



LOCAL GOVERNMENT EXCELLENCE FUND (LGEF)

Financing Infrastructure for Local

Economic Development and Job Creation



**DEVELOPMENT INITIATIVE
FOR NORTHERN UGANDA**



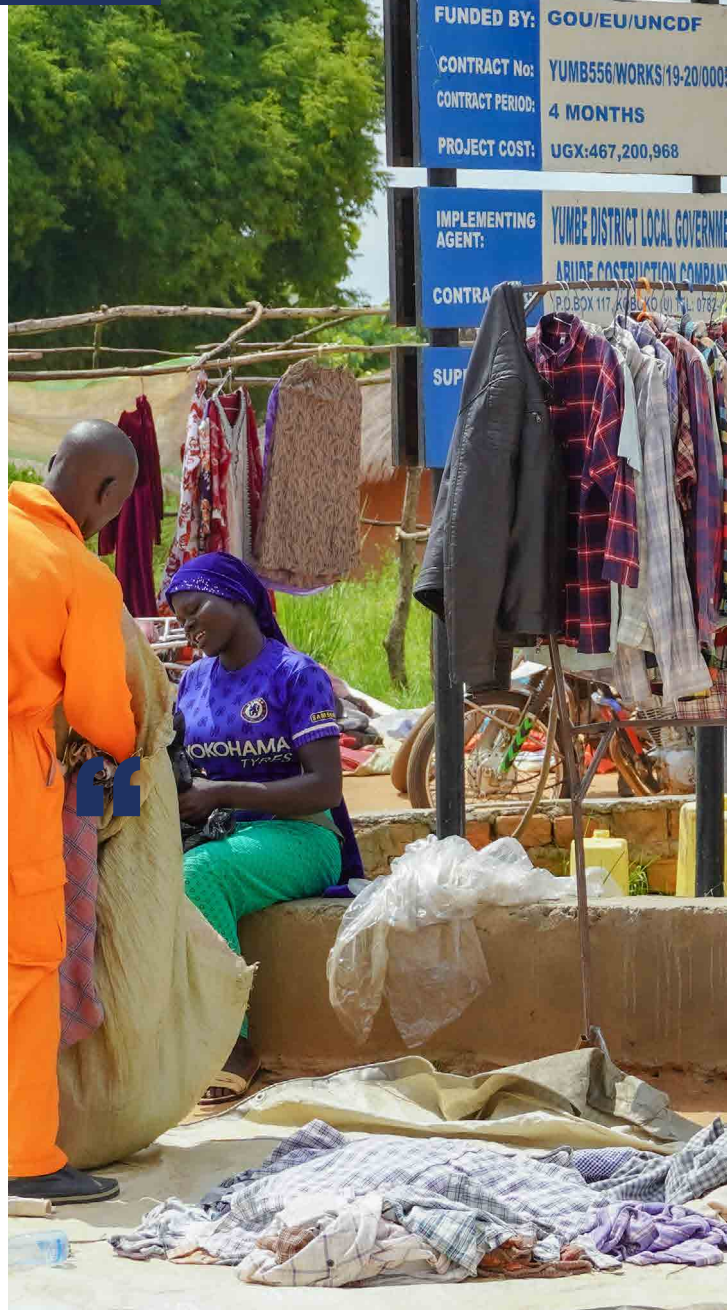
LOCAL GOVERNMENT EXCELLENCY FUND

Bridging Project Development and Financing Gaps for Local Economic Development at Local Government Level

The Local Government Excellence Fund (LGEF) supports local authorities access additional funds, capacity building and technical assistance for economic infrastructure projects to support local economic development and job creation at local level. The Fund was designed by UNCDF in partnership with Government of Uganda represented by the Ministry of Local Government and the Ministry of Trade Industry and Cooperatives with support from the European Union under the 11th EDF, out of the need to adequately finance local economic development at local government level. The facility is hosted by UNCDF.

LGEF IN MY VIEW IS THE QUITE TIMELY AND RIGHT FUNDING MODALITY FOR LOCAL GOVERNMENTS INFRASTRUCTURE IN THE CURRENT ENVIRONMENT

John Bosco District
Chairperson, Otuke District
Local Government



Why Local Governments

Local governments are one of the prime institutional movers of development in Uganda, mandated to deliver services to the public. The role of local governments is further acknowledged in the Uganda Constitution under Chapter Eleven, Article 176 and most of the Global Agendas adopted since 2015 such as the Sustainable Development Goals (SDGs), Climate Agenda, and the Addis Ababa Action Agenda on Financing for Development 2015. While focus on infrastructure planning and financing in Uganda and many other countries is mostly vested in the central government, its impact on local economic development and business promotion are dramatically observed and experienced at the local government where the firms and the population are based.



They are legally mandated to provide services and promote local economic development in their area of jurisdiction including making investments in areas unattractive for private sector but important for local economic development.



Their strategic positioning to coordinate actors



Close to firms, business and the people and so understands the gaps



Local Government own strategic human and infrastructure assets which can be deployed to de-risk private sector investments.

Why Local Government Excellence Fund

LGEF is a performance based subnational financing mechanism that channels funds to local governments for local economic development with focus on economic infrastructure. LGEF supports local governments improve business environment for private sector and contributes to the achievements of over nine of the 17 SDGs, particularly SDG 1, Ending poverty; SDG 2- Zero hunger; SDG 5- Gender Equality; SDG 6- Clean water and sanitation; SDG 7- Affordable and Clean energy; SDG-8, Decent work and economic growth; SDG 9; Industry, innovation and infrastructure; SDG 11, Sustainable cities and communities; and SDG 13, Combating climate change and its impacts.



LGEF:

- **Has inbuilt incentives through performance based competition** - Although each local government is allocated an indicative planning figure (IPF) for the duration of the LGEF period, the actual funds received by each LG will be dependent on their relative performance score in the LG Performance Assessment coordinated by the Office of a Prime Minister. LGEF is thus a strong incentive for Local Governments to improve performance in service delivery and public financial management.
- **Is scalable, flexible, and sustainable.** Use of government systems and procedures- including disbursement procedures, grant utilization, accounting and implementation procedures and performance assessment procedures to strengthen capacity of the participating local governments and cities in public financial management.
- **Focuses on promotion of trade, local economic development and social and economic empowerment of women and youth**
- **Promotes co-financing** by local governments and promotion of public private partnership

LGEF Objectives and Design Principles

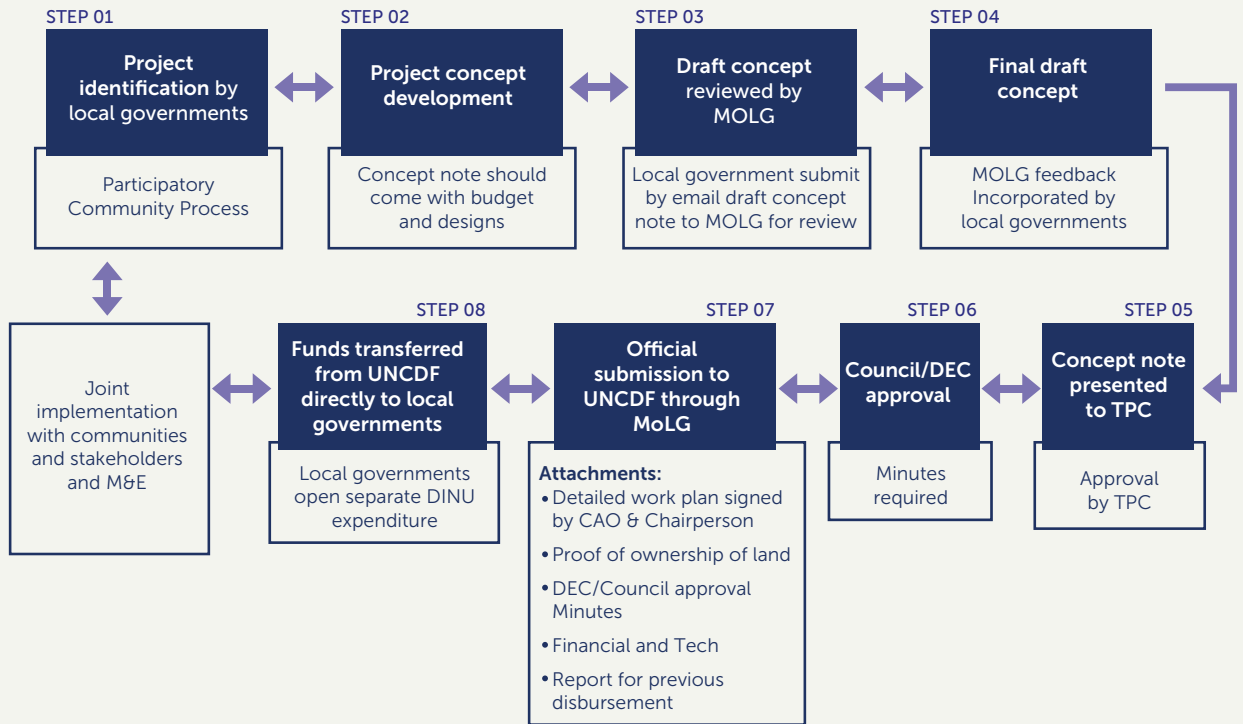
The main objective of the LGEF is to provide financial incentives for improved performance of the beneficiary local governments as a catalyst to promote effective and efficient public service delivery, improved business environment through provision of economic infrastructure.

The specific objectives incorporated in the LGEF include:

- 1 To improve the capacity of districts to plan and manage discretionary funds and thus strengthen the national systems for decentralized governance, promotion of trade, industry and local economic development and support advocacy for further devolution of functions to local governments;
- 2 Improve capacity of local governments to plan for and implement economic infrastructure projects for an improved business environment in support of local economic development at local level.
- 3 To improve the responsibility and accountability of districts for their performance by directly linking fund allocations to their performance;
- 4 To strengthen the new national performance assessment system by incorporating the results of annual performance assessments in the grant allocation decisions;
- 5 To increase the availability of discretionary development funds for economic infrastructure projects in the most disadvantaged districts by complementing other discretionary fund flows, such as the Peace Recovery and Development Plan (PRDP) grant and the Discretionary Development Equalization Grant (DDEG); Trade and Commercial Services Grant.
- 6 Enable local governments to allocate funds to priority trade and local economic development needs that are within their mandate and that are consistent with the national priorities.
- 7 To improve local government planning for and contribution to, social and economic empowerment of young people and women by extending additional funding for catalytic economic projects;
- 8 To bring to scale best practices in using public resources intended to finance local investments identified through local planning processes;
- 9 To incentivize the environment for decentralization reforms and business environment improvement.

LGEF Project cycle

The key steps in the generation and implementation of an LGEF Project are illustrated in the diagram here below.



Step 1: Project Identification Local governments will organize community engagement meetings to identify project ideas through participatory process.

Step 2: Concept Note Development The local governments works with stakeholders to develop the project concept note. At this stage project designs, drawings, specifications and budget should be developed.

Step 3 & 4. MoLG and other Sector Ministries Review and Validate The draft concept note submitted to MoLG and other relevant sector Ministries for review through e-mail and

feedback provided and incorporated by the LGs to provide final draft concept note. The review of concept note by MoLG and other relevant Ministries will include field verification/validation.

Step 5: Presentation to PTC. The draft concept is presented to PTC for their input and endorsement

Step 6: DEC or Council Approval. The concept note will be presented to DEC or council for approval

Step 7 and 8. Submission to UNCDF through MoLG for fund transfer.

Summary of Requirements

REQUIREMENTS ON THE USE OF THE LGEF

Allocations across categories

- Capital investments for socio-economic development, trade industry and local economic development – minimum 95%

OVERALL DEVELOPMENT BUDGET REQUIREMENTS

Principles for selecting Investments

The principles for selecting all local government investments mean that investments should be:

- Within the mandate of local governments (Second Schedule of the LG Act Cap 243);
- Incorporated in the local government approved district development plan, workplan and budget;
- Can be completed with the resources in the budget and made fully functional;
- Have provisions for recurrent cost implication to be borne by the local government, lower local government to implement
- Focus on public rather than private goods;
- Do not have negative environmental and social impacts;
- Able to mitigate effects of climate change;
- Take into consideration equity issues (e.g. gender, etc.) and explicitly benefit women and youth; and
- Following sector budgeting requirements and standards for all local government investments.

Investment servicing costs

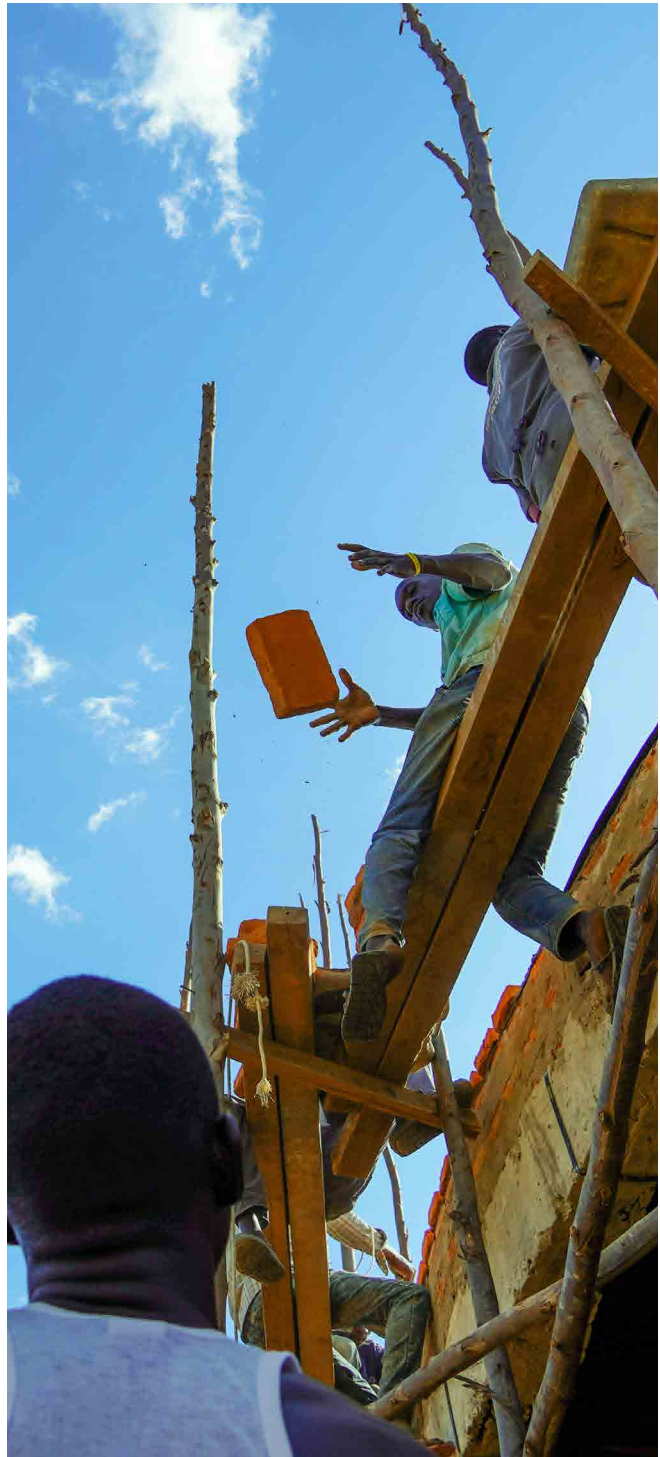
For the LGEF, the investment service costs shall be maximum of 5% of the cost of capital investments outputs.

Investment servicing costs include:

- preparation of designs, technical specifications and bills of quantities
- community mobilisation and sensitisation
- land acquisition
- technical training of beneficiaries
- project supervision and monitoring

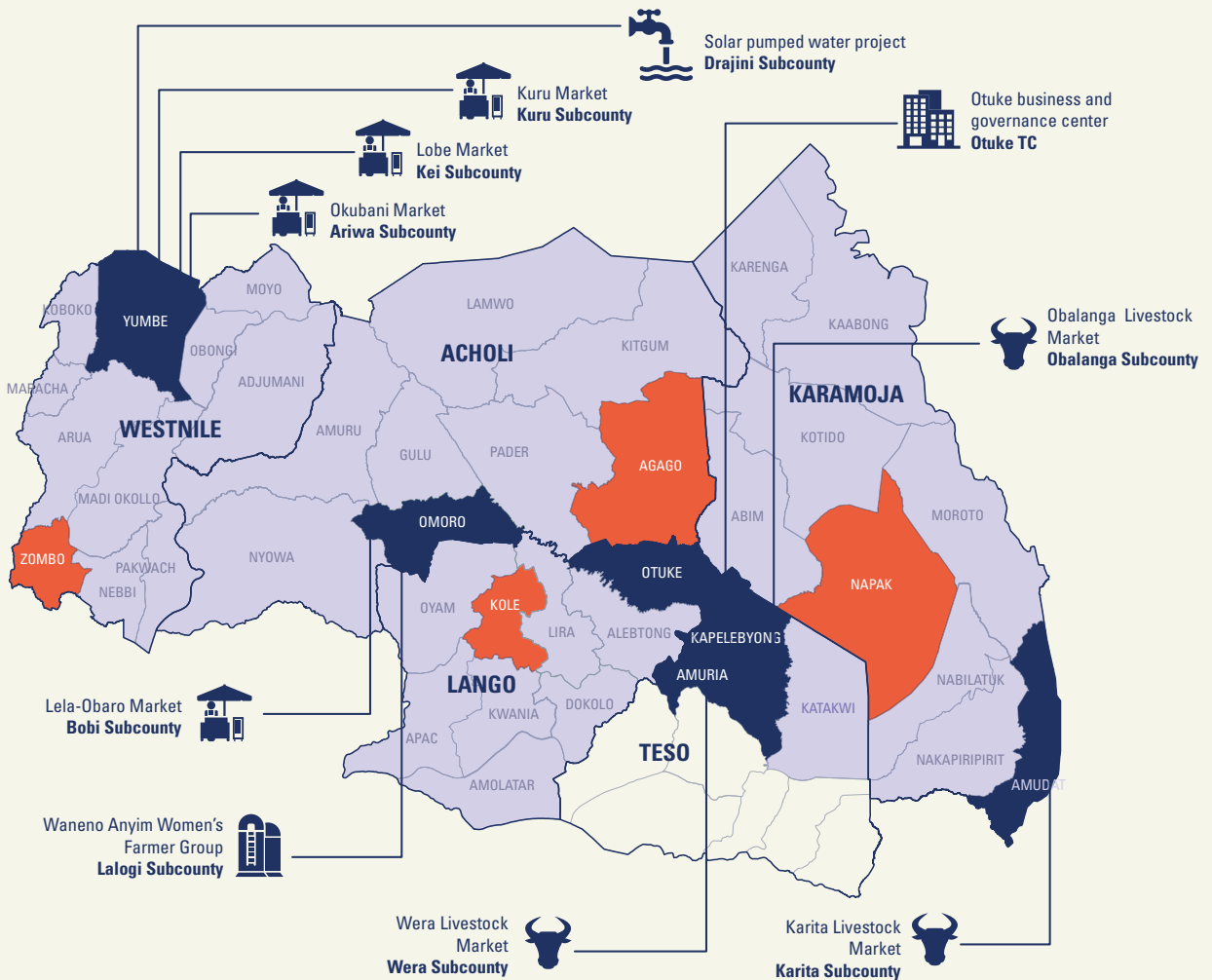
The funds transfer modality is flexible and can either include direct transfer from UNCDF to local governments or can be channeled through the existing inter government fiscal transfer systems. The process includes:

- **Undertaking local economy and business assessment**, to ensure planning and investments are aligned to the complete advantages of the localities.
- **Participatory project identification and development**, ensuring community and stakeholder participation in project identification, development and implementation.
- **Minimum access conditions**, including audit performance and reporting
- **Performance measures**-national (to include local economic development specific measures and assets management)
- **National Local Government Performance Assessment** as undertaken by the office of the prime minister
- **Eligible investment menu** informed by need to improve business environment and de-risk investments
- **Technical capacity building**, in project development, public private partnerships and specific project aspects



Where is LGEF in Uganda

Since 2018 LGEF is being piloted in five local governments of Amudat, Amuria, Omoro, Otuke and Yumbe. In 2020, LGEF was scaled up to four additional districts of Agago, Kole, Napak and Zombo.

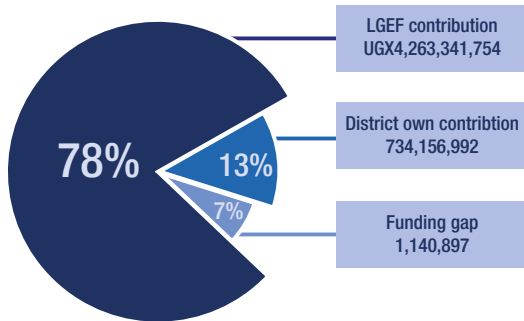


Original districts with projects:
 Yumbe, Amuria including Kapelebyong,
 Amuria, Amudat and Omoro

New districts include:
 Agago, Napak, Zombo and Kole

Progress to date

Nine projects have been developed by the five local governments of Amudat, Amuria including Kapelebyong, Omoro, Otuke and Yumbe under LGEF.



TOTAL PROJECT SIZE:
UGX 5,404,238,815

LGEF CONTRIBUTION
UGX 4,263,341,754

DISTRICT OWN CONTRIBUTION
UGX 734,156,992

FUNDING GAP
UGX 1,140,897

The projects include support to improving soya bean value chain and community market infrastructure development to boost trade and access and market access for agro products for communities in Northern Uganda. LGEF supports economic infrastructure projects is already positively contributing to job creation and increased incomes for households in the participating local governments, besides the improved business environment.

The community markets cater to over
800 vendors



The construction works have created
119 local jobs



Women empowerment

Women have a key role in the socio-economic development of Northern Uganda, both as potential entrepreneurs, and as key drivers in addressing food insecurity and poor nutrition. The DINU programme specifically seeks to empower women and youth on various dimensions, and the LGEF follows the same approach by integrating women's and youth's social and economic empowerment into the capital investments and other development activities. Capital investments under LGEF are designed to maximize the access of women and young people to the benefits of roads, markets and improved social services. These activities will support women to carry out everyday chores more efficiently, free up time for educational opportunities, productive work, and participation in community life and decision making.

Partners



Ministry of Local Government is responsible for the implementation of the decentralization policy. The Ministry's mission is to co-ordinate and support local governments to provide efficient and sustainable services, improve the welfare of the people and eradicate poverty. With its mandate, the Ministry guides, harmonize, mentors and advocates for all local governments in support of the vision of government to bring about socio-economic transformation of the country.



United Nations Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 the means of implementation.



Ministry of Trade, Industry and Co-operatives, Industries and Cooperatives aims to develop and promote a competitive and export led private sector through accelerating industrial development for economic growth. The Ministry formulates, reviews, and supports policies, strategies, plans and programs that promote and ensure expansion and diversification of trade, cooperatives, environmentally sustainable industrialization, appropriate technology development and transfer to generate wealth for poverty eradication and benefit the country socially and economically. The mission of the Ministry to develop and promote a competitive and export-led Private Sector through accelerating industrial development for economic growth."



Office of the Prime Minister (OPM) The Office of the Prime Minister (OPM) is mandated by Article 108A of the Constitution, to coordinate, monitor and evaluate the implementation of Government policies, programmes and priorities across Ministries, Departments and Agencies to ensure effective and efficient delivery of services to the people of Uganda. OPM's mission is to drive coherent, high quality and timely supply to Government, the Private Sector and Development Partners for efficient and effective service delivery.



EUROPEAN UNION

European Union (EU) is a political and economic union of 28 Member States. They decided to link together their know-how, resources, and destinies. Together, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance, and individual freedoms. The EU is committed to sharing its achievements and values with countries and peoples beyond its borders. And in fact, over half of all development aid comes from the EU and its Member States, making them collectively the world's largest aid donor. Most aid goes to low-income and least developed countries.

For more information:

UN CAPITAL DEVELOPMENT FUND, UGANDA COUNTRY OFFICE

Joel Mundua | Lead Specialist Governance

✉ joel.mundua@uncdf.org

🌐 www.uncdf.org

🐦 @UNCDF LocalDev

MINISTRY OF LOCAL GOVERNMENT

Eng. Paul Kasule | Coordinator Programme Support Team

✉ paul.kasule-mukasa@molg.go.ug / engpkm@gmail.com

🌐 www.molg.go.ug

🐦 @MoLGUganda

MINISTRY OF TRADE INDUSTRY AND CO-OPERATIVES

Zaake Kalega | Ag. Commissioner Internal Trade

✉ kalegazackey@yahoo.com

🌐 www.mtic.go.ug

🐦 @MTICUG