

KEY STRATEGIES FOR FINANCING OF NEW CITIES

Presentation By Adam Babale
(Director Revenue and Research)

LOCAL GOVERNMENT FINANCE COMMISSION

Status of Funding the New Cities

- ▶ The Cities are basically funded from two major sources:
 - Own source revenue
 - Grants from the National Budget

Current Status of Cities' Funding (FY 2020/21)

Vote Code	Municipal Council/City	Total Wage Grants	Total Non-Wage Recurrent Grants	Total Development Grants	Total Local Revenues
751	Arua	5,963,208,031	2,981,018,734	14,339,291,920	3,005,187,500
752	Entebbe	4,706,540,850	2,722,663,213	9,537,741,401	4,874,846,616
753	Fort-Portal	6,478,874,617	2,784,106,911	9,369,902,968	2,940,365,760
754	Gulu	9,476,724,484	5,195,924,013	41,035,328,388	4,745,528,000
755	Jinja	10,387,601,650	4,552,783,768	11,602,289,331	7,410,510,813
757	Kabale	7,584,478,390	3,302,192,079	15,528,809,379	2,037,163,090
758	Lira	6,176,402,770	3,236,542,103	14,180,762,856	3,403,590,000
759	Masaka	6,051,422,164	2,808,865,187	28,198,423,263	2,920,527,674
760	Mbale	10,760,700,135	7,273,154,428	21,089,010,537	3,365,328,650
761	Mbarara	14,560,350,887	5,683,857,472	16,652,363,167	4,863,423,000
762	Moroto	2,201,672,468	1,097,008,272	2,783,814,873	535,155,000
763	Soroti	6,745,945,343	3,102,721,779	5,446,663,500	2,010,000,000
771	Hoima	5,904,739,982	3,804,144,297	30,857,940,869	1,855,736,067
	Total	96,998,661,772	48,544,982,257	220,622,342,452	43,967,362,170

Current Status of Cities' Funding (FY 2020/21)

Vote Code	Municipal Council/City	Total Development Grants	USMID-AF	Other Devt Grants
751	Arua	14,339,291,920	13,963,733,894	375,558,026
752	Entebbe	9,537,741,401	8,930,942,041	606,799,360
753	Fort-Portal	9,369,902,968	9,047,696,051	322,206,917
754	Gulu	41,035,328,388	40,132,820,313	902,508,075
755	Jinja	11,602,289,331	11,186,576,339	415,712,992
757	Kabale	15,528,809,379	15,206,844,014	321,965,365
758	Lira	14,180,762,856	13,283,820,753	896,942,103
759	Masaka	28,198,423,263	27,055,999,384	1,142,423,879
760	Mbale	21,089,010,537	20,596,583,571	492,426,966
761	Mbarara	16,652,363,167	14,769,265,680	1,883,097,487
762	Moroto	2,783,814,873	2,598,740,940	185,073,933
763	Soroti	5,446,663,500	5,106,444,862	340,218,638
771	Hoima	30,857,940,869	30,268,569,829	589,371,040
	Total	220,622,342,452	212,148,037,671	8,474,304,781

**Key Strategies for
sustainable financing
of new cities**

**Physical Development Planning to
ensure the process observed
requirements of the Urban Policy,**

This will also support effective use of
resource endowments, generation
and use of financial resources.

Key
Strategies for
sustainable
financing of
new cities

- **Re-organise and Institute a more accountable Local Government Financing system:** redress issues of poor accountability and Value for Money in managing public resources.

**Key
Strategies for
sustainable
financing of
new cities**

Invest in Local Economic Development and Public Private Partnerships to enhance growth of industries and value addition: e.g. Fort Portal City to take advantage of Agri-LED based industrial parks that are being established under the Ruwenzori sub-region.

**Key
Strategies
for
sustainable
financing of
new cities**

- **Start and develop Incubators for the small scale operators.** These Cities should be assisted to start Incubators for the small scale operators and support them to build skills, precision, joint ventures, market and mass production. This is where Business Incubation & Small scale Enterprises (SME) Workspaces Business **Incubators** helps both start-ups and existing **small** businesses to grow sustainably, hence lowering the mortality rate of SMEs through the use of good businesses practices and appropriate technology.

**Key Strategies for
sustainable
financing of new
cities**

Develop the related bankable projects and source for partnership

Cities should **develop the related bankable projects and source for partnership** and financing from different sources. This will boost production and employment within the rural areas and further widen the tax base.

**Key Strategies for
sustainable
financing of new
cities**

**Implement key strategies in the
Domestic Revenue Mobilization
Strategy (DRMS) and the LG Revenue
Mobilisation Strategy to enhance
City's fiscal capacity**

Key Strategies for sustainable financing of new cities

Explore into Alternative LG Financing

Cities should utilise opportunities available for **Alternative LG Financing** (this includes soliciting for loanable funds for development projects). Also includes creation of **a fund blending grants from central government, borrowings from multilateral / bilateral agencies and bonds** subscribed by national and local level development agencies.

Cities should participate and access **Cities Alliance** (to source for ideas and funding to reduce bottlenecks in developing urban settlements and enhance economic growth).

**Key Strategies for
sustainable
financing of new
cities**

Enhance Local Revenue Generation

- Government should continuously invest in **strengthening the systems for Local Revenue Mobilization.**
- USMID has shown that there is big potential unexploited.

**Key Strategies for
sustainable
financing of new
cities**

The Revenue assignment between centre and local governments needs to be reformed and introduce source sharing with the origin of the revenues.

This will create incentive for cities to promote investment in their respective areas

Thank you for listening