

Uganda

## Local Authorities Loans Fund Act Chapter 239

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# Uganda

## Local Authorities Loans Fund Act Chapter 239

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**An Act to facilitate the borrowing of money by local authorities for capital development, to establish a Local Authorities Loans Fund for that purpose; and for other purposes connected therewith.**

### 1. Interpretation

In this Act, unless the context otherwise requires—

- (a) "**board**" means the Local Authorities Loans Fund Board established by [section 2](#);
- (b) "**financial year**" means the period of twelve months ending on the 30th June in each year;
- (c) "**fund**" means the Local Authorities Loans Fund;
- (d) "**local authority**" means a district administration, an urban authority and the Kampala and District Water Board;
- (e) "**Minister**" means the Minister for the time being responsible for local administrations and urban authorities;
- (f) "**statutory securities**" means any securities in which trustees are for the time being authorised by law to invest trust monies and any security created by a local authority other than securities transferable by delivery.

### 2. The board

- (1) There is established a board to be known as the Local Authorities Loans Fund Board consisting of—
  - (a) the Permanent Secretary to the Ministry responsible for local administrations and urban authorities as chairperson or his or her representative;
  - (b) the Permanent Secretary to the Ministry responsible for finance or his or her representative;
  - (c) the Permanent Secretary to the Ministry responsible for planning and economic development or his or her representative;
  - (d) the Permanent Secretary to the Ministry responsible for health or his or her representative;
  - (e) the Permanent Secretary to the Ministry responsible for education or his or her representative;
  - (f) the Permanent Secretary to the Ministry responsible for works, communications and housing or his representative; and
  - (g) such other members not exceeding five as may be determined and appointed from time to time by the Minister.
- (2) Every appointed member of the board under subsection (1)(g) shall hold office during the pleasure of the Minister.

- (3) The board shall be a body corporate with perpetual succession and a common seal and may sue or be sued in its corporate name.
- (4) The board may, for and in connection with its functions under this Act, purchase, hold, manage and dispose of any property and may enter into such contracts and other transactions as may be expedient.
- (5) The application of the seal of the board on any document shall be authenticated by the signature of the chairperson of the board and one other member of the board; and in the absence of the chairperson, any two of the members authorised by the board shall sign on his or her behalf.
- (6) The signature of the chairperson and other member shall be independent of the signing by any other person who may sign any such document as a witness.

### **3. Meetings and procedure of the board**

- (1) In the absence of the chairperson from any meeting of the board, the members present at the meeting may choose a person from among themselves to preside at the meeting.
- (2) At all meetings of the board, five members shall form a quorum.
- (3) The chairperson of any meeting of the board shall have a deliberative vote and, in the case of an equality of votes, shall have a casting vote; a decision of the majority of the members present and voting at a meeting of the board shall be deemed to be the decision of the board.
- (4) The board may act notwithstanding a vacancy among its members, and all acts done at any meeting of the board shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of a person purporting to be a member of the board, be as valid as if that defect had not existed.
- (5) Subject to this section, the board may regulate its own procedure.
- (6) The chairperson may appoint any public officer as secretary to the board.

### **4. Accounts and audit**

- (1) The board shall prepare books of account and proper records in relation thereto.
- (2) Subject to such directions as to form as the Minister may direct, the board shall prepare in respect of each financial year, a statement of account which shall include—
  - (a) a balance sheet, a statement of income and expenditure and a statement of surplus or deficit containing such information as, had the board been a company registered under the Companies Act, would be required to be laid before the company by the directors at the annual general meeting; and
  - (b) such other information in respect of the financial affairs of the board as the Minister may require.
- (3) The books and account of the board shall be submitted within a period of four months after the end of each financial year to the Auditor General to be audited by him or her, or by an auditor appointed by him or her.
- (4) The Auditor General shall, not later than the thirtieth day of November, forward to the Minister a copy of the audited accounts and his or her report thereon.
- (5) The Auditor General shall report annually to the Minister the results of his or her examination of the accounts and financial statement of the board and the report shall state whether in his or her opinion—
  - (a) proper books of account have been kept by the board;

- (b) the financial statement of the board—
  - (i) was prepared on a basis consistent with that of the preceding year and is in agreement with the books of account;
  - (ii) in the case of the balance sheet, gives a true and fair view of the state of the board's affairs at the end of the financial year;
  - (iii) in the case of the revenue or income and expenditure, gives a true and fair view of the income and expenditure or profit and loss account of the board for the financial year, and the Auditor General shall call the attention of the Minister to any other matter falling within the scope of his or her examination which, in his or her opinion, should be brought to the attention of Parliament.
- (6) The Minister shall, not later than the thirty-first day of March each year, lay before Parliament a copy of the audited accounts and the Auditor General's report thereon, and thereafter the Minister shall publish the audited accounts and auditor's report in the *Gazette*.

## 5. Establishment of Local Authorities Loans Fund

- (1) There is established a Local Authorities Loans Fund under the control of the board, consisting of such securities and monies and applicable to such purposes as are provided for by this Act.
- (2) There shall, by virtue of this Act and without further assurance, become vested in the board—
  - (a) all the funds which immediately before the commencement of this Act were standing to the credit of the Local Authorities Loans Fund established by the Public Finance Act; and
  - (b) the right of the Government to demand, sue for and recover the benefits of all loans granted to local authorities pursuant to any law, to the extent of which such loans, at the commencement of this Act, remain outstanding.
- (3) All monies received by the board on account of any loan referred to in subsection (2)(b) shall be credited to the fund.
- (4) For the purposes of this section, "benefit of a loan" includes the interest on, the security for, and any other money or thing accruing or acquired under such loan.
- (5) There shall also be paid to the fund—
  - (a) all such monies as may from time to time be voted or appropriated by Parliament for the purpose of providing loans to local authorities;
  - (b) all repayments of principal or interest made by any local authority on account of any loan referred to in subsection (2);
  - (c) all repayments of principal or interest made by any local authority on account of any loan made by the board under this Act;
  - (d) all such monies as may from time to time be borrowed by the board in exercise of the powers conferred by this Act.
- (6) The board may, with the approval of the Minister, from time to time, meet out of the fund all such administrative and other expenses as may be necessary or desirable for the efficient discharge of its functions under this Act.

## 6. Loans by the board and repayments of the loans

- (1) The board may, with the approval of the Minister, from time to time, make loans to local authorities for such purposes as local authorities may be authorised by law to borrow money.

- (2) Every loan made by the board under this Act to a local authority shall bear interest at such rate and shall be repaid at such time and in such manner as the board, with the approval of the Minister, may determine.

## **7. Advances**

The board may, with the approval of the Minister, from time to time, make to a local authority temporary loans of monies required for the proper discharge of the functions of the local authority.

## **8. Charge of loan on rates and revenues of local authority**

All monies borrowed by a local authority from the board and all such loans as are referred to in [section 5\(2\)](#) shall be charged indifferently on all the rates and revenues of the local authority.

## **9. Discharge of security on repayment of the loan**

Upon all monies due from a local authority to the fund being fully paid, the board shall give to the local authority a receipt in writing for the monies and such further sufficient discharge, if any, as may seem to the board to be necessary, and upon the receipt being given the rates and revenues of the local authority shall be released from the charge created by [section 8](#).

## **10. Borrowing by the board**

- (1) The board may, with the approval of the Minister, borrow such sums as it may require in the exercise of the powers conferred upon it by this Act either—
  - (a) by stock issued under this Act;
  - (b) by local bonds issued under this Act; or
  - (c) in such other manner as it deems fit.
- (2) All monies borrowed by the board under this Act shall be charged indifferently on all the revenues of the fund.

## **11. Establishment and application of sinking fund**

- (1) The board may, with the approval of the Minister, from time to time, establish and maintain such sinking funds as may be necessary or desirable for the efficient discharge of its functions under this Act.
- (2) The board, with the approval of the Minister, shall supply all monies for the time being comprised in a sinking fund maintained under subsection (1) in redemption of the borrowing by the board in respect of which such application, any such monies may be—
  - (a) invested in a manner provided by [section 15](#); or
  - (b) applied in the exercise of the powers conferred by [section 6](#).

## **12. Investment**

The board may, with the approval of the Minister, from time to time, invest any monies for the time being in the fund which are not immediately required for the discharge of its functions under this Act in any investment for the time being authorised by any law in force for the investment of trust monies, and any such investments may from time to time be varied or transposed.

### 13. Stock regulations

- (1) For the purpose of any borrowing by the board by means of an issue of stock under this Act, stock may be created, issued, transferred, dealt with and redeemed in such manner as may be prescribed by regulations made by the Minister after consultation with the Minister responsible for finance.
- (2) Without prejudice to the generality of subsection (1), the regulations made under this section may provide for the discharge of any loan as raised and may provide for the consent of owners under disability and for the application or nonapplication of the Acts relating to stamp duty (subject to sections [14](#) and [16](#)) and to cheques, and for the disposal of unclaimed dividends.

### 14. Provisions as to local bonds

For the purposes of any borrowing by the board by means of an issue of local bonds under this Act, the bonds shall—

- (a) be secured upon all the revenues of the fund;
- (b) bear interest at such rate as the board may, with the approval of the Minister, determine at the time of issue of the bonds;
- (c) be issued in denominations of one hundred, two hundred, four hundred, one thousand and two thousand shillings and multiples of two thousand shillings;
- (d) be exempt from all stamp duties.

### 15. Stock and bonds to be trustee securities

A trustee, as defined in the Trustees Act, may invest any trust funds in his or her hands, whether at the time in a state of investment or not, in any stock or local bonds issued by the board under this Act.

### 16. Transfers of stock and bonds exempt from stamp duty

Transfers of any stock or local bonds issued by the board under this Act shall be exempt from all stamp duties.

### 17. Regulations

Subject to this Act, the Minister may make regulations prescribing anything to be prescribed by this Act and generally for carrying out the provisions of this Act.

### 18. Power of Minister to give directions to the board

- (1) The Minister may at any time and on any matter give directions to the board as to the exercise of its powers or the carrying out of its duties and functions under this Act.
- (2) If the Minister is, at any time, satisfied that the board is exercising its powers or is carrying out its duties and functions under this Act in a manner prejudicial to the public interest, the Minister may require the board to exercise its powers or carry out its duties and functions in such manner as the Minister may direct; and the board shall thereafter exercise its powers or carry out its duties and functions, as the case may be, in the manner so directed.