**ANNEX I: KEY POLICY ISSUES FROM THE LG BUDGET CONSULTATIONS FOR FY 2024/25**

| # | **Issue** | **Challenge** | **Recommendation** | **Resp. MDA** | **Status of Implementation** |
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|  | **POLICY ISSUES** |
|  | Selective Salary enhancement | This has caused demotivation among staff for example the Arts Teachers which has affected service delivery in LGs | The enhancement is being done in a phased manner due to resource constraints and therefore other cadres should be patient as Government implements the phased enhancement | MoPS, MoFPED | Enhancement is still being implemented in a phased manner and salaries all public officers will be enhanced according to the pay enhancement plan when resources permit. |
|  | Ban on Recruitment of Staff in FY 2023/24 | Some Local Governments do not have Heads of Departments, Parish Chiefs, CDOs and Agricultural extension workers who a crucial for implementation of PDM, yet they can’t recruit due to the ban despite having adequate wage provisions.This will further affect LGs during performance assessment for 2024. | There is need to lift the ban on recruitment.Recruitment is currently permitted on replacement basis. However, clearance to Recruitment will be issued after the audit on the payroll has been finalized by the Office of the Auditor General. | MOPS | MoPS and MoFPED have finalized wage harmonization meetings with all LGs. During the meetings, LGs were able to confirm whether they have sufficient wage for recruitment or not. LGs with adequate wage for recruitment will be granted clearance to recruit |
|  | Unequitable PDM allocation formula across parishes | Under PDM, key parameters or variables were not applied with respect to the financial inclusion pillar. Different parishes with varying population and poverty levels receive the same amount. | The allocation formula for PDM funds should be reviewed to consider the number of subsistence households in a parish. | MoLG, PDM Secretariat | UBOS recently carried out a Population and Housing Census and we await the detailed Census results to give proper statistics in terms of numbers and incidence of poverty for all Parishes. It’s upon this that Cabinet will make a decision on the matter. |
|  | New parishes have not been issued PDM funds | There are some newly created parishes that are not fully functional and which are not receiving PDM funds e.g. in Bunyangabo | These parishes will become operational after EC conducts general elections | LGs, MoLG | The affected Parishes did not have elected Leaders at the time of rolling out PDM and can only have elections in the next General Elections. Therefore, without elected leaders, those Parishes could not constitute PDCs which are a pre-requisite to accessing the PDM Funds.  |
|  | Low Local Revenue mobilization and collection in LGs.  | Revenue should be a fully-fledged department in LGs just as it in Central Government to enhance revenue collectionHowever, the Cities noted that this is not practical even though it is already indicated in the guidelines for the Cities which state that there will be a unit for revenue. | MoLG to follow up on this issue. However, this also depends on the volume of the revenue but also keeping in mind the rationalization efforts of Government.  | MoLG, LGFC, MoPS | The MoLG developed the Local Government Own Source Revenue Mobilization Strategy. This Strategy will enable LGs to generate revenue to meet their needs with an Expanded Resource Envelop.Regarding any proposed changes in the LG structure, MoPS awaits official communication from MoLG |
|  | Lack of Guidance on funds allocated in the Budget for road maintenance. | Whereas Government allocated **Ushs1bn** to each Local Government for rehabilitation of roads. Parliament passed a resolution to channel this money through Uganda Road Fund for road maintenance yet 25% of the Budget has already been released. This has confused Local Governments and may cause unspent balances if guidance is not provided. | MoWT should urgently provide a harmonized guideline to LGs on how they should utilize the funds released in the current Budget FY 2023/24 to avoid having unspent balances*.* | MoWT | Parliament of Uganda made resolutions to change the Grant name from Rehabilitation to Maintenance which was upheld by Cabinet and the Fund is to be managed under MoWT. Following Cabinet’s approval of the harmonized resolutions, MoWT has revised the guidelines.  |
|  | Cities which were approved but are not operational. | The Government approved creation of fifteen (15) new cities, and only ten (10) of these were operationalized in FY 2020/21. To date, the five remaining Cities have not been operationalized.In addition, there is an issue of property sharing between the Cities and their mother Districts There is need to provide start-up funds for relocation of District Headquarters where the Cities were created | The remaining five cities will be operationalized in the medium term. The respective Accounting Officers were requested to budget for preparatory activities such as physical planning, surveying, and mapping of the gazetted jurisdictions, among others in readiness for their operationalization over the medium term.MoLG should issue a circular on property sharing urgentlyMOFPED should provide startup funds for relocation of Offices  | LGs, MOLG and MOFPED | 1. This will be operationalized in the medium-term, subject to availability of resources.
2. A Circular on property sharing between the already operationalized Cities and the Mother Districts will be issued by MoLG
3. MoLG continues to offer guidance to the Cities on a case-by-case basis from time to time.
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|  | Un streamlined Local Revenue sharing between Higher Local Governments and Urban Lower Local Governments. | Town and urban councils do not contribute to Local Revenue paid to councilors yet all councilors including those from Urban councils are supposed to be facilitated using Local Revenue from the Districts. to Local Revenue such that funding for Council activities can be enhanced | MoLG should amend the law to allow Local Revenue sharing between Higher Local Governments and Urban Lower Local Governments (LG Act CAP.243 sec. 79) | MoLG | This is a Constitutional issue and MoLG is currently engaging key stakeholders on its impact on decentralization. |
|  | Confusion caused by running two Local Revenue collection systems in LGs (IRAS and elogrev) | Currently there are two systems for revenue collection in LGs running concurrently with no training of revenue officers and other LG officials on how to use these systems effectively.These systems are for the same purpose and this has caused confusion in LGs | There should be one harmonized system for LR in LGs.Training of staff on these new systems should be done. | LGFC, MoLG | 1. The Ministry has constituted a LG Own Source Revenue Strategy Coordination Committee which has embarked on the harmonization of Local Revenue systems.
2. In both systems, training of staff is undertaken during the installation of the systems in the LGs.
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|  | Damages and attacks by stray wild animals to citizens who neighbor national parks. | When communities around game reserves are attacked by astray wild animals, or their crops destroyed, they are not compensated. On the contrary, when wild animals are killed by humans they are fined and life imprisonment administered by Government. Does this mean that animals are valued compared to human beings? | 1. There is need to revise the existing policy on compensations for persons injured and/or killed by the wild animals to ensure co-existence in the game reserve communities.
2. Re-demarcation of the National parks to resolve the conflicts with UWA.
 | MoTWA, UWA | The Uganda Wildlife Act was amended in 2019 (sections 82-85) to provide for compensation for loss to wildlife. The compensation covers losses such as body injury or death and damage to property. UWA was tasked to establish and maintain a compensation scheme with monies from UWA revenue (2% of UWA collections), money appropriated by parliament and money from any other source as approved by UWA board.UWA was also tasked to establish a wildlife compensation verification committee responsible for verifying submitted claims.Section 86(k) of the act also required MTWA to enact regulations for compensation. These regulations were passed in 2024 to assist in implementation of the act**Status**So far, the verification committee has received 1,476 claims as of 25th April 2024. Of these 587 have been verified; out of which 497 have been approved for payment. Payment has been effected for those claims that have signed consent forms. However, some claims don’t have signed consent forms yet while others have rejected compensation and have petitioned the Minister while others have initiated court processes. The claimants that have petitioned the Minister are under investigation in order to give a verdict.The payments of claims so far approved by UWA board amount to **Ushs. 1,680,279,944**. Of this, **Ushs.598,752,990** has already been paid to the claimants leaving a balance of 1,081,601,954.Some claims could not be recommended and approved for payment due to a number of anomalies such as inconsistence of information presented, late submission of claims, the extent of damage to property doesn’t warrant compensation, lack of evidence of the damaged property and the animal involved is not listed under Schedule IV of the Act as compensatable. There is need for increased public awareness and sensitization of the public by respective Local Governments, UWA and MTWA on the appropriate steps for claiming for compensation. |
|  | Non implementation of the executive order on charcoal burning. | Despite Government passing a ban on charcoal burning, enforcement of these ordinances still remains a huge challenge partly due to inadequate financing of the natural resources departments. | There is need to prioritize environmental protection and facilitate the enforcement of the current laws and ordinances if the environment is to be conserved especially at the Lower Local Government levels. | MoWE | 40 Environment Protection Police Officers have been recruited and are yet to be trained and armed. This is the first lot of the expected 2000 personnel to be recruited.Other actions under implementation are as follows:1. All clearance documents for charcoal were withdrawn from the affected LGs, except in special cases where there are licensed timber harvesters.
2. All necessary guidance on management of the confiscations was given to LG leadership in writing.
3. Engagement with UPDF has registered increased UPDF deployments in key hot-spot areas like Amuru and Adjumani.
4. In the last grant negotiations meeting between MoWE and LGs, it was agreed that MoWE presents the issue of budgetary constraints to Programme Working Group to solicit for funds to top up the ENR Grant. This will be useful in enhancing the implementation of ordinances and other frameworks.
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|  | **ADMINISTRATIVE ISSUES** |
|  | **SALARY, PENSION, GRATUITY AND RECRUITMENT ISSUES** |  |
|  | Staffing gaps  | This has been due to failure to attract critical staff in LGs and the ban on Recruitment of staff affecting service delivery. In fact, only 8% of all LGs had filled all their staffing positions substantively according to the LGPA 2019 report by the Office of the Prime Minister. | 1. LGs should write to the relevant Ministries requesting for secondment of staff.
2. Clearance to Recruit will be issued after the audit on the payroll has been finalized by the Office of the Auditor General
3. Recruitment is currently permitted on replacement basis
 | LGs |  |
|  | Wage, Pension and Gratuity shortfalls.  | Inadequate budgets provided in FY 2023/24 despite the harmonization engagement with MoFPED and MoPS conducted in Kampala | This will be addressed after the conclusion of the Audit on the payroll by OAG | MoPS, MoFPED | MoPS and MoFPED have concluded wage harmonization meetings with all LGs. During the meetings, LGs allocated wage according to payroll category. LGs with inadequate wage will be allocated more wage after confirming the cause of the deficit.Additionally, there is an ongoing pension audit by the Auditor General and the Pension shortfalls will be addressed based on the findings of the audit. |
|  | Delays in recruiting Secondary School teachers  | LGs are responsible for managing the salaries of Secondary School teachers and yet recruitment and monitoring are done at the center, thereby causing delays in recruitment and unspent wage | MoES to follow up | MoES | MoPS has given clearance to recruit and thus recruitment has commenced. |
|  | Coding of schools | Some Schools have for long not been coded which has impacted greatly on service delivery especially.  | Ministry of Education and Sports should urgently consider coding of the existing community schools to Teachers deployed for improved service delivery. | MoES | The Ministry has been able to code 38 Primary Schools and 46 Secondary schools as per FY 2023/24. This is due to the financial constraints; thus, the coding to be done in phases. |
|  | **LOCAL ECONOMIC DEVELOPMENT** |
|  | Non issuance of guideline for Emyoga, Agricultural Credit Fund (ACF) and the Small Business Recovery Fund (SBRF) guidelines. | There is no clear guideline to guide LGs to access credit facility funds. | There is need for Bank of Uganda to conduct a Country-wide training across all Local Governments and issue out the guidelines of all credit facilities. | MoFPED, BoU | The Emyooga implementation guidelines were approved by Cabinet in August 2023 and copies of these have been circulated.The implementation of the ACF and SBRF follows the signed Memorandum of Agreement between Government of Uganda and Bank of Uganda, the Fund Manager. More information on how to access the ACF and the SBRF has been provided in the Q&A booklets that have been circulated. MoFPED and BoU will continue sensitization of the public through town hall meetings and the media |
|  | Inadequate funds for PDM operations. | Besides the many changing versions of PDM guidelines, there are no funds for PDM operations at the Local Governments for monitoring and supervision of the PDM programme and Capacity gaps in the use of PDMIS at Local Governments. | There is need to always issue harmonized guidelines on the use of the PDM funds, Capacity building of staff on the use of PDMIS should be enhanced to enable quick and easier disbursement of the funds to the beneficiaries and provision of operational funds to the Local Governments for monitoring and supervision of the PDM activities. | MoLG, MOFPED  | On the matter of harmonizing circulars, the Central Government during the FY 2023/24 re-circulated the Guidelines and issued additional Circulars to provide clarity on PDM topical issues. The guidance is contained in the following documents:1. The PDM Financial Inclusion Guidelines by MoFPED.
2. The PDM Financial Inclusion System User Manual by MoICT&NG
3. The PDM Financial Inclusion System New System Changes Reference Guide by MoICT&NG

The following circulars were also distributed:1. Circular on the implementation of the Financial Inclusion activities under the PDM during the Stabilization Phase Ref: EDP 86/103/02 Vol.3 date 8th January 2024 which guides on how to operationalize the directives from H.E the President and Cabinet on the Financial Inclusion Pillar of the PDM and also providing guidance to address emerging challenges.
2. Receipt and disbursement of PDM funds on Wendi. This is a circular dated 15th April 2024 issued by Post Bank, aimed at transparent disbursement and training of PDM beneficiaries, SACCO leaders, local leaders on the use of Wendi system.
3. Capitalization of the PDM SACCOs in FY 2023/24 under the Parish Development Model Ref: ADM 12/239/01 from MoTIC guiding on how to notify Banks on the signatories’ resolution for effective Wendi Disbursement.

To effectively manage successes and complaints about the guidelines, systems and other operational challenges, the Financial Inclusion Pillar Working Group has established dedicated contacts, these are:1. **MFPED PDM Unit**

Direct line 0414707515Email: pdmwg@finance.go.ug 1. **MoICT PDMIS Service Centre**

Whatsapp 0772202573Email: pdmis.servicedesk@ict.go.ug1. **WENDI Service Centre**

Toll free 0800217200Direct line 0417157711Whatsapp 0707993930Email: customerservice@postbank.co.ug 1. **Post Bank PDM Focal Point**

Mr. George William KiyingiMobile 0774977785Email: George.Kiyingi@postbank.co.ug1. **Housing Finance Bank PDM Focal Point**

Ms. Annet Nakigudde Mobile 0758880694Direct line 0414259651Email: assebuggwawo@housingfinance.co.ug 1. **Pride Microfinance Ltd PDM Focal Point**

Mr. Raymond OcengMobile 0774990748 Email: rochieng@pridemicrofinance.co.ugRegarding the issue of capacity building on the use of the PDMIS, the MoFPED in collaboration with the PDM National Coordinator, Post Bank and Ministry of [ICT](file:///C%3A%5CICT) & NG are conducting targeted online and physical trainings of SACCO leaders and LG staff (CDOs, CAO, PC/Tas and DCDOs). Topics discussed include, guidance on disbursement of the PRF to the last mile beneficiary, operations on the PDMIS and WENDI systems to facilitate easier disbursement of PRF funds, addressing challenges in implement the guidelines and others. These trainings will continue as and when necessary.With regards to provision of funds to LG for monitoring and supervision, effective FY 2022/23 MDAs & LGs were requested to prioritize and mainstream PDM activities into their Budgets.In addition:1. Government has allocated UShs. 500,000 per year to support SACCO Leaders during the loans process.
2. Parish Chiefs are now paid UShs. 100,000 allowance per month for Operations.
3. PDCs receive UShs. 250,000 on a quarterly basis for monitoring
4. All the other activities of PDM should be aligned with the rest of the activities within LGs
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|  | **REVENUE MOBILIZATION/ LOCAL REVENUE COLLECTION AND MANAGEMENT ISSUES** |
|  | There is need for harmonization on the collection of park fees | Collection of Park fees within LGs was stopped with an assumption that URA was to collect that revenue. However, URA has not yet started collecting this revenue.  | MoLG, MoFPED, LGFC, URA to follow up | MoLG, MoFPED, LGFC, URA | Park User Fees are collected by URA on behalf of LGs as it is stipulated in the LG Act amendment 73 of 2020 and a total of UShs. 13bn has been collected since FY 2020/21 up to 19-8-2024 across KCCA and LGs.Proposals have been made that collection of park user fees be changed from URA portal to IRAS portal, this will facilitate easy allocation by Accountant General to beneficiary local governments as compared to the current arrangement of collection of park user fees through URA portal that has complicated to allocate these fees. This will be implemented as soon as a memorandum of understanding is signed with URA. |
|  | Offloading and loading charges/ fees in LGs | Need clarity on offloading and loading charges/ fees for trucks transporting goods in LGs. | These fees are charged once by MoTIC. Charging of fees by LGs was stopped to avoid double charging of fees by multiple LGs which would increase the cost of doing business | MoTIC | MTIC will share list of all travelling whole sellers with all LGs. MTIC, MLD, MJCA and LGFC will harmonize the Trade Licensing Act 2015 and the LG Act 2024 with regard to loading and off-loading fees.The Solicitor General has clarified on collection of loading and offloading fees that local governments are legally collecting loading and offloading fees from trucks transporting goods in local governments. This is in line with schedule V part IV of LGA(C138). Loading/offloading fees fall under this section, where the local governments charge these fees in respect to their regulatory power on businesses in their jurisdiction for rendering services such as garbage collection, security and maintaining business order in the councils.This should be included in the charging policy of local governments |
|  | Need for clarity on how LGs should collect Revenue from markets under MATIP | Markets was constructed under MATIP II, and the vendors have been relocated to the new Markets. The grace period ended and the LG expected to start collect Local Revenue. However, the guidance has not been issued by MOLG to date. | MoLG should urgently issue the required policy guideline on market dues | MoLG, LG | MoLG is in the final stages of drafting Market guidelines and Regulations.The LGFC has provided a circular on the collection of market dues and rentals from MATIP markets by having all the market facilities and contracted market collectors to be configured on the automated systems (IRAS/E-logrev) for effective, economical and efficient collection from these markets. This was a directive by the Prime Minister that all collection of revenues from MATIP markets should be through electronic system. |
|  | **NDPIII IMPLEMENTATION ISSUES** |
|  | Delayed approval of midterm reviews for respective LGs by NPA | Most of the midterm reviews done by LG’s have never been approved and yet Government has embarked on the development of NDPIV. | All LGs were trained and support was given in preparation of their LG midterm review. However, some LGs have never resubmitted after issuance of comments. All LGs should submit the final midterm reviews for clearance by NPA. | LGs, NPA | NPA provided guidance for the midterm review to LGs. |
|  | Non adherence to budget guidelines. | Some Local Governments do not budget using the issued grant guidelines; largely on account of late issuance of Guidelines by the relevant MDAs. In addition, different guideline versions that are sent to these LGs are sometimes in draft form. As such, their budgets are not aligned to Government priorities. | All MDAs should issue guideline timely. In case of non-issuance of new Guidelines, by the 2nd BCC, Local Governments should to use the latest available Guidelines. | MDAs, LGs | Guidelines have been issued to all LGs. |
|  | PIAPs are not customized to LGs. | The PIAP indicators in NDP III are not customized to LGs thus poor budgeting. | NPA prepared revised PIAPs and these are awaiting validation by the LGs | MoFPED, NPA | This has been implemented. Starting with the current FY 2024/25, PIAP output indicators have been customized to LG requirements. LG representatives have been consulted in the development of PIAP indicators for the NDPIV.  |
|  | **INADEQUATE INFRASTRUCTURE** |
|  | Lack of physical Development Plans  | Urban management LGs do not have capacity to prepare and implement physical development plans.There is no physical planning grant to enable LGs plan adequately amidst the rising population which disrupts budgeting and planning hence the high slum prevalence. | LGs should request for support from NPA to build capacity of physical planners.Need for a physical planning grant. | MoLHUD, LGs | A pilot physical planning grant has been provided for 40 selected Local Governments and all local Governments are expected to be given this grant in FY 2025/26. |
|  | Inadequate road equipment for New LGs. | Inadequate road equipment and high maintenance costs especially under the Zonal arrangement implemented by MoWT. In addition, all recently created LGs have not been provided with road equipment | In FY 2021/22, 121 LGs were given a full set for road equipment. The new districts are in plan to receive two sets of equipment given the resources availability.MoWT plans to establish sub-regional (zonal) mechanical workshops in Moroto, Mbale, Hoima, Fortportal and Kabale to address issues of servicing equipment | MoWT | On the 15 May 2024, each of the 14 new Districts of; Bugweri, Kalaki, Kapelebyong, Karenga, Kassanda, Kazo, Kikuube, Kitagwenda, Kwania, Madi-Okollo, Nabilatuk, Obongi, Rwampara and Terego received a Wheel Loader and a Grader at MoWT head office. The government is currently engaging the Japanese Government to obtain the remaining sets of equipment to make complete Units at the above 14 new districts. In addition all New Cities and Municipalities will receive full sets of equipment under this arrangement.Regarding the proposed establishment of sub-regional (zonal) mechanical workshops in Moroto, Mbale, Hoima, Fortportal and Kabale, the Ministry awaits allocation of requisite funds by GoU  |
|  | Poor state of District Urban and Community Access Roads | The state of some District Urban and Community Access Roads (DUCARs) is still poor, largely on the account of limited routine maintenance by the District Local Governments. | Local Governments should prioritize the routine maintenance of the community access roads. | LGs |  |
|  | Inadequate accommodation facilities for teachers. | The majority of schools do not have accommodation for their teachers, leading to situations where they have to reside in assigned classrooms or deteriorated structures. | There is need for the Human Capital Program to prioritize and budget for staff quarters in schools under construction and/or already in existence. | MoES | The Ministry has ensured that all the new Seed Secondary Schools cater for the teachers’ accommodation facilities. In addition, LGs are advised to prioritize the construction of teachers’ quarters using the grants i.e SFG grant allocated to them. |
|  | **UGANDA INTERGOVERNMENTAL FISCAL TRANSFERS (UGIFT) PROGRAMME ISSUES** |
|  | Delayed implementation of projects due delayed revoting of unspent balances. | This leads to low absorption of project funds meant for decentralized services under UGIFT), and USMID Programmes. | All unspent balances should be revoted back to the LGs in the first quarter of a FY and Local Governments were urged to make adequate provisions to cater for investment service costs including monitoring and supervision in their respective Local Governments during the budget process for FY 2024/25. | MoFPED, LG | In FY203/24, unspent funds were revoted in the first half of the FY whereas in FY2024/25, unspent funds have already been revoted in Q1 FY2024/25.  |
|  | **PUBLIC FINANCIAL MANAGEMENT SYSTEMS ISSUES** |  |
|  | Rolling out many systems that don’t communicate to each other thus duplicating data. | Many systems are being rolled out in Local Governments and these systems do not communicate to each other. They seem to be a duplicating the data required for example TELA and EMIS. In addition, there is lack adequate computer equipment in primary schools to implement EMIS, capacity gaps and yet the current structure does not have ICT teachers in these Schools. | 1. The two systems of TELA and EMIS should be integrated as one program, and
2. Procure a computer for primary schools to support in implementation of EMIS
3. MoES should review the staff structure in schools
4. There is need for the Program to prioritize sports and co-curricular activities in schools including capacity building.
 | MoES | The Ministry is in the process of strategizing to integrate all the available systems so that they are able to speak to each other to reduce the burden of multiple reporting on the LGS |
|  |  **OTHER ISSUES AFFECTING SERVICE DELIVERY IN LGS** |
|  | Challenge in budgeting for funds that are not directly appropriated to LGs | Funds that are not directly appropriated under Central Government do not have clear budget lines hence various adjustments requests during execution leading to delays and unspent balances at the end of the Financial Year. | Starting FY 2024/25, all funds in respective MDAs should be streamlined in the Local Government respective budget estimates. | MDAs, LGs | This will be addressed based on rationalization approach. |