



Advocates Coalition for Development and Environment (ACODE)

TOR for a Study on Estimating Financing Requirements for Local Governments in Uganda

Background

The inadequate funding for local governments remains a point of concern among citizens and other stakeholders. The allocation formulae provide for how funds available for specific grants are allocated across the LGs with little regard for funding needs (see National Budget Framework Papers). This means that application of the formulae usually results in inadequate allocations. Also, when funds are inadequate it becomes difficult to hold the local governments accountable for the quality of services. Demands for increased funding to local governments have largely been arbitrary citing proportions of the budget 38% without regard to the funding requirements of local governments.

Also, the share of the national budget allocated to local governments has been reducing from 23% to about 12% (FY 2019/20) and is projected to fall further to 10% for FY 2020/21. This has overtime served to weaken decentralisation. Moreover there is anecdotal evidence that centralised delivery of devolved services is bedevilled by three related challenges namely, poor management, poor accountability and sustainability. With the above background, the secretary to the treasury has written to various accounting officers in the first and second budget call circulars for FY 2020/21 instructing them to appropriate funds meant for local government functions to their respective votes but this was never realised. It is on this basis that ACODE seeks to conduct a study to examine factors that have led to the continued retention of funds for services devolved to local governments by central governments MDAs.

The stakeholders in the Local Government Sector including the Ministry of Local Government, the Local Government Finance Commission, Uganda Local Governments Association and the Local Governments have been advocating for the need to increase local government funding to 38% of the national budget¹. They however did not have adequate data to justify such a recommendation. It has therefore become more than necessary to conduct a study that will establish the funding requirements for local governments that will justify what percentage of the national budget should be allocated to the local governments. This study will put in consideration the current funding level, the funding gaps for the local governments and make proposals for appropriate funding levels.

Secondly, as a result of COVID-19 the local governments have not been able to collect local revenue given that most businesses closed down due to the social distancing guidelines for containing the virus. It is reported that property tax, other fees and user fees are the most affected local revenue sources. Consequently, there has been a reported drop in own source revenue across different categories of revenues based on the projected LG budget for FY

¹ Impact of COVID-19 on LGs and Service Delivery in Uganda <https://www.uncdf.org/article/5665/impact-of-covid-19-on-lgs-and-service-delivery-in-uganda>

2019/2020 and FY 2020/21 especially from the category of “other fees” (which includes property income, sale of goods and services as well as various fees and fines). This therefore has contributed to the overall decline in local revenues for all LGs. This study therefore, seeks to establish how much local revenue the local governments have lost so that the data can be used as basis for advocating for local revenue compensation for local governments. It’s against this background that the Advocates Coalition for Development and Environment (ACODE) with support from Democratic Governance Facility seeks to conduct a study to establish the financing requirements for local governments in Uganda.

Main Objective

The overall objective of the study is to establish the financing requirements for local governments. The findings from the study will be used to advocate for increased financing and local revenue compensation for local governments.

Specific Objectives

1. To establish Local Government Financing Requirements for Local Governments
2. To make proposals for improving the intergovernmental revenue sharing and allocation formulae
3. To provide evidence for advocating for improved funding for Local Governments in Uganda.

Scope

To establish the funding requirements, the study will focus on the decentralised functions as stipulated in the third schedule of the Local Government Act. It will therefore focus on sectors such as Agriculture; Health; Education; Water and Sanitation and Environment and Natural Resources and Roads focusing on components implemented by local governments. The consultant will mainly conduct key informant interviews with MDAs in the following sectors: Agriculture; Health; Education; Water and Sanitation; Environment and Natural Resources; and Roads. The Consultant should use the systems approach to service delivery that describes the service to be provided within a framework of policy and institutional relations, as well as the required infrastructure and management processes. The consultant should consider the processes that span the entire spectrum of service delivery from planning and budgeting, implementation and monitoring and evaluation for results. They should look at inputs and activities to the long term outcomes that governments seek to realize through decentralization and the LG system.

Further, in order to establish the impact of COVID-19 on the local revenue performance for Local Governments, the consultant will analyse the local revenue performance reports for all the Local Governments for FY 2019/2020 and Quarter 1 FY 2020/21. This will be instrumental in establishing the shortfalls in revenue performance as a result of COVID-19.

Also, the consultant will review other relevant government documents including but not limited to:

- a) The National Budget FY 2020/21
- b) The National Budget Framework Paper for FY 2020/21
- c) Sector Budget Framework Papers for FY 2020/21
- d) MDA work plans FY 2020/21

- e) Budget call circulars FY 2020/21
- f) Local Revenue Performance Reports FY 2019/20 and FY 2021
- g) Any other relevant budget document and data

Qualification

The Consultant should have a minimum of master's degree in Economics, economic policy or its equivalent. The consultant should have knowledge of public finance management and experience in conducting similar studies.

Duration

The assignment will be completed within one month. Interested persons/firms should send in their technical and financial proposals (PDF Format) **by 5:00pm Friday, August 28, 2020** to acode@acode-u.org