



THE REPUBLIC OF UGANDA

**IN THE MATTER OF THE CONSTITUTION OF THE REPUBLIC OF UGANDA
AND THE LOCAL GOVERNMENTS ACT CAP 243**

**CONDITIONAL GRANT UTILIZATION AGREEMENT UNDER THE
PROGRAMMES OF**

**OF MANUFACTURING; AGRO INDUSTRIALIZATION; PRIVATE SECTOR
DEVELOPMENT; AND INNOVATION, TECHNOLOGY DEVELOPMENT AND
TRANSFER**

FOR FINANCIAL YEAR 2025 /2026

BETWEEN

THE MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES

AND

THE LOCAL GOVERNMENTS

THIS Agreement is made this **26th day of August, 2024** between the **Ministry of Trade, Industry and Cooperatives (MoTIC)** of P.O. Box 7103, Kampala , the Kampala (hereinafter referred to as the **"First Party"**) of the one part and which expression where the context so permits shall include its assignees, representatives and anyone acting under its authority, and the **Local Governments** (LGs) represented by Uganda Local Government Negotiation and Advocacy Team (UNAT) of c/o P.O. Box 23120 or P. O. Box 23092 Kampala (hereinafter referred to as the **"Second Party"**) of the other part and where the context so permits shall include its assignees, representatives and any one acting under its authority. For purpose of this Agreement, the two shall be jointly referred to as **"the Parties"**.

PREAMBLE:

Article 193(3) of the Constitution of the Republic of Uganda and Section 83(3) of the Local Governments Act Cap 243 provide "Conditional grants shall consist of

monies given to Local Governments to finance programmes agreed upon between the Government and Local Governments; and shall be expended only for purposes for which it was made in accordance with the conditions agreed upon". The above provision requires negotiations on programs and the expenditure of the conditional grants in accordance with the conditions agreed upon and this necessitates for the Local Governments to interface with the Program ministries (Government) to agree upon the conditions.

Pursuant to the above, the Uganda Local Governments Association and Urban Authorities Association of Uganda, acting on behalf of the Local Governments, established the Uganda Local Governments Negotiation and Advocacy Team (UNAT) in 2004 with an aim of representing them and negotiating on their behalf, with the line ministries, the conditions for Conditional Grants utilization.

The negotiations are organized and chaired by the Local Government Finance Commission, and witnessed by Ministry of Local Government, Ministry of Finance, Planning and Economic Development, Ministry of Public Service, Office of the Prime Minister, the National Planning Authority, the Equal Opportunities Commission (EOC), and selected Civil Society Organizations (CSOs).

WHEREAS;

1. The Ministries of Trade, Industry, and Cooperatives and their Constituents, departments and agencies has the statutory responsibility for line ministry policy, settings standards planning, inspection, support supervision, monitoring, capacity building, regulation, coordination, mentoring, and provision of technical guidance to Local Governments in the implementation of programmes.
2. The Local Governments are the implementers of Government programmes within their locality and jurisdiction in accordance with the Constitution of the Republic of Uganda and the Local Governments Act (Cap 243).
3. Both parties have a common objective of implementing agreed upon conditions for expenditure of the Conditional Grants.

NOW THEREFORE, having deliberated, do hereby agree to work together towards achieving the above common goal and in so doing, the Parties agree to be bound by the terms and conditions as stipulated here below.

Agreement

1. The Agreement shall come into effect on the date of last endorsement of signature to this agreement and shall run during budget formulation and implementation for Financial Year 2025/2026.
2. Modification of the terms and conditions of this Agreement shall only be made by written and signed Agreement between the Parties hereto.
3. None of the parties to this agreement shall be held liable on any of their obligations herein if owing to an occurrence or event beyond their control or



reasonable foresight and without negligence on their part, execution of this Agreement has been rendered impossible. In such circumstances, the parties shall mutually agree on the appropriate way forward.

4. Failure to implement any of the provisions of this Agreement by any of the parties shall be communicated to the affected party by the defaulting party within two (2) months from the date of failure to implement. The notification shall clearly state the reasons for failure and shall be delivered at the duly appointed and known address of the Local Government Finance Commission, with copies to Uganda Local Governments Association (ULGA), Urban Authorities Association of Uganda (UAAU), Ministry of Local Government, Ministry of Trade, Industry and Cooperatives, National Planning Authority, Office of the Prime Minister and Ministry of Public Service.

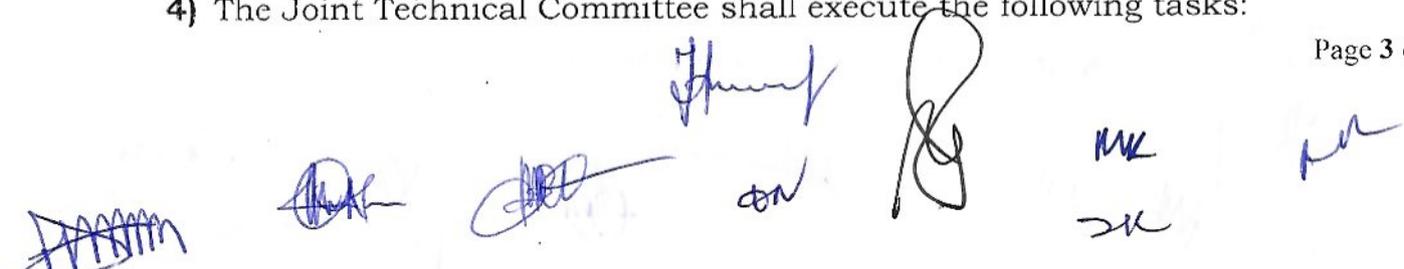
PURPOSE

The purpose of this agreement is to define the programs and the conditions for the expenditure of the conditional grants for the Financial Year 2025/2026 in the Manufacturing, Agro-industrialization, Private Sector Development and Tourism Development programmes.

Mid-term Review (MTR)

The Parties shall have a Mid-term Review in May 2025 to discuss the progress of implementation, highlight challenges faced, and make recommendations to improve performance. This review shall be organized with the following framework:

- 1) There shall be a Joint Technical Committee (JTC) comprising of Fourteen (14) members drawn in the following ratios;
 - a) Local Governments Finance Commission (LGFC): 2
 - b) Uganda Local Governments Association: 2
 - c) Urban Authorities Association of Uganda: 2
 - d) Ministry of Trade, Industry and Cooperatives: 2
 - e) Office of the Prime Minister: 1
 - f) Ministry of Finance Planning and Economic Development: 1
 - g) Ministry of Local Government: 1
 - h) Ministry of Public Service: 1
 - i) National Planning Authority: 1
 - j) Equal Opportunities Commission: 1
- 2) The Local Government Finance Commission shall be the Chair and Secretariat of the Joint Technical Committee.
- 3) The JTC shall sit once a year at a time and place determined and communicated by the Local Government Finance Commission.
- 4) The Joint Technical Committee shall execute the following tasks:



- a. Oversee implementation of the agreements and monitor the progress of either party;
 - b. Ensure that the Agreements are disseminated to all stakeholders;
 - c. Conduct a Mid-term Review of the implementation process so as to obtain feedback and disseminate it to the parties;
 - d. Identify the non-complying parties and make recommendations to MoFPED, and Office of the Prime Minister and MoLG for appropriate sanction; and
 - e. Handle any other upcoming issues.
- 5) The JTC shall report to the respective Policy Organs of their Institutions.

Implementation of the NDP IV

This engagement has taken place when the planning and Budgeting has transited from the Sector to Programme approach to planning and budgeting under the NDP IV.

GENERAL OBLIGATIONS OF THE PARTIES

The Parties shall perform the services and carry out their obligations with all due diligence, efficiency, and economy.

Obligations of the Local Governments

Local Governments shall:

- a. Through their Constituent organizations (ULGA and UAAU) disseminate the agreements to their members;
- b. Implement the agreed obligations in accordance with this agreement and the guidelines issued by the MoTIC;
- c. Ensure timely response to issues raised by the line Ministry;
- d. Provide timely and accurate data on their plans, achievements and status on programme implementation to the MoTIC;
- e. Adhere to the line/Grant Utilization Guidelines issued by the Ministry;
- f. Ensure timely submission of Monitoring and Inspection reports to the MoTIC and;
- g. Ensure timely submission of the quarterly performance reports.

Obligations of the Ministry of Trade, Industry, and Cooperatives.

The Ministry shall:

- a. Prepare and disseminate the final grant utilization guidelines for (FY 2025/2026) based on agreed programs and projects to LGs through circulars addressed to the Chief Administrative Officers/ Town Clerks and copied to the District Chairpersons, District Speakers and Mayors.

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- b. Include the signed agreement for the FY 2025/2026 as an annex to its Ministerial Policy Statement.
- c. Communicate the issues agreed upon in the negotiations for Local Governments to implement in their respective Manufacturing, Agro-industrialization, Private Sector development, and Tourism Development programmes through circulars addressed to the Chief Administrative Officers/ Town Clerks and copied to the District Chairpersons/ Mayors and Speakers.
- d. Ensure timely response to issues raised by the Local Governments, Local Government Associations and Local Government Finance Commission.
- e. Ensure adequate involvement and participation of Local Governments during its line ministries reviews. LGs should be consulted on composition of their representatives.
- f. Invite and provide a slot to the Local Government Associations (ULGA and UAAU) to make a presentation on the key issues affecting service delivery in the Programs Annual Review Meetings under the Ministry.



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SPECIFIC OBLIGATIONS OF THE PARTIES

1. Private Sector Development

Local Governments (LGs) reported that the lack of funding affected the implementation of various programs. It was proposed that the UGX 10.6 billion suggested by the Ministry of Finance, Planning and Economic Development (MoFPED) should be allocated to the Trade, Industry, and Local Economic Development (TILED) department for better implementation of the Parish Development Model (PDM) and de-risking of EMYOOGA programs. The funds are required to implement key services which include training of SACCO leaders, supervision, monitoring, and operational support at the Parish level under all programmes.

While it was agreed that these funds should remain under the Production department, an operational grant of UGX 7 billion for trade supervision under PDM and EMYOOGA was proposed

The LGs noted the need for guidelines on the process of identifying innovators' areas of innovations. Mukono has two innovations, Luwero, Mubende on waste management sorting, Wakiso on arts and crafts and use of renewable energy.

MOTIC observed that MoFPED was leaving them out of the UGIFT program but yet the MoTIC purpose of involvement was to know more about the involvement of BUBU. However, it was noted that the UgIFT programme was winding up in FY 2024/25.

There is need for the LGs to build business trades like canteens around the UGIFT schools and health centres.

It was agreed that:

- a) MoTIC shall raise the need for the UGX 7 billion trade supervision funds for TILED as a priority for funding under the Private Sector Development programme.**
- b) MoTIC shall generate an inventory of all commercial infrastructure including innovations.**
- c) LGs shall compile business registers.**
- d) LGs shall issue circulars to Local Lower Governments (LLGs) banning the charging of offloading and loading fees, except at taxi parks.**
- e) LGs shall produce ordinances to promote trade.**
- f) LGs shall simplify licensing and registration through automation and ensure compliance with approved rates and grading.**
- g) LGs shall provide Market Linkage Services.**
- h) LGs shall support the formation of Private Sector Associations (Confederation).**
- i) LGs shall link the private sector to financial institutions.**

- k) LGs shall promote reservation schemes (BUBU) to increase the consumption of local goods and ensure that local products occupy at least 50% of supermarket shelf space.
- l) LGs shall provide Business Development Services.
- m) LGs shall organize trade fairs and expos to showcase local products.
- n) LGs need more support in promoting innovations.
- o) LGs shall build businesses around UGIFT facilities to support LED.

2. Market Infrastructure

LGs reported that many markets remain underutilized due to inadequate consultation with users, LGs, and MoTIC during their construction. MoTIC had developed a marketing strategy to secure funds for market structures, but it had not been shared with LGs. Future consultations and a rethinking of CAIP investments with integrated business development services were recommended.

It was agreed that:

- a) MoLG shall consult more with LGs when setting up market investments.
- b) MoTIC shall improve the functionality of existing markets.
- c) MoLG shall adopt a demand-driven approach for market investments.
- d) MoTIC shall assist with revitalizing the functionality of CAIP investments and integrate business development services.
- e) MoTIC shall share a report on market establishment with LGs.
- f) MoLG and LGs shall identify spaces and define structures for markets at the sub county level.

3. Coordination of Government Programs

LGs expressed concerns about the lack of synergy and coordination between MoTIC and other government agencies. Instances were reported where central agencies, such as the Uganda Registration Services Bureau (URSB), Uganda National Bureau of Standards and the Uganda Revenue Authority (URA), directly implemented activities in LGs without Local Government involvement, which undermines decentralization efforts.

It was agreed that:

- a) MDAs shall enhance their coordination and cooperation with LGs.
- b) The Office of Prime Minister shall issue a circular to all MDAs, informing them of the requirement to coordinate with LGs before implementing any activities and subject the MDAs that implement activities in LGs without prior notification to corrective measures.
- c) MDAs shall inform LGs about planned activities to ensure local involvement.
- d) LGs shall collaborate with URA on tax sensitization and mobilization efforts.

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4. Training for Commercial Officers

LGs reported that only 176 Officers out of 542 had been trained due to financial constraints. MoTIC was requested to facilitate continuous capacity building for Commercial Officers through regular training and orientation especially for newly recruited staff to improve service delivery in LGs.

It was agreed that :

- a) **MoTIC shall institutionalize the orientation and continuous capacity building for Commercial Officers through refresher training.**
- b) **LGs shall ensure that trained officers serve as trainers for other officers.**

5. Buy Uganda, Build Uganda (BUBU)

LGs reported insufficient funding to implement, the Trading License Act, develop ordinances to improve trade, automate licensing, ensure compliance, provide market linkage services, support private sector associations, promote BUBU, and organize trade fairs. They noted the need for a circular from MoTIC on ensuring that 40% of contractors/suppliers are local.

It was agreed that:

- a) **MoTIC shall utilize the Public Procurement and Disposal of Public Assets (PPDA) Act to reserve contracts for local contractors to support local entrepreneurship.**
- b) **MoTIC shall work with MoFPED and PPDA to review the reservation preference guidelines.**
- c) **MoTIC shall issue a circular to LGs to promote government programs like BUBU.**
- d) **MoFPED shall reinforce BUBU in the next Budget Execution Circular (BEC).**
- e) **LGs shall ensure that 40% of the budgeted contracts are awarded to local contractors in the District, City or Municipality.**

6. Guidelines for EMYOOGA

LGs noted the lack of approved guidelines for the EMYOOGA program. This has been on-going for the four years that the Emyooga Programme has been in place, which puts the program at risk.

MoFPED reported that the guidelines had been developed and shared with stakeholders and were awaiting Cabinet approval.

It was agreed that MoFPED shall provide the approved guidelines during Local Governments Regional Budget Consultative Workshops.

7. Local Economic Development (LED) Coordination

LGs emphasized the need to harmonize LED performance indicators and enhance coordination between MoLG, MoTIC, and LGs. Despite launching guidelines for

promoting LED in LGs, further coordination is required to improve implementation.

It was agreed that:

- a) **MoTIC and MoLG shall harmonize LED indicators under the Regional Development Program.**
- b) **MoFPED and the National Planning Authority (NPA) shall ensure that LED performance indicators for LGs are updated in the Program-Based System (PBS).**

8. Staffing

LGs highlighted staffing shortages, particularly in the TILED department, where only 36 out of 176 LGs have substantive Heads of Departments. This issue was attributed to a lack of wage allocation.

MoPS reported that the payroll audit unveiled a number of concerns in Local Government payrolls which they are in the process of clearing. Once resolved, LGs will be allowed to prioritize filling vacant positions as wage funds become available.

It was agreed that LGs shall prioritize recruitment of Heads of Departments following wage analysis by the Ministry of Public Service.

9. PDM Review Meeting

LGs noted that MoLG, through the PDM Secretariat, was expected to organize PDM review meetings at various levels (Parish, Sub-County, District, Regional, and National). However, LGs sought clarity on when these meetings would occur. Concerns were raised about LGs' capacity to manage the scale of PDM activities due to limited facilitation and work tools.

The Ministry confirmed plans to hold regional review/follow up meetings on PDM.

It was agreed that MoLG shall conduct review/follow-up meetings on PDM in before end of Financial Year 2024/25.

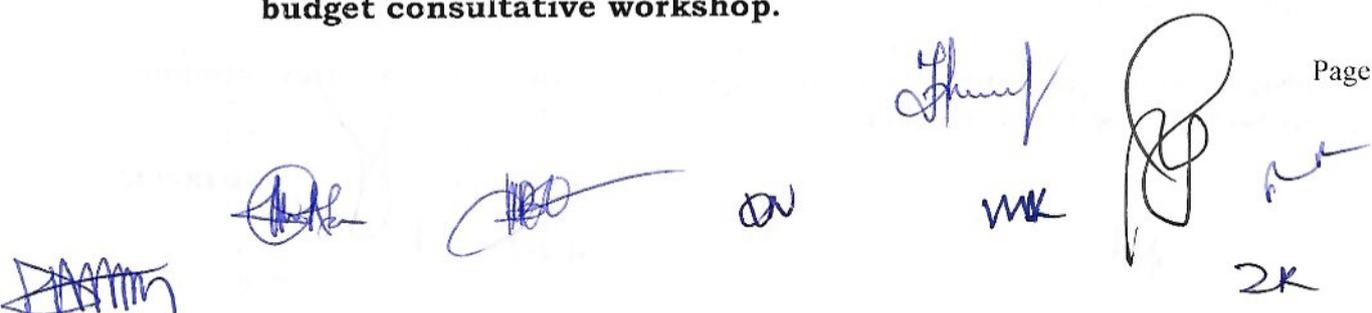
10. Allocation formulae for Hard-to-Reach Areas

It was noted that the MoPs had not shared the allocation formula for hard-to-reach areas or the list of benefiting Local Governments.

The MoPs acknowledged stakeholders' concerns and reviewed the framework for hard-to-reach and hard-to-stay areas, but was seeking funds for dissemination. Parameters considered include terrain, climate, hostility of natives, and availability of social amenities.

It was agreed that:

- a) **MoPS shall share the updated list of hard-to-reach areas with the LGFC Secretariat and all other relevant stakeholders.**
- b) **MoPs shall share the associated parameters at the Local Government budget consultative workshop.**



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11. Harmonizing Laws

The discrepancy between loading/off-loading fees and the Trade Licenses Act versus the Local Governments Act was affecting business in LGs. There was a need for harmonized criteria for setting fees and resolving the legal gap that is hindering compliance.

It was agreed that LGs shall harmonize trade regulations with LG operations and revenue collection efforts to reduce the cost of doing business.

12. Agricultural Credit Facility (ACF)

LGs emphasized the need for increased sensitization about the Agricultural Credit Facility (ACF). The time allocated during budget workshops has been insufficient but LGs had started sensitizing farmers on ACF.

It was agreed that:

- a) MoFPED shall continue disseminating information on the Credit Facility during regional LG Budget Consultative Workshops for FY 2025/26.**
- b) LGs shall coordinate community sensitization efforts on the ACF.**

13. Trading License

LGs emphasized the need for MoTIC to clarify the role of Commercial Officers and streamline their involvement in regulating trade licensing. It was noted that the Trade Licensing Act requires a review to ensure it aligns with the roles and functions of LGs.

It was agreed that:

- a) LGs shall involve Commercial Officers in Trade License Regulation in their jurisdictions.**
- b) MoTIC shall review the Trade Licensing Act to clarify roles.**

14. Production of Ordinances by LGs

LGs reported that most of their local leaders/ Council members were yet to be inducted on how to perform their roles. This greatly impacted their abilities to develop ordinances and by-laws. Despite having in place some financial allocations for capacity building under DDEG, LGs require more support in producing ordinances and clearing them with the Solicitor General's office.

It was agreed that:

- a) MoLG shall support LGs in producing ordinances and conduct induction for local leaders.**

- b) **LGs shall identify areas requiring ordinances and seek guidance from MoLG, other relevant Central Government offices, and other competent stakeholders.**
- c) **MoLG shall provide capacity building to LGs on ordinance production.**

15. Buying and Marketing of Agricultural Produce

It was noted that the laws regulating buying and marketing of agricultural produce was pending enactment by MoTIC. It was emphasised that existing sanitary and phytosanitary standards require stronger enforcement. As a result, the absence of a Tea Policy had resulted into production of poor quality in Uganda and subsequently a reduction in the tea prices.

It was agreed that MoTIC in consultation with MAAIF shall expedite the development of the laws regulating buying and marketing of agricultural produce including the tea policy in effort to address quality standards.

16. Beneficiary Tracking System

It was noted that there is urgent need for a system to track beneficiaries of Government programmes and interventions to prevent similar individuals from benefiting from multiple programmes at the expense of other citizens. It was suggested that integrating the National Identification Number (NIN) on beneficiaries would provide an easy track and would help address this issue.

It was agreed that the OPM shall study the need for a Beneficiary Tracking System for Government Programmes and provide policy guidance by Midterm Review in May 2025.

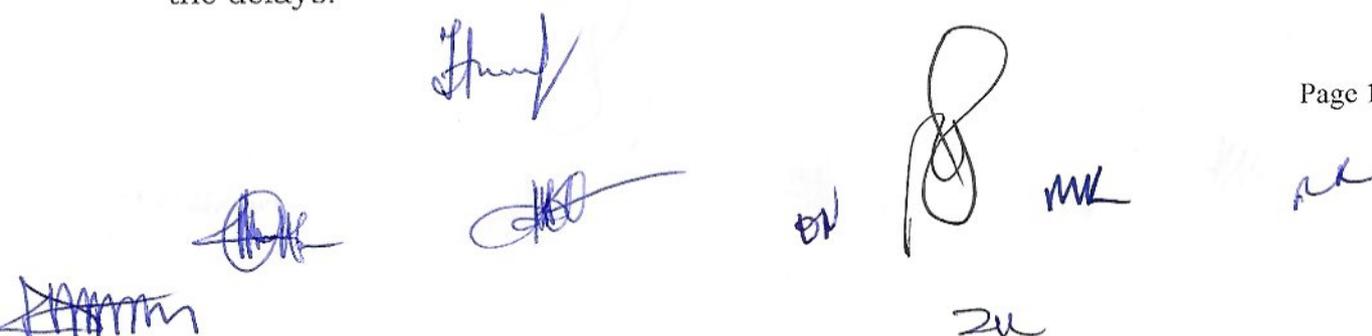
17. Job Descriptions for Commercial Officers and other staff in TILED Department

LGs reported the need to update job descriptions for Commercial Officers to respond to recent changes in their roles. The LGs were requested to submit areas for review to MoTIC.

It was agreed that LGs shall submit to MoTIC the proposed changes in the Job Descriptions for Commercial Officers and other staff in TILED Department, which will forward them to MoPS by December 2024.

18. Digitization of Cooperatives' Registrations

LGs pointed out delays in digitizing registration of Cooperatives due to centralization tendencies. MoTIC reported that it had in place digitization efforts to streamline cooperatives; registration and they hoped that this would reduce on the delays.

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It was agreed that MoTIC shall provide an update on the progress of digitization of Cooperatives registrations by December 2024.

19. Agro-Industrialization

LGs reported that they faced challenges in fulfilling Agro-industrialization mandates due to limited funding. Coordination with MDAs like UWRSA and MAAIF is necessary to establish post-harvest infrastructure at the parish level.

It was agreed that:

- a) MoTIC shall integrate post-harvest facilities into the NDP IV.
- b) LGs shall improve implementation of Agro-industrialization by working with MDAs and other stakeholders.

20. Manufacturing

It was noted that LGs were tasked with creating associations of Small and Medium-sized Industrialists (SMIs), allocating land for SMI development, identifying value addition opportunities, and linking SMIs with MDAs and service providers. However, this was not being done. It was also necessary to develop a national database of industrial and value addition facilities.

It was agreed that:

- a) LGs shall create associations of industrialists and allocate land for SMIs.
- b) LGs shall identify value addition potential and develop a data compilation of industrial facilities.
- c) LGs shall link SMIs to relevant MDAs and service providers.

IN WITNESS, WHEREOF, the appointed representatives of Parties hereto have set their hands on this Agreement on the day, month and year first above written.

Signed for and On Behalf of Local Governments:

Mr. Richard Rwabuhinga

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Authorized Representative

UNAT

Signed for and on behalf of the Ministry of Trade, Industry and Cooperatives

Mr. Zackey Kalega

.....


Authorized Representative

Ministry of Trade, Industry and Cooperatives

IN WITNESS HEREOF: (Authorized Representatives)

Hon. Isaac Musumba Isanga

.....


Local Government Finance Commission

Mr. Silver Tindizirarira

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Ministry of Local Government

Mr. Charles Matovu

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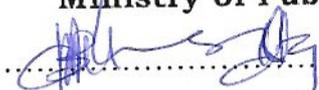

Ministry of Finance, Planning & Economic Development

Mr. Adam Tusiime

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Ministry of Public Service

Mr. Dhikusooka Gyaviira

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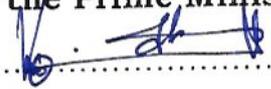
National Planning Authority

Mr. Nathan Otutu

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Office of the Prime Minister

Ms. Manasseh Kwihangana

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Equal Opportunities Commission