



TERMS OF REFERENCE (TORs) FOR AN ANALYSIS OF THE DRAFT NATIONAL BUDGET ESTIMATES FY 2023/24 AND PROPOSALS FOR REALLOCATION

Introduction

The Advocates Coalition for Development and Environment (ACODE) has been implementing the Local Government Councils Scorecard Initiative (LGCSCI) since 2009. The Local Government Councils Score-Card Initiative (LGCSCI) is implemented by ACODE in partnership with the Uganda Local Government Association (ULGA) with the aim of LGCSCI strengthening citizens' demand for effective public service delivery and accountability. This initiative currently covers 35 districts in Uganda. This is a social accountability initiative that promotes citizen participation, political accountability, good governance at the Local Government (LG) level and advocates for several issues affecting local governments including the inadequate financing at the subnational level. As part of this initiative, ACODE with support from the Danish Embassy will be undertaking a study on the analysis of the draft national budget estimates FY2023/24 and generate proposals for reallocation with a view of increasing funding for local governments in Uganda.

Background

The Central Government of Uganda (GoU) is required by Article 193 of the Constitution of the Republic of Uganda 1995 (as amended) to provide grants to Local Governments (LGs) in form of unconditional, conditional and equalisation grants to facilitate the LGs to provide services to the citizens. However, in recent years there has been a decline in the transfers from central GoU to LGs. The share of the national budget allocated to LG programs has reduced from 23% to about 12% FY 2019/20 and is projected to fall further to about 10% for FY 2020/21. The decline is largely attributed to recentralisation of functions and resources which by law are mandated under LGs. Research has shown that recentralisation of previously decentralised functions has had a negative impact on service delivery, accountability and citizen empowerment, and also increased financial dependency of LGs (Lwanga, 2016).

In April 2019, ACODE commissioned a study that analysed the proposed national budget allocations for FY 2019/20 and identified budgetary allocations that by law should be implemented by the LGs but were retained by central government MDAs. The findings of the study showed that up to UGX 1.066 trillion for funding decentralised services had been allocated to central government MDAs. The agriculture sector registered the highest amount of funds retained at UGX 281.4 Bn followed by education (UGX 257.2 Bn), health (UGX 217.8 Bn), Water and Environment sector (UGX 196.4 Bn), Works and Transport sector (UGX 96.1 Bn) and Social Development (UGX 17.1 Bn). The study also identified UGX 530.2 Bn allocated to MDAs that could be rationalised to free additional resources for local governments¹.

¹ Ggoobi, R., and Lukwago. D., Financing Local Governments in Uganda: An analysis of Proposed National Budget FY 2019/20 and Proposals for Re-allocation. Kampala: ACODE Policy Research Paper Series No. 92, 2019. https://www.acode-u.org/viewpdf.php?file_name=PRS92.pdf

ACODE also commissioned another follow-up study to examine the Budget Framework Paper (BFP) for FY 2020/21 and the National Budget Estimates for purposes of identifying budget lines for devolved services under central government MDAs. A total of UGX 4.16 trillion (11.4 per cent) of the FY 2020/21 Uganda national budget, totaling to UGX 36.6 trillion¹ as of March 31, 2020) was allocated to LG programs. Although this is an increase from UGX 3.59 trillion (11.0 per cent) allocated to LG programs in FY 2019/20, the allocation is still very small. The Education Sector still takes the biggest chunk of UGX 1.91 trillion (compared to UGX 1.63 trillion in FY 2019/20). This is followed by Local Government (formerly under Public Sector Management) at UGX 1.33 trillion (compared to UGX 1.07 trillion in FY 2019/20). Health has been allocated UGX 633 billion (compared to UGX 521 billion in FY 2019/20). The Works and Transport transfers to LG have been reduced to UGX 25 billion from UGX 187 billion during FY 2019/20 due to cuts in the LG Conditional Grant for District, Urban and Community Access Roads. As transfers for Agriculture increased to UGX 166 billion from UGX 122 billion, allocations for Water and Environment for LGs also increased from UGX 59 billion during FY 2019/20 to UGX 95 billion. Social Development transfers remain at UGX 8 billion, just like Trade, Industry and Cooperatives stayed at UGX 2 billion. Of the total LG Sector budget, allocations to Education increased from 50 per cent in FY 2019/20 to 55 per cent in FY 2020/21. The Health sector allocations also increased from 21 per cent to 23 per cent, and that of Agriculture slightly increased to 13 per cent from 12 per cent in FY 2019/20. The largest increase in budget share for LG programs was registered by the Water and Environment sector, which increased to 18 per cent from 6 per cent. Social Development also increased from 3.5 per cent to 4.2 per cent, while that of Works and Transport sector reduced to 0.4 per cent from 3 per cent. The Education and Health sectors had relatively large shares mainly because of their high wage bills.²

This study on the analysis of the draft national budget estimates FY2020/21 and proposals for reallocation that found that despite recommendations of the ACODE (2019)³ the allocation of funds meant for LGs to Ministries, Departments and Agencies of the Central Government had not only persisted but the absolute amounts, as well as the proportion of the budget being retained at the centre had increased. The study identified that the total amount retained at the centre had grown to UGX 1.32 trillion in FY2020/21 while the proportion of the total budget to the six sectors under review that was retained had grown to 8.7 percent from 7.4 per cent in FY2019/20. Relatedly, the report on assessment of local government councils FY2018/19 noted that financing local government by the central government remains insufficient and recommended that the then local government sector needed to strategically engage these sectors to ensure that these monies are released to the local governments. In addition, a series of trainings carried out of the statutory boards and commissions in 2020 identified funding gaps as one major challenge of these bodies that hampered their functionality.

Thus, ACODE intends to undertake another study to examine the Budget Framework Paper (BFP) and draft National Budget Estimates for FY 2023/24 for purposes of identifying budget lines for devolved services under Central Government MDAs in the BFP for the FY2023/24 and for Statutory boards and Commissions in Local Governments. The findings from the study will be used to advocate for increased financing

² Ggoobi, R., and Lukwago, D., (2020). Financing Local Governments in Uganda: An Analysis of the Draft National Budget Estimates for FY2020/21 and Proposals for Re-allocation. Kampala: ACODE Policy Research Paper Series No. 97, 2020. https://www.acode-u.org/viewpdf.php?file_name=PRS97.pdf

³ Financing local governments in Uganda: An analysis of proposed national budget FY 2019/2020 and proposals for reallocation.

for LGs in the budget for FY 2024/25. The BFP will be the main source document given that the BFP is an important milestone in the annual budget calendar, is Government's overall strategy document for the budget and provides the link between the Government's overall policies (identified in the National Development Plan) and the annual budget. It also presents detailed sector plans alongside expenditure targets for the financial year by vote, vote function and key outputs. This presents an opportunity to examine capture of funds for services devolved to LGs by central government MDAs earlier in the budget cycle.

Objectives of the study

To examine the Budget Framework Paper (BFP) and draft National Budget Estimates for FY 2023/24 for purposes of identifying budget lines for devolved services under Central Government MDAs in the BFP for the FY2023/24. The findings from the study will inform advocacy for increasing financing of Local Governments in the FY 2024/25 budget.

Specific Objectives

- a) To identify and examine, budget lines for devolved services under LGs that are retained by the Central Government MDAs in the draft National Budget Estimates for the FY 2023/24,
- b) To examine the budget allocation to accountability bodies in local governments,
- c) To make Proposals for reallocation and rationalisation for the benefit of Local Governments
- d) To recommend appropriate advocacy strategies that will be used in advocating for increased financing for Local Governments in the FY 2024/25 budget.

Methodology

An extensive document review will be the main method employed by this study. Documents such as; the National Budget Framework Paper FY2023/24 and the draft National Budget estimates for FY2023/24, Third National Development Plan (NDPIII), Ministerial Policy Statements FY2023/24; Programme Work plans for Human Capital Development Programme, Public Sector Transformation Programme, Legislation oversight and representation, Mineral Development Programme, Sustainable Development of Petroleum Resources Programme, Natural Resources, Environment, Climate Change, Land and Water Management Programme and Budget Call Circulars for FY2023/24.

Description of the assignment

ACODE is desirous of enlisting the services of a consultant to analyse the the draft national budget estimates FY 2023/24 and proposals for reallocation with specific focus on the budget allocation to the accountability bodies.

Scope of work

- i. Develop a Methodology for the Analysis of the NBF FY 2023/24
- ii. Develop the tools for analysing the national budget and the budgetary allocations for FY2023/24.
- iii. Provide a list of other relevant documents that will used during the study

Expected Deliverables and timeframe

The consultant(s) will be expected to submit the following deliverables to ACODE:

- i. Inception report
- ii. Draft report
- iii. Final Report

The tasks will be undertaken within 30 working days effective from the signing of the contract.

Expected Competences

- Master's degree in Economics and PhD in Economics is an added advantage
- Related experience especially in designing and utilizing tools for finance, and public expenditure.
- At least 10 years of related experience in public financial management and budget analysis.

Reporting lines and administrative support

The consultant(s) will report to the Project Manager at ACODE, Mr Jonas Mbabazi.

Mode of Application

Qualified and interested candidates should send their technical and financial proposals to christiana@acode-u.org and copy in ainelydia2013@gmail.com; mbabazi.jonasm@gmail.com by **June 26, 2023**.