grant (DDEG) also experienced disparities, as its allocation within specific windows (e.g., USMID, PRDP, LRDP) followed inconsistent formulas, leading to notable variations in per capita funding.

3.1.3.3 Challenges to Achieving Equity in LG Financing

Several challenges impede equitable resource allocation in Uganda, despite the positive strides made through formula-based allocations. A primary concern is the failure to adequately account for the unique challenges faced by specific LG categories, including island LGs, refugee-hosting LGs, and those situated in hard-to-reach or hard-to-stay areas. Historically, equalization grants and affirmative action programs provided support to these disadvantaged LGs. However, recent reforms consolidated these grants into the Discretionary Development Equalization Grant (DDEG), prioritizing development initiatives while overlooking critical operational needs.

This shift disadvantages LGs in peripheral areas, where operational costs often significantly exceed those of conveniently located LGs.

Furthermore, the DDEG allocation formula heavily weighs performance assessment results (50%), further disadvantages vulnerable LGs whose performance is typically lower due to persistent challenges, such as attracting and retaining qualified staff. Additionally, the remaining 50% of the DDEG formula, based on a basic allocation, does not adequately consider the unique needs of disadvantaged LGs. While

The Implementation of equalization grants underwent consolidation through recent reforms. Previously, multiple equalization grants existed, including the Post Reconstruction Development Program (PRDP) and the Luwero-Rwenzori Development Program (LRDP). These grants were designed to support LGs facing development challenges, particularly those stemming from post-war recovery needs. Through the reform process, these separate equalization grants were merged into a single grant: the Discretionary Development Equalization Grant (DDEG).

sub-program allocations acknowledge hard-to-reach areas, their contribution remains insufficient. For instance, education and health NWR grants allocate only 2% to these areas, while island LGs and refugee-hosting LGs receive even less consideration.

The recent proliferation of new LGs, intended to extend service delivery to underserved areas, has also exacerbated the challenge. These new LGs, often comprising peripheral LLGs, lack essential infrastructure and staffing, impacting their ability to provide services effectively. These challenges collectively highlight the urgent need for a dedicated equalization grant that prioritizes the unique needs of disadvantaged LGs, incorporating factors like remoteness/connectivity, refugee influx, and operational cost disparities.

Additional challenges to achieving equity include:

Inconsistent application of need-based formulae: While formula-based allocations have improved equity, many critical development grants, especially in education and health, continue to be distributed through discretionary, centrally decided projects. These ad-hoc decisions contribute to large disparities in LG financing.

Wage allocation Issues: The IGFTRP's efforts to address staffing inequities across LGs have been undermined by insufficient and poor wage disbursements, leaving many LGs with critical staff shortages, particularly in education and health.

Infrastructure allocation not needs-based: The construction of Seed Schools and HCII upgrades has not consistently followed needs-based criteria, leading to an unequal distribution of facilities. This is exacerbated by Uganda's diverse population and geographic conditions, where some areas require more investment due to being hard-to-reach and sparsely populated. Additionally, there challenges with the transitional grants whose allocations is not clearly known, the LG officers perceived this transitional grant to be a politically driven grant.

LG officers also reported that the MSI grant's co-funding requirement (25%) has inadvertently exacerbated inequalities, as vulnerable farmers often struggle to meet these requirements. This situation prevents poorer farmers from accessing the grant's benefits, further widening the gap between the well-off and those most in need. However, further investigation revealed that farmers who cannot meet the co-funding requirements might also find it challenging to manage the system's operational costs, including fuel and spare parts. Therefore, maintaining some level of financial capacity assessment for grant recipients remains crucial.

3.1.3.4 Proposed Recommendations for the policy advocacy

1. Reinstitute a dedicated equalization grant: Establish a separate equalization grant specifically designed to address the operational and developmental needs of disadvantaged LGs. This grant should incorporate a comprehensive set of criteria that capture factors like remoteness, refugee influx, and operational cost disparities, ensuring that funding is directed to areas facing the greatest challenges.
2. Fully implement formula-based allocations: Transition all grants, particularly those in the education and health sectors, to a fully formula-based allocation system that prioritizes objective, needs-based criteria. This shift will minimize discretionary allocations and ensure a fairer distribution of resources across all LGs.

3. Ensure adequate staffing: Ensure that budgeted funds for wage grants are fully disbursed and executed promptly. Prioritizing the allocation of wage grants will enable LGs to address critical staffing shortages and enhance service delivery across all regions.
4. Develop a needs-based infrastructure allocation framework: Implement a comprehensive needs assessment framework to guide the allocation of infrastructure development funds. This framework should consider population density, geographic accessibility, existing infrastructure gaps, and projected service demands to ensure that investments are targeted where they are most needed.
5. Improve transparency and accountability in grant allocation processes: Ensure that the allocation of all grants, including transitional grants, follows a transparent and accountable process. Clear guidelines, publicly available data, and mechanisms for grievance redressal will enhance stakeholder trust and minimize perceptions of bias or political interference.
6. Invest in data collection and analysis: Improve data collection and analysis capabilities to provide accurate and up-to-date information on LG needs, performance, and service delivery gaps. Robust data will enable evidence-based decision-making and ensure that resources are allocated equitably based on objective criteria.

3.1.4 Discretion in LG Financing

The Government of Uganda (GoU) has been striving to enhance the balance between earmarked (conditional) and discretionary transfers for both development and recurrent funding under the Inter-Governmental Fiscal Transfer Reform Program (IGFTRP). The goal has been to provide local governments (LGs) with greater autonomy over how they allocate resources, particularly through less restrictive guidelines and increased discretionary funding. Several initiatives have been introduced to achieve this, though challenges persist in fully realizing the intended levels of discretion.

Examining conditional grants

- Non-wage Recurrent Grants: The revised grant guidelines for non-wage recurrent grants have offered LGs more flexibility in allocating funds. These adjustments have aimed to reduce rigidities in the allocation process, allowing LGs to better respond to local needs. Moreover, performance-based grants for health facilities are being designed to be integrated into the Intergovernmental Fiscal Transfer System, offering health service providers additional flexibility in allocating these funds to address specific service delivery challenges.

- Development Grants: Progress has also been made in reducing restrictive guidelines for development grants. For instance, the share of development conditional grants that are not earmarked for specific projects has increased in key sectors, notably in health, where the share rose from 0% to 31% between FY 2020/21 and FY 2022/23. However, many development grants remain constrained by strict guidelines that limit LGs' ability to address their most pressing priorities.

Exploring the discretionary grants

- Unconditional Grant (UCG) – The UCG is designed to provide LGs with flexibility in resource allocation. However, its limited adequacy restricts the extent to which LGs can exercise their discretion. The grant's structure, while labelled as "unconditional," is often subject to conditionalities in practice, further limiting LGs' flexibility. For

instance, the UCG is earmarked for specific purposes, including salaries for non-teaching and non-health staff, administrative costs, and support services like pensions. Increasing the overall adequacy of the UCG is essential for enhancing true discretionary spending and empowering LGs to better meet their local development goals.

Table 5: The Un conditional grant structure.

Grant		Purpose
District Unconditional Grant		
Wage		To fund the salaries of staff paid from the traditional Local Government payroll (i.e. all staff except teachers, health workers, extension workers) in the higher Local Government and rural areas
Non-Wage	o/w District	To fund both the recurrent and development costs of decentralised services alongside locally raised revenues in the districts and sub-counties
	o/w Sub- County	
	o/w IFMS	
	o/w IPPS	
	o/w Payroll Printing	
	o/w Boards & Commissions	
	o/w Councillors Allowances & Ex-Gratia	
Urban Unconditional Grant		
Wage	o/w Municipality	To fund the salaries of staff paid from the traditional local government payroll (i.e. all staff except teachers, health workers, extension workers) in urban areas
	o/w Town Council	
Non-Wage	o/w Municipality	To fund both the recurrent and development costs decentralised services alongside locally raised revenues in urban areas
	o/w Town Council	
	o/w IFMS	
	o/w IPPS	
	o/w Payroll Printing	
	o/w Boards & Commissions	
	o/w Councillors & Ex-Gratia	
Support Services		
o/w Pension		To provide for pension and gratuity payments and arrears for former Local Government employees
o/w Gratuity		
o/w Pension and Gratuity Arrears		
o/w Salary Arrears		
o/w Urban Ad Hoc		Ad hoc allocation to local governments for administrative activities.
o/w Rural Ad Hoc		

Source: Unconditional Planning and Budgeting Guidelines.

From the table above, it is observed that although in the name, the grant is called the unconditional grant but in practice it is marred with conditionalities as such LGs' flexibility in utilization of this grant is greatly limited.

- Discretional Development Equalization Grant: The DDEG has become a highly discretionary grant, giving LGs greater freedom to utilize funds for development

within their legal mandates.

- While there was a notable increase in DDEG allocations from FY 2019/20 to FY 2020/21 driven by a USh 133 billion boost from the World Bank's Uganda Support to Municipal Infrastructure Development Program (USMID) this funding has since declined. For example, the FY 2021/22 allocation dropped by USh 55 billion, and FY 2022/23 saw an even steeper reduction, largely due to a shift in government priorities towards the Parish Development Model (PDM). As a result, the DDEG's capacity to support LG discretion has been significantly affected.

3.1.4.1 Sector-Specific Financing Challenges

Education financing remains heavily reliant on conditional grants, which make up 98% of total LG funding for the sector. These grants are tightly controlled by the central government through sector planning and budgeting guidelines, limiting LG discretion in allocation and expenditure. The current structure leaves little room for LGs to address local education needs independently.

The health sector faces similar constraints, with stringent guidelines directing the allocation and utilization of Primary Health Care (PHC) grants. While these guidelines ensure alignment with national health priorities, they severely restrict LGs' ability to adapt budgets to local health emergencies or urgent needs.

A key issue in health financing is the centralized procurement of drugs through the National Medical Stores (NMS). Under the "push" system, lower health centers (HCII and HCIII) receive pre-packed kits of Essential Medicines and Health Supplies (EMHS) without the flexibility to order based on actual need. This system has led to wastage, with some facilities receiving surplus drugs that expire while others face shortages. By contrast, the "pull" system for higher-level facilities (HCIV and above) provides greater discretion, allowing facilities to order EMHS based on local demand. Expanding this system to all health centers would enhance LG discretion and improve responsiveness to local health challenges.

Agriculture grants are entirely conditional, with allocations guided by strict sector grant utilization guidelines. While Production and Marketing department coordinators have some leeway within predefined priority areas, overall discretion remains low. This limits LGs' capacity to address emerging agricultural challenges or invest in locally relevant initiatives.

In the water and sanitation sector, LGs also face strict planning and budgeting guidelines, which dictate how grants must be allocated and spent. These guidelines are designed to ensure compliance with national policies but limit LG discretion in prioritizing interventions. For instance, funds are earmarked for specific activities like water point construction and public toilet provision, leaving little room for LGs to address broader local water and sanitation needs.

3.1.4.2 Recommendations to Improve Discretion in LG Financing

1. Maintain strategic earmarking: While some degree of earmarking is necessary to ensure adherence to national priorities and standards, particularly across sectors, there

is room to reduce excessive earmarking within sectoral grants. For example, overly prescriptive guidelines in education and health sectors should be relaxed to allow LGs more flexibility in addressing local service delivery gaps.

2. Increase the adequacy of unconditional grants: To enhance LG discretion, the overall size of Unconditional Grants must be increased. A higher allocation would enable LGs to better manage local priorities without being over-reliant on conditional grants, which are tied to central government directives. A phased approach to increasing the grant's size should be implemented, with periodic reviews to assess its impact on LG decision-making capacity.
3. Introduction of block grants: To increase flexibility, block grants should be introduced, especially in service delivery sub-programs. These grants would allow LGs to allocate resources across different programs and functions within the sub-programs based on local priorities. For example, instead of rigidly following conditional guidelines, LGs could decide to invest more in critical areas such as classroom construction or teacher recruitment. These block grants should still comply with national development frameworks but give LGs the flexibility to address urgent needs while being subject to performance monitoring through National Assessment exercises.
4. Increase domestic allocations to the DDEG: To provide LGs with greater autonomy over development projects, the DDEG should be enhanced with more stable and predictable funding. Domestic allocations should be increased and insulated from external reallocations, such as those driven by the PDM or other national programs. This would ensure LGs can plan and implement projects aligned with local development goals.
5. Strengthening local revenue mobilization. This will be achieved through expanding the local revenue base and investing in more accurate and comprehensive enumeration exercises. Furthermore, efficient collection methods should be implemented, particularly through the advancement of electronic collection systems. To encourage tax compliance, communities should be incentivized through a clear demonstration of the correlation between revenue collection and improved service delivery.

3.2 Efficiency and Effectiveness of Local Government Service Delivery

3.2.1 Background to the LG Performance Assessment System

The efficiency and effectiveness of local government (LG) service delivery are primarily measured through the Local Government Management of Service Delivery (LGMSD) Annual Performance Assessment. This assessment is a critical component of the broader Intergovernmental Fiscal Transfer Reforms (IGFTR), which aim to enhance the adequacy, equity, and efficiency of LG financing.

Under the leadership of the Office of the Prime Minister (OPM), the annual LG performance assessments have been consistently conducted since FY 2017/18. These assessments are used to inform the allocation of development grants to LGs and support the design and implementation of Local Government Performance Improvement Plans (LG PIPs), coordinated by the Ministry of Local Government.

In FY 2020/21, the government recognized that enhancing service delivery requires not only increased adequacy and equity of fiscal transfers but also:

a) Strengthened central government oversight and support,
b) Improved LG capacity for managing local service delivery, and
c) Enhanced service delivery performance at both the Lower Local Government (LLG) and service facility levels.

To address these needs, a revised performance assessment framework was introduced. The new framework, which has been in use from FY 2020/21 to FY 2023/24, focuses on three levels:

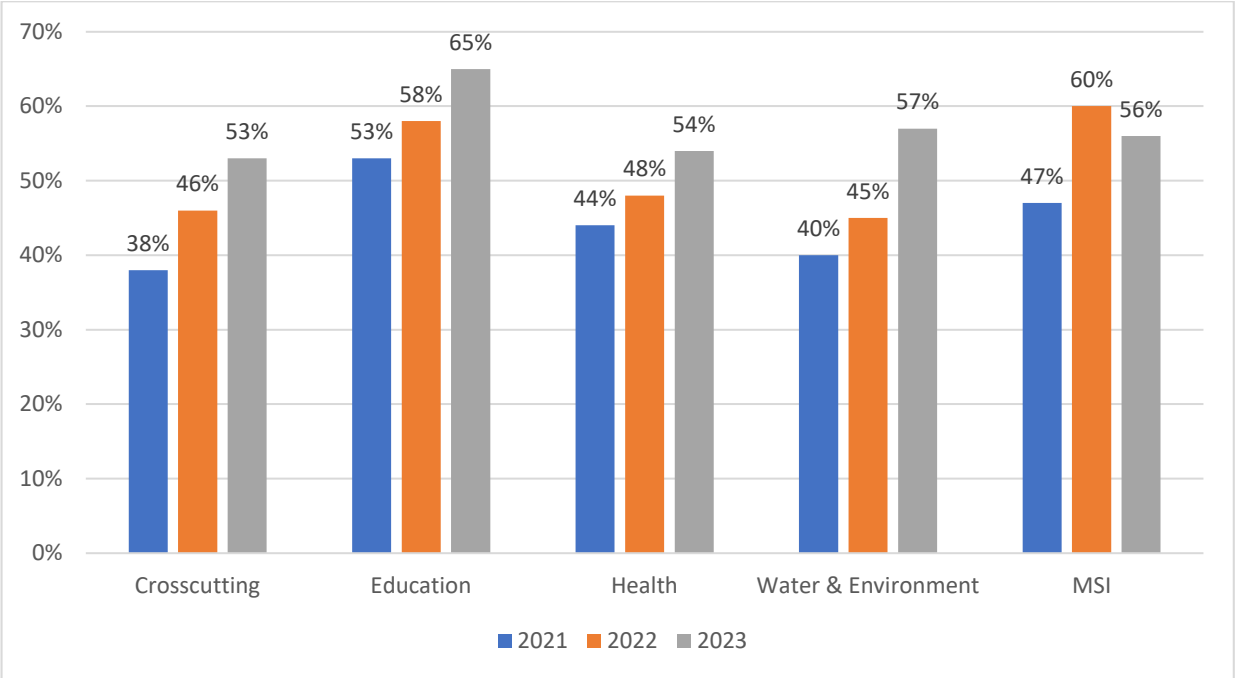
d) Level 1: Service Delivery Facilities (e.g., primary schools and health facilities) and LLG performance,
e) Level 2: LG management of service delivery, and
f) Level 3: Central Government (CG) monitoring and oversight of service delivery.

1.1.2 Overview of the Performance in the LGMSD Performance Assessment

According to the LGMSD Performance Assessment report for 2023 (published in 2024), there has been sustained improvement in LG performance. Using 2020 as the base year, the aggregate LG performance improved from 36% in 2020 to 44% in 2021, 51% in 2022, and 57% in 2023, representing a 21percentage point improvement. This upward trend reflects improvements across all key performance areas, demonstrating that LGs have become more compliant with policies and regulations, and have improved both efficiency and effectiveness in delivering services.

However, a slight dip was observed in the Management of Service Institutions (MSI) between 2022 and 2023, which coincided with the nationwide rollout of MSI during that period.

Figure 4: Comparative Aggregate Performance of LG in LGMSD Performance Assessment



1.1.1 Impact of the Assessment Results.

The results of the LGMSD performance assessments have contributed to several key outcomes:

a) Allocation of development grants: The assessment results from FY 2017/18 to date have been to inform the allocation of development grants for health, water, education, and the Discretionary Development Equalization Grant (DDEG).
b) Performance Improvement Plans: The results informed the development of Performance Improvement Plans for the lowest-performing LGs, aimed at addressing specific performance gaps and strengthening service delivery.
c) Government Annual Performance Report (GAPR): The results were integrated into the GAPR for FY 2020/21 and FY 2022/23, which was discussed by the Cabinet. Policy recommendations arising from the assessment, such as the prioritization of LG staffing, are being addressed by the relevant ministries, departments, and agencies (MDAs) and LG representatives.

3.2.4 Key Challenges in LG Performance Assessment.

Despite the progress made, several challenges persist in the current LG performance assessment framework:

a) Limited Scope at the Facility Level: The current framework focuses predominantly on higher local governments (Level 2), with minimal attention to direct service delivery facilities (Level 1). For instance, the school performance assessment was only rolled in FY 2023/24, limiting comprehensive evaluation of service outcomes at the grassroots level.
b) Reduced Incentive Structure: The reduction in DDEG allocations and the conditioning of sector development grants to pre-determined facilities have weakened the incentives available to LGs. The lack of financial rewards or recognition, particularly at the facility level, has eroded LG motivation to improve performance.
c) Limited Focus on Service Outcomes: The framework has historically emphasized compliance with regulations and the achievement of outputs, without adequately focusing on service delivery outcomes. As a result, some LGs excel in assessments but fail to achieve improved service outcomes, leading to a disconnect between assessment results and citizen satisfaction with services.

Arising from the challenges above, the OPM commissioned a study to review and refine the LGMSD performance assessment system and framework. The revised framework focuses on service outcomes and processes that have marginal impact on the service outcomes and the visible outputs.

3.2.5 Recommendations for Improving the LG Performance Assessment Framework

To enhance the efficiency and effectiveness of LG service delivery, the following recommendations are proposed:

a) Revise and Strengthen the Incentive Structure: The incentive regime should be revised

to make it more attractive for LGs to improve their performance. This can include reinstating the size of the DDEG and flexibility in utilization of the sector conditional grants.

b) Adopt Multi-year Performance Improvement Plans (PIPs): LGs should be required to develop and implement multi-year PIPs that are aligned with their performance assessment results. These PIPs should focus on long-term service delivery improvements, with periodic reviews and adjustments based on progress. Linking the success of these plans to incentives would create sustained motivation for continuous improvement.

c) Strengthen Monitoring and Oversight: Central government oversight should be enhanced to ensure that LGs remain accountable for their performance. Improved coordination among MDAs, regular monitoring visits, and timely feedback on LG performance will help track progress and address challenges early, ensuring that LGs are supported in delivering efficient services.

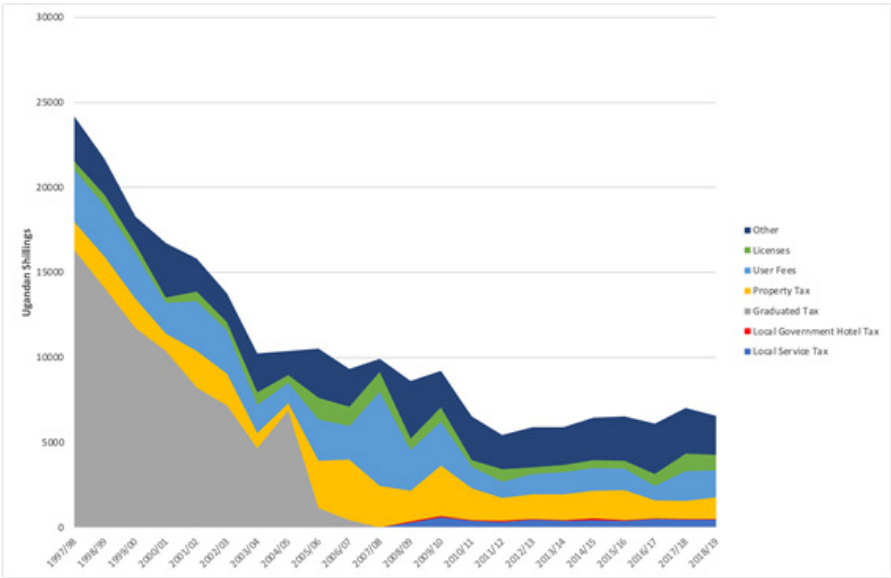
3.3 Progress, Gaps, and Challenges in Local Revenue Mobilization

3.3.1 Background

While Inter-Governmental Fiscal Transfers (IGFTs) continue to form the bulk of local government (LG) revenues, there remains a strong emphasis on the importance of Own Source Revenues (OSR). OSR is not only critical for enhancing the financial self-sufficiency of LGs but also plays a significant role in improving governance, as it fosters greater accountability and prudence in the use of fiscal resources.

OSR is expected to contribute to both service delivery and the financing of a wide range of administrative and political core functions. However, the real value of OSR, when adjusted for inflation and population growth, has displayed a sharp decline since 1998. This is primarily due to the abolition of the Graduated Personal Tax (GPT), which was not compensated for by other tax revenues. Furthermore, other OSR streams have struggled to keep pace with inflation[2].

Figure 5: Real value of LG Own Source revenue 1997-2019



Source: Uganda Public Expenditure Review 2022-23 – Intergovernmental Fiscal Transfers Module

2 Refer to Uganda Public Expenditure Review 2022-23 – Intergovernmental Fiscal Transfers Module

In response to these challenges, the government has introduced automated revenue management systems, such as the Integrated Revenue Administration System (IRAS) and E-LogRev. By the end of FY 2022/23, IRAS had been rolled out in over 124 sites and E-LogRev in 49 sites across the country. Despite these efforts, the contribution of OSR to overall LG revenues remains modest, accounting for only around 5% of total revenues, with the bulk coming from property taxes (23%), Local Service Tax (LST) (16%), business licenses (16%), and market dues (10%).[3]

3.3.2 Status and Achievements in Local Revenue Collections

According to the Auditor General's (OAG) report for 2022/23, local revenue performance against the budget for LGs using IRAS improved significantly, with collection rates increasing from 50% to 72% over four years. Specifically, revenue collection from IRAS sites rose from Ush 31.67 billion in FY 2019/20 to Ush 56.35 billion in FY 2022/23, marking a 78% increment. Similarly, collections from E-LogRev sites increased from Ush 21.63 billion in FY 2019/20 to Ush 34.17 billion in FY 2022/23.

Despite these achievements, there remain considerable gaps and challenges that hinder the full realization of LGs' revenue mobilization potential. For example, according to the OAG report of 2022, LGs had a total budget of Ush. 223,518,772,109 for local revenue however they only realized Ush. 131,349,888,815 which was only 71% performance.

The 2022-2023 Uganda Public Expenditure Review analyzed the trend of GDP, Local Revenue, and LG budgets between 2007 and 2019. This analysis revealed a concerning decline in LG Own Source Revenue (OSR) as a share of GDP, dropping from 0.48% to 0.14% over the period.

Table 6: Trend of GDP, Local revenue and LG budgets (bn) between 2007 and 2019.

Year	GDP (Bn)	Local revenue (Bn)	LG budget (Bn)	LR to GDP	LR to LG Budget
2007	21,186.56				
2008	24,497.45	116.89	2,151.07	0.48%	5.4%
2009	48,286.94	130.76	1,796.13	0.27%	7.3%
2010	53,884.87	128.42	2,089.24	0.24%	6.1%
2011	64,481.51	115.79	2,247.61	0.18%	5.2%
2012	69,525.37	133.01	1,755.60	0.19%	7.6%
2013	74,602.44	150.74	2,846.89	0.20%	5.3%
2014	82,415.82	165.11	3,092.28	0.20%	5.3%
2015	91,188.86	185.71	2,353.86	0.20%	7.9%
2016	100,116.78	195.44	2,534.70	0.20%	7.7%
2017	**108,518.04**	**220.79**	**2,721.80**	**0.20%**	**8.1%**
2018	**120,431.04**	**246.08**	**2,940.67**	**0.20%**	**8.4%**
2019	**131,405.94**	**184.41**	**3,415.78**	**0.14%**	**5.4%**

Source: Uganda Public Expenditure Review 2022-23 – Intergovernmental Fiscal Transfers

3 Refer to the Report by Eficon of "The Review of the Legal, Policy and Administrative Framework for LG Revenue Management and Design of a LLG Own Source Revenue Mobilization Strategy – January 2020"

Module

The performance of Uganda's LG OSR is relatively low compared to other countries in the same category. The report provides a comparison with international benchmarks:

Table 7: LG OSR Compared to GDP: International benchmarks.

Category of Country	LGA OSR % Share of GDP
Uganda	0.1
Low Income	0.4
Low Middle Income	2.1
Upper Middle Income	2.8
High Income	4.9

Source: Uganda Public Expenditure Review 2022-23 – Intergovernmental Fiscal Transfers Module

The comparison above highlights the significant room for improvement in Uganda's local revenue mobilization efforts, particularly when benchmarked against other countries across various income categories.

1.1.3 Challenges in Local Revenue Collections

While decentralization in Uganda aimed to empower LGs to manage service delivery autonomously, this autonomy is intrinsically linked to their financial capabilities. Ideally, LGs should have the financial resources to effectively deliver services to their communities. However, the reality on the ground reveals a different picture, with LGs increasingly reliant on central government funding, neglecting their responsibility to generate adequate Own Source Revenue (OSR).

This heavy dependence on Inter-Governmental Fiscal Transfers (IGFTs) has inadvertently created a culture of fiscal dependence, discouraging LGs from actively pursuing strategies to enhance their OSR. Furthermore, the limited OSR collected by LGs is often prioritized for administrative expenses and allowances, failing to directly contribute to the improvement of service delivery. This situation underscores the need for a shift in mindset and practice within LGs, where a commitment is made to allocate a specific and increasing percentage of OSR towards direct service delivery, ensuring that locally generated resources are used to improve the lives of the communities they serve.

The introduction of automated revenue management systems in Uganda has resulted in some improvements, several challenges continue to hinder the full realization of LGs' revenue potential. These challenges can be grouped into five key areas:

1. Suboptimal Utilization of Revenue Management Systems: Despite the rollout of the Integrated Revenue Administration System (IRAS) to 124 LGs, full adoption remains low. Only 11 LGs utilize the system comprehensively, while 107 utilize it partially and 6 sites have not implemented it at all. While E-LogRev boasts better adoption rates, with 41 out of 49 sites fully embracing the system, the overall utilization of these systems remains below optimal levels. This underutilization is attributed to several factors:
    a. Inadequate Training: Only 52 out of 121 IRAS sites have received adequate

training. Insufficient training hinders the ability of LG staff to effectively utilize the system's features, impacting overall efficiency and effectiveness.

b. Insufficient IT Infrastructure: Many LGs face challenges in accessing and maintaining the IT infrastructure necessary to support IRAS and E-LogRev. This includes shortages of essential equipment such as laptops, POS machines, and reliable internet connectivity. Additionally, many lack approved IT staff structures and qualified personnel to manage and maintain these systems.
c. System Limitations: IRAS, for instance, encounters difficulties in recognizing partial payments for trading licenses. Additionally, some tax sources are not uploaded into the system, making reconciliation a major challenge for LGs. These limitations hinder the system's functionality and overall efficiency.
d. Lack of System Integration: The absence of integration between IRAS and IFMS further complicates financial operations. This lack of integration hinders seamless coordination between revenue collection and financial management, reducing efficiency and increasing the potential for errors.

2. Political Interference: Political interference, a persistent challenge, significantly impacts local revenue collection, particularly for lucrative sources such as markets, car parks, and loading fees. Politicians, at both national and local levels, often restrict LGs from accessing these revenue streams, impacting revenue generation and undermining LG autonomy.

3. Delayed Issuance of Cash Limits: Delays in receiving cash limits from the Ministry of Finance, Planning and Economic Development (MoFPED) have in the past hampered the ability of LGs to promptly utilize their revenues. As OSR is remitted to the Consolidated Fund, delays in receiving cash limits result in cash flow constraints, impacting service delivery. However, it's worth noting that this issue has recently been addressed with the introduction of bi-monthly cash limit disbursements and a dedicated pay group for local revenue to expedite remittance processes. However, a new challenge has emerged: delays in approving supplementary budgets, discouraging LGs from collecting local revenue beyond their initial budgets.

4. Declining Real Value of Own-Source Revenue (OSR): Since the abolition of the Graduated Personal Tax (GPT) in 1998, the decline in the real value of OSR has impacted LG financial autonomy. The current reliance on sources like property taxes, Local Service Tax, business licenses, and market dues has not effectively compensated for the revenue lost from the abolition of GPT, further eroding the financial standing of LGs over time.

5. Proliferation of Urban Councils: The establishment of town councils, particularly in peri-urban areas where most local revenue is generated, has created further challenges for LGs. As town councils are financially independent from LGs, they often claim control over lucrative local revenue sources, leaving the LGs with diminished resources and hindering their revenue generation capabilities.

3.3.4 Recommendation

a) Improve System Utilization and Capacity Building: To address the underutilization of automated systems, LGs must prioritize capacity building for their staff. Comprehensive and continuous training programs should be rolled out across all LG sites to ensure full utilization of IRAS and E-LogRev. Additionally, LGs should be equipped with the necessary IT infrastructure, including laptops, mobile phones, and Point of Sale machines.

b) Enhance System Features and Integration: The capabilities of IRAS and E-LogRev must be enhanced to address key challenges such as recognizing partial payments, which would significantly improve revenue reconciliation processes. Additionally, integrating IRAS with IFMS would facilitate smoother financial management and improve coordination between revenue collection and expenditure systems, reducing inefficiencies.

c) Scale-up the Use of Revenue Management Systems: IRAS and E-LogRev should be fully rolled out across all LGs and expanded to cover all potential revenue streams, including property taxes, business licenses, market dues, parking fees, and other smaller but significant sources of revenue. Automation minimizes human error, reduces revenue leakage, and improves accountability.

d) Engage Political Stakeholders and Reduce Interference: A concerted effort is required to engage political leaders at both national and local levels. Advocacy campaigns should emphasize the importance of local revenue collection for sustainable service delivery and fiscal autonomy. Legal reforms may also be necessary to provide LGs with greater control over their revenue sources, ensuring that political interference is minimized.

e) Expand the Revenue Base and Introduce New Tax Measures: There is an urgent need to explore options for expanding the local revenue base. LGs should be supported in exploring and developing other forms of local taxation to compensate for lost revenue. Additionally, LGs should look to diversify their revenue streams by tapping into underutilized sectors such as tourism, natural resources, and local enterprises.

f) Strengthen Taxpayer Identification and Registration: LGs should establish comprehensive 4taxpayer databases that are regularly updated. Ensuring all eligible entities (businesses, property owners, service providers) are registered and linked to the revenue collection systems will improve transparency and accountability. This should be supplemented with the implementation of a strong enforcement strategy.

g) Address Delays in Cash Limit Issuance: LGs should work closely with MFPED to establish clearer timelines for the issuance of cash limits. This will ensure that LGs can access and utilize their OSR without unnecessary delays, improving cash flow management and allowing for timely service delivery.

4 Conclusion and Recommendations:

4.1 Conclusion

This study has assessed the performance of Uganda's Intergovernmental Fiscal Transfer Regime, revealing notable progress and some challenges. While the UgIFT program has ushered in significant improvements in the adequacy, equity, and discretionary power of LG financing, further refinement is necessary to align local resources with the demands of effective service delivery.

Several key findings emerge from the analysis:

Increased funding, but adequacy remains a concern: UgIFT program significantly increased nominal transfers to LGs, with positive impacts observed in sectors like education, health, water, and agriculture. However, population growth and inflation have eroded these gains, leaving real per capita allocations inadequate, particularly in critical non-UgIFT sectors. This underscores the need to shift focus from new infrastructure to operationalizing existing facilities and to advocate for a more equitable share of the national budget for LGs.

Progress in equity, but disparities persist: Formula-based allocations have improved equity in non-wage recurrent and development grants. However, inconsistent application of these formulas, coupled with discretionary infrastructure allocations, has resulted in funding disparities, especially for the 20 least funded LGs. Expanding formula-based allocations to all grants and ensuring adequate wage grant disbursement are crucial steps toward addressing these imbalances.

Enhanced discretion, but constraints Remain: Efforts to enhance LG discretion have yielded some progress, with revised guidelines for non-wage recurrent grants offering greater flexibility. However, many development grants remain constrained by strict guidelines that limit LG responsiveness to local needs. Increasing the adequacy of the UCG, introducing block grants, and enhancing domestic allocations to the DDEG are recommended to empower LGs with greater autonomy.

Performance Improvement, but scope for enhancement: The LGMSD performance assessment system has shown sustained improvement in LG performance, indicating better compliance and service delivery. However, its reduced incentive structure poses challenges. Revising the incentive structure and adopting multi-year Performance Improvement Plans are crucial to enhance service delivery effectiveness.

Own Source Revenue: Untapped Potential: Despite the introduction of automated revenue management systems, the real value of OSR has declined significantly, hindering LG's financial autonomy. Challenges include suboptimal utilization of systems, political interference, delayed cash limits, and a declining real value of OSR. Improving system utilization, enhancing system features and integration, and scaling up the use of revenue management systems to cover all potential revenue streams are critical to unlock the potential of OSR.

4.2 Recommendations

To ensure the sustainability of local government financing and safeguard the progress made under (UgIFT program, the following five strategic recommendations are proposed:

1. **Re-prioritize existing expenditures:** Rather than seeking new funding sources, LGs should rigorously review their current expenditures. There is a need to shift focus from new infrastructure to operationalizing existing facilities. This implies a budget realignment. Savings from delaying new, non-essential projects can be directed towards completion, operationalization and O&M of existing ones, ensuring continued service delivery.

2. **Advocate for an Increased Share of the National Budget:** Advocate for a more equitable distribution of the national budget, ensuring that LGs receive an adequate share to effectively deliver essential services. This entails addressing the declining trend in LGs' share of the national budget, which has contracted from 20.4% in FY 2019/20 to 16.8% in FY 2022/23. Increased advocacy efforts are necessary to secure a larger and more predictable portion of the national budget for LGs.

3. **Enhance unconditional grant advocacy:** While increasing the UCG size might be difficult post-UgIFT, LGs can leverage the program's successes to advocate for its importance. Despite its limited size, the UCG allows some local discretion. LG should be supported to showcase how the UCG has enabled them to address unique local needs efficiently, this will help them to build a stronger case for maintaining or even increasing its allocation within the overall budget framework.

4. **Maximize existing revenue systems:** The study identified the underutilization of IRAS and E-LogRev as a major revenue challenge. Full implementation of these electronic revenue collection and management systems is recommended. This doesn't require significant new funding. It involves addressing training gaps, utilizing existing IT resources efficiently, and potentially sharing expertise between LGs that have successfully implemented the systems. Further, advocating for system enhancements and IFMS integration, while requiring some investment, can yield substantial long-term revenue gains by minimizing leakages and improving compliance.

5. **Engage with Town Councils:** The emergence of town councils and their financial autonomy is a revenue constraint for LGs. This, however, also presents a collaboration opportunity. LGs, as the overarching administrative bodies, can initiate dialogues with town councils to explore revenue-sharing models, particularly from resources like markets or parking fees that often cut across administrative boundaries.

Annexes:

Annex I: Compliance with the IGFTRP MTP Targets:

Approved Budget Allocations – MTP Targets (Compliant=Green, Uncompliant=Red) [4]

Grant	Sector	Comparison Budgets vs MTP (in USHS billions)				
		2018/19	2019/20	2020/21	2021/22	2022/23
Wage	Education	38.7	55.3	0.6	0	-46.7
	Health	120.5	117	0	0	-20.8
	Agriculture	29.6	29.5	0	0	0
	Unconditional	35.7 36.8		-0.6	0	-4.2
Non-Wage Recurrent	Education	-40.7 -45.9		1.3	0.5	-103.3
	Health	-27.1 -28.8		0	47.7	-45.2
	Agriculture	28	24.8	0	0	0
	Water and Environment	-0.4 -1.4		0	-0.5	-1.0
	Social Development	-1.4 -2.4		0	0	0
	Unconditional	-11.5 -23.5		0	0	0
Development	Education	57.2	73.6	0	58.7	1.4
	Health	24.2	-2	1.9	28.4	0.0
	Agriculture	7.4	5.4	0	0.1	0.0
	Water and Environment	-11.1 -24.5		0	0.2	-21.0
	Works & Transport	-6.6 -13.1		0	0.0	0.0
	DDEG	-199.9	9.7	0	0.0	0.0

4 The tables presented in this Annex have been obtained from the presentation of MOFPED to the World Bank on the program Restructuring.

Staff Recruitment

Cumulative number of staff recruited under UgIFT	Actuals				Projections
	20/21	21/22	22/23	23/24	24/25
Education Total	0	537	537	5,656	10,810
Primary Education Total	0	537	537	537	2,126
o/w Primary Education Wage Increment - Least Staffed LGs	0	0	0	0	1,589
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	0	0	0	1,192
o/w Primary Education Wage Increment - Transitioned Refugee-Serving Schools	0	537	537	537	537
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	403	403	403	403
Secondary Education Total	0	0	0	5,119	8,684
o/w Secondary Education Wage Increment - Least Staffed LGs	0	0	0	1,492	1,492
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	0	0	1,119	1,119
o/w Secondary Education Wage Increment - Seed Schools	0	0	0	3,627	7,192
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	0	0	2,720	5,394
Local Government - School Inspectors	0	448	448	624	624
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	336	336	468	468
Health Total	0	1,684	6,670	7,755	9,717
o/w Health Wage Grant Increment - Least Staffed LGs	0	970	4,778	5,572	5,572
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	728	3,584	4,179	4,179
o/w Health Wage Grant Increment - Upgraded HC IIIs	0	622	1,712	1,949	3,591
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	467	1284	1462	2693
o/w Health Wage Grant Increment - Transitioned Refugee-Serving Health Facilities	0	92	180	234	554
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	69	135	176	416
Local Government - Water & Environment Staff	0	98	98	98	98
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	74	74	74	74
Local Government - Other Critical Staff	0	41	41	41	41
DLI 1.1 Minimum Requirement (75% of Planned Recruitment)	0	31	31	31	31

Education Per Capita Spending

UPE - Capitation Grant (Ushs.)	FY 2022/23	FY 2023/24	FY 2024/25
Fixed allocation per school	1,350,000	1,350,000	1,350,000
UPE Capitation Grant per Student (Regular)	14,500	20,000	20,000
UPE Capitation Grant per SNE Student	15,950	25,000	26,565
Secondary Education - Capitation Grant (Ushs.)			
USE Capitation Grant per Student (Regular)	160,000	170,000	175,000
USE Capitation Grant per SNE Student	176,000	200,000	219,450
UPOLET Capitation Grant per Student	260,000	275,000	275,000

Other UPE, USE & BTVET Minimum Costs

Other minimum costs Primary Education (Ushs)		FY 2022/23	FY 2023/24	FY 2024/25
Monitoring	LG fixed allocation	4,500,000	4,500,000	4,500,000
	Fee per gov. school	100,000	100,000	110,000
	Fee per private school	N/A	N/A	N/A
Inspection	LG fixed allocation	4,000,000	4,000,000	4,000,000
	Fee per school	336,000	336,000	352,800
	Fee per private school	N/A	N/A	N/A
Capacity Building – Fixed per LG			40,000,000	40,000,000
Other Minimum Costs - Secondary Education (Ushs)				
Monitoring	Fee per gov. school (Secondary/BTVET)	100,000	100,000	110,000
	Fee per private school (Secondary/BTVET)	36,667	36,667	36,667
Inspection	Fee per school (Secondary/BTVET	336,000	336,000	336,000

Minimum Costs under PHC NWR

Health Facility Type	Amount	Health Facility Type	Amount
PNFP Facilities		Government	
HC II	1,000,000	GoU Hospital – Basic Allocation	250,000,000
HC III	2,000,000	GoU Highway Hospital Top up	15,000,000
HC IV	4,000,000		
Government Facilities		PNFP	
HC II	2,000,000	PNFP Hospital Basic Allocation	50,000,000
HC III	4,000,000	Solo LG Hospital Top up	50,000,000
HC IV	20,000,000	Tourism PNFP Hospital Top up	100,000,000

Adequacy and Targeting Development Financing (Education)

Ushs. '000,000'	18/19	19/20	20/21	21/22	22/23	23/24	Total
Seed Secondary School	117 (Phase I)		115 (Phase II)		27 (Phase III)		255
Technical Schools rehabilitation	0	0	13	0	0	0	13

Eligible unit costs

Eligible Unit Cost (Ushs)		Original unit cost	Adjusted Unit Cost
Seed Secondary Schools	Civil Works	2,100,000,000	3,300,000,000
	Investment Cost	150,000,000	150,000,000
	Equipment (ICT, Solar Panel & Labs)	179,547,000	224,475,000
	Total	2,429,547,000	3,674,475,000
School Labs	Civil Works	56,047,000	298,004,996
	Equipment (Lab Kits)	248,004,996	77,500,000
	Total	304,051,996	375,504,996

Eligible unit costs (Health)

Eligible Unit Cost (Ushs)		Original unit cost	Adjusted Unit Cost
Upgraded HC IIIs	Civil Works	650,000,000	920,000,000
	Equipment (ICT, Solar Panel & Labs)	210,937,500	220,000,000
	Total	860,937,500	1,140,000,000
New HC IIIs	Civil Works	350,000,000	320,000,000
	Total	1,350,000,000	2,120,000,000