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COMPARATIVE ASSESSMENT OF DECENTRALIZATION IN AFRICA: UGANDA DESK STUDY

JULY 2010

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ACRONYMS AND ABBREVIATIONS

AD	Administrative
CAO	Chief Administrative Officer
CBO	Community Based Organization
CSO	Civil Society Organization
DANIDA	Danish International Development Agency
DDP	District Development Program
DDPG	Decentralization Development Partner Group
DMTWG	Decentralization Management Technical Working Group
DPSF	Decentralization Policy Strategic Framework
DSC	District Service Commission
FDC	Forum for Democratic Change
FDS	Fiscal Decentralization Strategy
GDP	Gross Domestic Product
GPT	Graduated Personal Tax
HTR/HTS	Hard to Reach/Hard to Stay
IGG	Inspector General of Government
JAF/JBSF	Joint Assessment Framework/Joint Budget Support Framework
LC	Local Council
LDG	Local Development Grant
LG	Local Government
LGA	Local Government Act
LGDP	Local Government Development Program
LGFC	Local Government Finance Commission
LGSIP	Local Government Sector Investment Plan

MDG	Millennium Development Goal
MoFPED	Ministry of Finance, Planning, and Economic Development
MoLG	Ministry of Local Government
MoPS	Ministry of Public Service
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
NGO	Non-governmental Organization
NPA	National Planning Authority
NRA	National Resistance Army
NRC	National Resistance Council
NRM	National Resistance Movement
NRM-O	National Resistance Movement Organization
OAG	Office of Auditor General
PAF	Poverty Action Fund
PETS	Public Expenditure Tracking Surveys
PFM	Public Financial Management
PMC	Parish Monitoring Committee
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
PSC	Public Service Commission
QuaM	Quality Assurance Mechanism
RC	Resistance Councils
RDC	Resident District Commissioner
SWAps	Sector-wide Approaches
UAAU	Urban Authorities Association of Uganda
ULGA	Uganda Local Government Association
UNAT	ULGA Negotiation and Advocacy Team
UNCDF	United Nations Capital Development Fund
UPC	Uganda People's Congress

EXECUTIVE SUMMARY

Uganda has received considerable attention in the decentralization literature as a developing country that embraced genuine and significant decentralization with an unusual level of enthusiasm.¹ Following an extended period of internal conflict after gaining independence from Great Britain in 1962, the country began a period of greater stability with the rise to power of Yoweri Museveni and the National Resistance Movement (NRM) in 1986. Museveni quickly moved to establish a functioning state and adopted a major program of public sector reform.

From the early stages of the NRM government, there was an emphasis on citizen engagement and development of local capacities as key drivers of economic development and political legitimacy.² Decentralization was seen as critical for democratization, service delivery, and fighting poverty. By the late 1990s, a strong legal framework for decentralization was in place, and local governments quickly became among the most empowered and best financed in Africa.

Ugandan decentralization was unusually homegrown and initially substantial for a low-income, post-conflict country. There was genuine progress meeting both intermediate objectives and outcomes expected from reform. The nature, pace, and trajectory of reform was, however, too ambitious to take deep root, and there was probably too much emphasis on formal system development and not enough on building local accountability and enhanced governance.

After several years, central agencies that originally supported (or at least did not overtly oppose) decentralization saw its implications for their control over resources, and some acted to protect their territory. In addition, emerging documentation of poor-service outcomes and evolving political and bureaucratic dynamics (including donor behavior) led to recentralizing policies, such as increasingly conditional grants and budget restrictions, which undermined the incentives and ability of local governments to improve performance. Later, more politically driven policies, such as extensive creation of new districts; recentralization of senior, local-government staff recruitment; and establishment of regional tiers, reinforced earlier steps to reduce local powers.

Although Ugandan local governments have clearly made progress, they have also been weakened in recent years. There are no obvious incentives for the government, individual ministries, or donors to step back from their over-reaction to problematic early performance of local governments burdened with initially unreasonable expectations. The situation may be further complicated by the re-emergence of talk about federalism from the traditional kingdoms and the likely frame of mind of the NRM in a new era of multi-party government. Despite these challenges, there are possible ways forward if the right actors can be engaged appropriately.

¹ See Smoke (2000), UNCHS (2002), Onyach-Olaa (2003), UNCDF (2003), UNDP (2003), World Bank (2003), Saito (2004), USAID (2004), Okidi and Guloba (2006), Asimwe and Musisi (2007), and Kauzya (2007).

² The legal framework for decentralization in Uganda is robust (see below), and the critical role of decentralization is highlighted in a number of key policy documents, including the Poverty Reduction Strategy Paper (2000) and the Fiscal Decentralization Strategy (2002), National Development Plan (2010).

1.0 THE COUNTRY CONTEXT

1.1 SOCIOECONOMIC CONTEXT

Uganda is a landlocked country in East Africa, bordered on the east by Kenya, the north by Sudan, the west by the Democratic Republic of Congo, and the south by Rwanda and Tanzania.³ At 241,040 square kilometers, it ranks 88th among countries in size (roughly comparable to Ghana and Laos and a bit smaller than the United Kingdom). The population is about 32 million with an annual growth rate estimated at 3.3 percent. The population is primarily rural (about 88 percent) and half of the population is under the age of 14. Educational levels are low, with a 54 percent primary school completion rate and illiteracy in the range of just over 30 percent.

Real economic growth has been in the four to seven percent range for the past decade, with an estimated decline from 6.9 percent in 2009 to four percent in 2010. The 2008 GDP per capita was \$420 or \$1,140 Purchasing power Parity (PPP), leaving it with a rank of 192 out of 210 countries. More than a third of the population lives below the poverty line, and more than 80 percent of the labor force is employed in agriculture. Uganda has substantial natural resources. The economy is heavily dependent on agriculture and agricultural processing enterprises, although other types of industry, mostly to produce domestically consumed construction and consumer goods, have grown in recent years.

Ugandan citizens are ethnically diverse, with only the Baganda (at about 18 percent) accounting for more than 10 percent of the population. Approximately 85 percent of the population identify with some Christian sect, primarily Roman Catholic and Anglican, with another 12 percent practicing Islam. The official language is English, but a great variety of local languages, including the Baganda language Luganda, are widely spoken.

The public sector accounts for approximately 22 percent of GDP, but tax revenues only for about 12 percent of GDP. Since Museveni became President in 1986, there have been substantial efforts to build up the capacity of the state, and considerable public resources have been targeted to developmental and poverty reduction efforts. State capacity is still relatively modest, however, and the government remains heavily dependent on external development assistance.

1.2 POLITICAL BACKGROUND AND STRUCTURE

Uganda achieved independence in 1962 from Great Britain, which had held Uganda as a protectorate since the late 19th century.⁴ The first Prime Minister, Milton Obote, was leader of the Uganda People's Congress (UPC), which Obote founded before independence. From the beginning there were debates between supporters of a unified central state and those who favored a federated system with a prominent role for traditional Bantu kingdoms.

³ The data in this section are taken from World Bank and US State Department web sites.

⁴ Uganda's political history is covered in more detail in Kanyeihamba (1975), Byrne (1990), Apter (1997) and Seijaaka (2004).

The 1962 Constitution provided for a federal arrangement with devolution of significant powers and functions to kingdoms, urban councils, and district councils. Under this system, the traditional leaders of two major ethnic groups served in the titular roles of President and Vice President. Within just a few years, the situation changed under Obote. The 1967 Constitution and the Local Administration Act of 1967 recentralized all decision-making powers.⁵ The President and Vice-President were removed, and the kingdoms were abolished.

In 1971, the notorious Idi Amin Dada led a military coup to depose Obote and placed himself in a position of absolute power. His reign involved severe economic decline and human rights violations until he was driven from power in 1979. The next year saw a period of unstable government and infighting, but Obote regained power through fresh elections held in late 1980. The elections were seen as rigged, and Yoweri Museveni's National Resistance Army (NRA) started an effort to remove Obote, who began repressive efforts to fight the rebellion.

A military coup drove Obote into exile in 1985, and the new regime opened negotiations with Museveni and the NRA, but the two sides continued to fight. A cease-fire negotiated in Nairobi in late 1985 did not hold, and Museveni and the NRA seized control of the capital city of Kampala in early 1986. Museveni assumed the presidency as leader of what became known as the "nonparty" NRM.⁶ During the period from 1986-1995, the National Resistance Council (NRC), whose members were elected on the basis of individual merit rather than by party affiliation, performed the functions of the legislature. From the time Museveni took power, the new reform-oriented government pursued major state-building efforts.

A milestone in the state-building process was the adoption of the 1995 Constitution, which formally established Uganda as a republican and unitary system based on the presidential form of government. It also revived the decentralized system and devolved powers to districts. Power was devolved both vertically and horizontally to the various levels of rural and urban local governments and administrative units.⁷ The 1995 Constitution provides for separation of powers to three arms of government, namely the Executive headed by the President, an independent judiciary, and the Parliament, and it mandates direct presidential elections every five years.

The first elections after the new constitution were held under the Movement political system, which is governed by principles of participatory democracy, accountability, and transparency, accessibility to all positions of leadership by all citizens, and individual merit as a basis for election to political offices. Despite the nature of the Movement, some candidates affiliated themselves to the ruling NRM or opposition factions.⁸ Museveni was elected to the presidency in 1996. A (criticized) referendum in March 2000 supported retaining the Movement system and rejected multi-party elections, and Museveni retained the presidency in 2001.

Under renewed pressure to consider reforms, the new government formed a Constitutional Review Commission that recommended constitutional changes in 2003, but the government did not in the end support some recommendations. A 2005 referendum resulted in a decision to allow

⁵ For more detailed discussion please refer to Uganda African Peer Review Mechanism (2007).

⁶ Francis and James (2003) provide a useful discussion of the National Resistance Movement (NRM).

⁷ See below for the existing local government and administrative units.

⁸ The opposition factions were either those advocating for multi-party politics or for reforms within the NRM.

multiparty elections and the participation of opposition parties in the government. One contentious aspect of the reform was the passage of an amendment to eliminate presidential term-limits, allowing Museveni to run for a third term. The first multiparty elections held under the new system in 2006 again resulted in a controversial victory for Museveni.

The current Parliament has 309 elected members. These include 215 directly elected Members of Parliament (MPs) that represent 215 constituencies based on counties. In addition to these members, special groups (women, youth, army, workers, and persons -with-disabilities) are represented in Parliament. There are 69 district women representatives, 10 army representatives, five youth representatives, five workers' representatives, and five representatives for persons-with-disabilities.⁹

Some analysts see the independence of the judiciary and Parliament as weakened by the President's power to appoint members of the judiciary and commissions. Concerns have also been raised about the domination of Parliament by the ruling National Resistance Movement Organization (NRM-O) party, which has 205 MPs against a weak opposition of 48 MPs who represent only five of the 32 parties registered in addition to NRM-O. Another issue is whether Parliament is further compromised by the appointment of many ministers from among elected MPs. This practice is said to induce MPs to behave so as to improve their chances of securing a ministerial position. Some analysts allege that Parliament simply rubber stamps government policies and decisions. There has been some debate regarding whether MPs should be allowed to serve as ministers. The argument is that it would be easier for Parliament to hold ministers accountable if they would not double as MPs. Efforts to more fully separate the executive from the legislature, however, have not been successful.

Public opinion regarding the current Ugandan government is mixed and below average for the region. According to an Afrobarometer survey in 2008, 56 percent of those surveyed had a lot of trust in the President (compared to the 65 percent regional average). Comparable figures for other government institutions include: the Parliament/National Assembly (52 versus 59 percent), the National Electoral Commission (40 versus 57 percent), the police (37 versus 51 percent) and courts (51 versus 59 percent). Trust in local-government councils and traditional leaders in Uganda are at or closer to the regional averages (53/55 percent and 61/61 percent).

1.3 HISTORY OF DECENTRALIZATION

During Uganda's early colonial period, appointed district commissioners were the most important government official at the sub-national level.¹⁰ The 1919 Native Authority Ordinance gave district commissioners responsibility for a hierarchy of appointed chiefs at village, parish, sub-county, and county levels, and councils at each level were created in the 1930s. The Local Government Ordinance of 1949 established districts as local-government administrative units. Elections were introduced in the 1950s, but considerable central control continued to be exercised right up through independence. The kingdoms maintained a separate identity until

⁹ These numbers will significantly increase in the 2011 elections given the creation of new districts (from 69 in 2006 to 112 in 2010) as well as new constituencies.

¹⁰ See Byrnes (1990), Villadsen and Lubanga (1996), Azfar, Livingston, and Meagher (2001), Government of Uganda (2001), Francis and James (2003), Onyach-Olaa (2003), Saito (2004), Steffensen, Ssewankambo and Tideman (2004), Wunsch and Ottemoeller (2004), Okidi and Guloba (2006), Steffensen (2006), Asiimwe and Musisi (2007), and Muhumuza (2008) for more detailed treatments of decentralization in Uganda.

Obote abolished them in 1967 and they were absorbed into the district administration system (see above). Each kingdom had a local government made up of chiefs, who reported to the king.

During the first two decades after independence, the numbers of districts increased and decreased through political maneuvering and various other kinds of local units—urban authorities (including the capital Kampala), municipalities, and town councils—were created by legislation. The local-government system deteriorated under the Amin regime but was revived in 1981. Local elections continued, but with heavy central control over local councils, at least some members of which were centrally appointed. During the war against Obote in the 1980s, the NRA mobilized popular support by creating Resistance Councils (RCs) anchored at village level.

When the NRM came to power in 1986, the government formed a commission of enquiry into local government, resulting in the Mamdhan Report. Based on its findings, the NRM government enacted the Resistance Councils and Committees Statute in 1987. This repealed Part 1 of the Local Administration Act (1967) and the Urban Authorities Act (1964) and introduced the Resistance Council system, which transferred authority to plan, make decisions, administer local justice, and provide services to the communities. Thus, the NRM built on the NRA approach, which had no legal basis, by creating a formal hierarchy of elected RCs in villages, parishes, sub-counties, and districts throughout the country. The early multi-tiered NRM governance system formed the basis for the local-government system that was developed in the 1990s, although as the NRM shifted from political mobilization to a concern with executing public sector functions and service delivery, the nature of the system shifted (more below).

In this pro-reform environment, the government quite rapidly developed a fairly robust formal decentralization framework. The Local Governments (Resistance Councils) Statute of 1993, the 1995 Constitution, and the Local Governments Act (LGA) of 1997 provide considerable detail about local-government powers and responsibilities, with districts being principal fiscal authorities. There is also provision for regional governments both in Article 176 of the 1995 Constitution, a constitutional amendment (Article 178 (6)), and in the Regional Governments Bill of 2009 (more below), but they are not currently operating.

In addition, there were efforts at institutional innovation for the management of decentralization. These included the now defunct Decentralization Secretariat (attached to the Ministry of Local Government) which was intended to coordinate the national actors involved in decentralization, and the Local Government Finance Commission (LGFC), a broad-based independent body (defined by the constitution and legislation) that reports directly to the President. As a neutral body, the LGFC has at times helped somewhat to moderate the effects of central institutional self-interested behavior and power struggles over control of the decentralization agenda.

By the turn of the 21st century, decentralization was threatened by a variety of factors and forces, and concerns were increasingly raised about local-government performance. The Fiscal Decentralization Strategy (FDS) issued in 2002 was framed as an effort to help local governments to learn to perform better, to increase local-government funding and revenue generation, to more objectively and transparently allocate resources and target them to the neediest areas, to increase local-government autonomy and flexibility in utilization of funding, and to strengthen downward accountability, financial management, reporting, monitoring, and auditing. Although the FDS accomplished some of these goals, it also partially recentralized the intergovernmental system, reinforcing some other steps that undermined local-government

autonomy (see below). This was consistent with a general dilution of local democratic institutions, as discussed below.

Beyond the centralizing features of the FDS, political pressures have led to the proliferation of new districts, from 34 in 1991 to 112 (including the Kampala City Council) as of July 2010, as well as other local governments and administrative units (see Table 1 for more details on the number of units by level).¹¹ This growth, which is almost certain to continue until at least the 2011 elections, is seen by some analysts as a threat to the viability and effectiveness of local governments (more below). Central government steps to recentralize the appointment of senior, local-government officials and the new regional law also pose concerns and threats to local governments.

Table 1: Growth in Local Government (LG) and Administrative (AD) Units by Level, 2004–2010

Level	2004	2010 ¹²
District Councils (including Kampala City Council) (LC 5) LG	56	112
County Councils (LC 4) AD	151	162
Municipal Councils	13	22
City Divisions	5	5
Sub-county Councils (LC3) LG	857	1147
Municipal Divisions	34	64
Town Councils	69	165
Parishes (including city wards) (LC 2) AD	5225	7771
Villages (LC 1) AD	44,402	66,739

1.4 CURRENT STRUCTURE AND INSTITUTIONS OF DECENTRALIZATION

Article 176 (1) of the 1995 Constitution and the LGA Cap 243 (Section 3), stipulate that the system of local governments is based on a district as a unit under which there is a multi-tier and hierarchical-system of lower local governments and administrative units. The local governments include: district and sub-county councils in rural areas; city and city division councils in a city; municipal and municipal division councils in a municipality; and town councils in a town. It should be noted that the district/city councils are categorized as “higher” local governments while all others are considered “lower” local governments. Section 45 of the LGA specifies the administrative units as: the county, parish, and village in rural areas; and parish or ward, town board, and the village in urban areas. Section 6 (1) of the LGA Cap 243 stipulates that every local government shall be a body-corporate with perpetual succession and a common seal, and may sue or be sued in its corporate name and may, subject to the provisions of the constitution, enjoy or suffer anything that may be done, enjoyed or suffered by a body-corporate.

What this means in practice is that Uganda’s sub-national government activity functions through a unified system of elected authorities at the district level, which has primary local planning and budgeting responsibility, and four lower local government and administrative levels, which have more modest responsibilities. The district (local council or LC5), sub-county (LC3), and village (LC1) councils were required to be elected by universal adult suffrage, with county (LC4) and

¹¹ There are some elements in the NRM which do not agree with the creation of many small districts, arguing that they are not feasible and increase administrative costs. These sentiments have not been formally examined but are occasionally captured in news articles, individual statements, and public discussions.

¹² 2010 data are provided by MoLG, and 2004 data come from Steffensen, Ssewankambo, and Tidemand. (2008).

parish (LC2) levels elected indirectly or appointed ex-officio. District/city councils and sub-county councils (municipal divisions and town councils are urban equivalents) are corporate bodies and accounting levels. County councils (municipal councils and city divisions are urban equivalents), parishes (wards are the urban equivalent), and villages (cells are the urban equivalent) are administrative units. Since an amendment to the LGA in 2006, only the village council chairperson is directly elected, and the chair then appoints the rest of the council.

At the national level, the Ministry of Local Government (MoLG) is charged with coordinating, advocating for, mentoring/supporting, and inspecting/monitoring of local governments. The Ministry of Finance, Planning, and Economic Development (MoFPED) plays a key role in designing and executing intergovernmental transfers and financial oversight. The Ministry of Public Service (MoPS) and the National Planning Authority (NPA) also have important functions related to civil-service and planning-system procedures.

The usual range of sectoral ministries (education, health, etc.) is also important for the local-government system. They are responsible for ensuring implementation of national policies and adherence to performance standards, inspection, monitoring, technical advice, support, supervision, and training (LGA 1997 Section 97). Other central institutions responsible for supporting and supervising local governments include the Office of the Auditor General (OAG) and the Inspector General of Government (IGG). Finally, the LGFC is an advisory body on local finance policy matters introduced above.

At the local level, the central government maintains its oversight through the Resident District Commissioner (RDC). The RDC is appointed by the President and is responsible for coordinating the administration of government services in a district, advising the district chairperson on national matters, and carrying out other functions assigned by the President or prescribed by Parliament (Constitution 1995, Article 203; LGA Section 71.)

There are also two local government associations, one that generally covers local governments, the Uganda Local Governments Association (ULGA), and one that focuses on the urban local governments, the Urban Authorities Association of Uganda (UAAU). These organizations represent the general interests of local governments in national policy discussions.

Regarding the non-functioning regional governments noted above, the Regional Governments Bill of 2009 Section 2(1) provides that two or more neighboring districts may cooperate to form a regional government to perform functions and services specified in the Fifth Schedule to the Constitution of Uganda. Section 2(3) provides that “subject to subsection (1) and to the provisions of the Constitution, the districts of the regions of Buganda, Bunyoro, Busoga, Acholi, Lango, specified in the First Schedule to the Constitution, shall be deemed to have agreed to form regional governments.”¹³ The regional-tier concept, however, is not universally accepted. There are concerns in some circles that they mix administrative and service delivery obligations with cultural and traditional functions; would increase operating costs by establishing regional administrations and assemblies paid from the consolidated fund; will necessitate changes in the task assignments across levels which would require the revision of the overall intergovernmental fiscal-transfer system; and that the provision for their creation will not be universally applied, which would create further challenges for acceptability and implementation.

¹³ For example, Buganda is requesting for the reintroduction of the federal arrangement that operated between 1962 and 1966.

2.0 INTERMEDIATE OBJECTIVES

2.1 AUTHORITY

Authority is divided between central government line ministries and local governments as provided for in the 1995 Constitution (Sixth Schedule) and 1997 Local Government Act (LGA) (Fourth Schedule). The role of line ministries is restricted to national policy, ensuring compliance with national standards, inspection, training, technical advice, mentoring, monitoring, and evaluation. Although line ministries are no longer responsible for direct delivery of transferred services, their *de facto* authority has increased since the legal framework was issued (see below).

As per the constitution, local governments have major expenditure responsibilities in various sectors (specified in schedule 2 of the LGA), although exact functions depend to some extent on higher level decisions, local capacity, and rural vs. urban location. Local governments have been given legal responsibilities for delivering both certain major infrastructure services, such as roads and water, and major social services, such as health and education. These functions, however, have been somewhat usurped by central actions (see below)

Local governments are entitled to a substantial share of annual national revenues. The system represents nearly 24 percent of the national budget and an average of nearly 80 percent of local government revenues (less in urban municipalities). According to the 1995 Constitution, Article 193, grants in Uganda are classified as unconditional, conditional, and equalization grants. The constitution specifically stipulates that:

- “Unconditional grant is the minimum grant that shall be paid to local governments to run decentralized services and shall be calculated in a manner specified in the Seventh Schedule to this Constitution.”
- “Conditional grants shall consist of moneys given to local governments to finance programs agreed between the Government and the local governments, and shall be expended only for purpose for which it was made and in accordance with the conditions agreed upon.”
- “Equalization grant is money to be paid to local governments for giving subsidies or making special provisions for least developed districts, and shall be based on the degree of which a local-government unit is lagging behind the national average standards.”

The LGA Section 83 (6) states that the government shall remit conditional, unconditional, and equalization grants directly to district, city, municipal, and town councils.

The system of intergovernmental grants was originally designed mainly to cover the recurrent budget. A separate transfer system for capital development expenditures was set up with donor funding (piloted as the District Development Program (DDP) and then transformed and

mainstreamed under the Local Government Development Program). This system, which was closely linked to a participatory-planning process and compliance/performance-based conditions, was later subsumed under a broader capital budgeting process when the government began gradually to decentralize the development budget in 1999/2000. Now there are both recurrent and capital transfers, and both can be conditional or unconditional.

Over time, however, the balance has been dramatically shifted between unconditional and conditional transfers, with the latter now dominating. Grants have also decreased as share of the total public expenditures and GDP in recent years. The unconditional grant declined from 17 percent of total transfers in 2000/01 to 11 percent in the budget for FY2006/07 and has, in reality, moved toward becoming a “conditional wage grant” for basic local-government administration with no local government discretion to determine local priorities.

Under the present system, the MoFPED allocates through the Medium Term Expenditure Framework (MTEF) and budget circular budget envelopes to sector/line ministries. Using sector working groups, ministries make decisions on where and how funds allocated to the sector will be spent. Ministries often attach conditions on the funds for local government level, sometimes specifying the votes and the proportion of the budget that should be spent on each. The local government associations (ULGA and UAAU) under the ULGA Negotiation and Advocacy Team (UNAT) annually negotiate with the sector/line ministries on the conditional grants.

In addition to transfers, local governments have access to their own sources of revenue. The major source (dominant outside of Kampala, accounting on average for 70 percent of local revenues) had been the graduated personal tax (GPT), an unusual and complex hybrid of a PAYE income tax, a presumptive income tax, a wealth tax, and a poll tax. This was suspended before 2006 elections (more below). Local governments were compensated for GPT losses, but the grant is insufficient to cover the full gap in most cases. After GPT suspension, a local service tax and a local hotel tax were instituted, but they benefit local governments quite unevenly.

Local governments have access to the property tax, but in practice few use it effectively, and it is significant only in large urban areas. Even there, severe constraints undermine the productivity of property tax. Local governments also have access to various types of local fees, licenses, and other generally minor revenues that are rarely very productive.

Beyond expenditure and revenue powers, local governments were also given a number of other authorities with respect to planning and budgeting, employee management, and legislation:

- Section 77(1) of LGA states that local governments have the right and obligation to formulate, approve, and execute their budgets and plans, provided budgets are balanced.
- Subject to the constitution and other laws, a district or urban council may establish or abolish public-service positions as per regulations made under the LGA (Section 52).
- Section 54(1) of the LGA mandates a district service commission for each district. Section 55(1) says that the power to appoint persons to hold or act in any office of a district or urban council, including the power to exercise disciplinary control over and to remove those persons from office, is vested in the district service commission.
- Article 200 of the constitution and Section 55(1A) of the LGA, however, stipulate that the appointment and disciplinary control of chief administrative officers (CAOs), deputy-chief

administrative officers, and town clerks of cities and municipalities shall be effected by the Public Service Commission (PSC). Nonetheless, the chief administrative officer is responsible to the chairperson and the district council (LGA, Section 67(1)).

- In practice, the PSC controls the recruitment of these senior officials. Routine management (including posting and transfers) is handled by MoLG, and performance appraisal of CAOs is supposed to be conducted with the elected district chairperson, although this has not yet been implemented.
- Section 38(1) of the LGA stipulates that a district council has powers to make laws not inconsistent with the constitution or any other law made by Parliament.

Lower-level, local governments play a smaller role than districts, but they are involved in service delivery and are entitled to certain revenues. The constitution stipulates that district councils are obliged to indicate how conditional and equalization grants are to be passed on to lower levels, inferring a policy intention to ensure these levels receive a share. In reality, the bulk of central government transfers are retained by the districts/municipalities. Sub-counties are also entitled to a share of district-own revenues, but these are often not transferred or are delayed. Collectively, this situation affects the ability of lower local governments to be involved in planning and service delivery, and constrains institutional and governance capacity-building at those levels.

2.2 AUTONOMY

The constitution and relevant legislation endow local governments with a significant level of autonomy in expenditure decisions and revenue generation. (The autonomy of civil society, which is limited, is discussed in the civil society section below.) At the same time, there are a number of constraints in the local government legal framework, including on the making of by-laws, borrowing, and what allowances may be paid to councilors, among others.

Despite these restrictions, the local government legal framework appears to create more autonomy than is seen in many developing countries. In reality, however, there are considerable limits to the exercise of local discretion. As noted above and further discussed below, substantial restrictions have evolved or been placed on this autonomy since the original decentralization reforms.

First, there is considerable control over local government expenditure functions exercised by central government agencies. These take the form of various types of service standards, conditions, and operational guidelines. The bulk of the one-time, more-discretionary transfer system has been made subject to conditions on how these resources can be used, and the transfers collectively constitute a very large and growing share of local government funds.

Second, even unconditional transfers often end-up being used to pay for basic (essentially non-discretionary) administrative and salary costs. With unconditional transfers being used for critical fixed-costs that the local government would otherwise be unable to finance, there is relatively little room for truly discretionary local government spending.

Third, own-source revenues that could in principle be used for autonomous spending are constrained both by central restrictions and political interference, as well as by local constraints. One challenge is pervasive poverty, particularly in rural local governments. In addition, there is some unwillingness of citizens to pay taxes to local governments they do not think are providing

them with many of the services they want. Thus, local government revenue autonomy is constrained not only by actions taken by the central government, but also by a lack of compliance on the part of local government constituents (discussed more below).

Finally, the national government has recently placed new restrictions on local government hiring and procurement processes, as noted above and discussed further below. Thus, local governments do not have control over a number of important basic operational functions typically seen to be the right of local governments.

2.3 ACCOUNTABILITY

Having reviewed national-level accountability structures and issues above, this section focuses on the local level. There are multiple channels of local-government accountability in Uganda—downward, upward, and horizontal. Downward accountability in local-government systems occurs mainly through the electoral process by which citizens choose their local-government council members and hold the councils accountable to them.

Section 12(1) of the LGA and Article 183 of the Constitution of Uganda provide for a district chairperson who is (a) the political head of the district; and (b) elected by universal-adult suffrage through a secret ballot. There is some evidence that local council elections have been more competitive and fair than national elections. There is also evidence that elections are more effective in holding local leaders accountable than other accountability mechanisms.¹⁴ There are, however, important issues with local elections, including concerns about the integrity of the electoral process and inadequate information needed by citizens to evaluate council performance.

Lower local council (parish and village) elections have not been conducted since 2001 because the Forum for Democratic Change (FDC), an opposition party, petitioned that elections should not be held until the legal framework had been amended to reflect the multiparty system. In addition, a 2006 amendment to the LGA provided for the election at village level only of the council chairperson, who is then empowered to appoint the rest of the council.

The government has devised various measures beyond elections to enhance downward accountability, and some have received support from external sources.

- First, citizens are officially encouraged to demand local-government accountability. Civil society organizations (CSOs) exist at the local level and they are supposed to help serve this purpose, and there are also provisions for petitions and appeals by citizens.
- Second, the government periodically provides information about fiscal transfers to local authorities and other matters in the press. In addition, districts and sub-counties are required to display financial allocations on their notice boards for the public to access. Council meetings are open and minutes are available for sale to the public.
- Third, monitoring committees are provided for at lower levels of local government. Parish Monitoring Committees (PMCs) are supposed to review implementation of government programs, and they are supposed to report on their findings. These committees are intended to improve the quantity and quality of information made available to citizens.

¹⁴ See, for example, Muhumuza, 2003, 2006a and 2006b.

- Fourth, there are multiple channels through which local governments gather information about citizen needs. These include consultations and participatory development planning and budgeting; allowing citizens to voice their views through local FM radios; and use of informal mechanisms and created spaces.
- Finally, it is the express responsibility of councilors at various levels to monitor service delivery and ensure accountability. Many councilors take this responsibility seriously, and they often use radio to air resolutions as well as to host talk-shows.

However, these accountability measures have faced a number of constraints in their implementation.

- First, CSOs, PMCs, and people's representatives (councilors) lack technical capacity. The processes involved are sometimes compromised, and some are not legally binding. There are also concerns about civil society accountability, which are discussed below.
- Second, the publication of information about central government transfers and other matters is primarily accessed and effectively used by only a few elites. Others may not know about this information, not know how to use it, feel insufficiently empowered to use it, or feel nervous about the consequences of using it.
- Third, citizens' sense of connection to local governments is somewhat undermined by the fact that much of local government's funding comes from the center and there are deficiencies in service delivery. Vote buying and corruption also raise issues of local government credibility. Collectively, these factors undermine downward accountability.
- Fourth, critics allege that local councilors do not often use information provided in participatory processes or provide significant feedback or respond directly to constituents. In cases where feedback is given, it mainly focuses on providing information rather than sustained discussion of issues, and it rarely stimulates action.
- Finally, critics charge that civic education has been too little and too late, such that many citizens do not sufficiently understand their rights and responsibilities.

These constraints recently prompted the government to initiate *Barazas* (public-accountability fora) at the sub-county level where local officials are supposed to explain to people how public funds sent from the center have been used and then answer questions. However, the proposal to have the Barazas chaired by security operatives is likely to limit the openness of the discussions.

Results from a 2008 Afrobarometer survey shed some light on citizen perceptions of local governments. Ugandans seem more likely than average (for the sample of African countries included in the survey) to understand that local councilors should be accountable to the people (54 vs. 37 percent). There is, however, only modest satisfaction with local governance quality, and it is generally worse than the average in other countries. Governance dissatisfaction ratings for Uganda and the multiple-country average include the following: making the council's work program known (55 vs. 48 percent); providing information about the budget (63 vs. 55 percent); allowing participation (62 vs. 54 percent); consulting others (60 vs. 45 percent); providing ways to handle complaints (62 vs. 49 percent); and using revenues for public services (65 vs. 49 percent). 65 percent of respondents (59 percent average) indicated that it was somewhat or very

difficult for citizens to have their voice heard between elections and 64 percent say there is little or nothing they can do if they do not like the way their local government is run.

Satisfaction with service-delivery and revenue-collection performance also fares poorly, with only one service or revenue (keeping the community clean) being rated as fairly or very well managed by half of the respondents, and all ratings are around or below the multiple-country averages. There are also some results that are harder to interpret. For example 60 percent of Ugandans surveyed approved of the job their councilors are doing and 69 percent say they are qualified for the job, but only 39 percent think the councilors often or always listen to what people have to say, and only 33 percent believe they are honest in handling funds. Some of this greater dissatisfaction with governance and performance, of course, may result from the greater awareness of Ugandans about the expected accountability of local governments to them.

Upward accountability for procedural and sectoral service-delivery standards is also important, and it has become more so, as noted above and discussed below. The general role of the center, through its various agencies, is to guide, inspect, monitor, and ensure compliance with legal provisions under the jurisdiction of each agency. Mechanisms for upward reporting include: financial and physical progress reports (general and sectoral); routine inspections conducted by ministries, departments, and agencies; annual local-government performance assessments; external audits; and reports to the Local Government Public Accounts Committee.

Local governments often complain of inadequate coordination of various reporting mechanisms, as manifested in multiple missions, reviews, inspections, and workshops. There are also in some sectors parallel guidelines that undermine the discretion, power, and downward accountability of the local governments. These bureaucratic controls are also characterized to various degrees by inadequate capacity and corruption, although there have been some improvements over time.

Horizontal accountability—between elected local councils and local staff who execute the local budgets—is also central to successful local-government performance, but is often problematic in practice. The legal framework provides clear division of roles—councilors are responsible for setting the policies and overseeing that the technical staff members implement them. People elected as councilors possess authority sufficient for them to hold the technical staff accountable.

Council meetings are held and technical-staff members provide information to councilors during sector committee meetings. The councilors also provide feedback to technical staff after monitoring activities and inspection of projects. Overall council and executive committee performance is often solid as they meet and deliberate on a range of issues affecting constituents. However, their effectiveness is constrained by the fact that information is sometimes presented in complicated formats not easily internalized by most of the councilors. There are also many cases where councilors venture into direct implementation rather than overseeing the performance of staff, leading to role confusion and conflict. Finally, the discussion, below, of the hiring and firing of senior council staff has obvious implications for horizontal accountability.

2.4 CAPACITY

Capacity is a major concern in Uganda, as it is in all developing countries and in most decentralization efforts. Capacity is needed at the national level to develop, support, and monitor local governments. Local governments need to have both the technical capacity to meet their

functions and the governance capacity to work effectively with their citizens. Citizens themselves need to develop the capacity to hold their local-governments accountable.

Although there has been progress in all of these areas and efforts have been designed to deal with deficiencies, capacity remains a great challenge. In the early years of decentralization, much of the national technical support was provided by donor-funded external advisors and consultants or by local consultants paid through parallel mechanisms (such as the Decentralization Secretariat) rather than by central government staff members. Some argued that this held back capacity development among government staff.

Over time as the systems of upward accountability have been developed and centrally based civil servants have been trained to perform their tasks, the situation has improved considerably although there are still staff-shortages and skill-gaps in central agencies. Several donors have devoted considerable resources to capacity building, not only for the central ministries but also for other key partners, such as the Local Government Finance Commission.

Technical capacity in local authorities has also been improving over time, e.g. all sub-county chiefs are graduates. There are, however, considerable disparities among districts, and the vast majority suffers capacity challenges. Remote and hard-to-reach districts, newly created ones, and those in northern and eastern Uganda affected by insurgency have the most serious constraints, although some have better capacity. The lack of capacity at the local level is one of the key factors that led to the recentralization noted above and discussed more fully below. Some aspects of local capacity relate to staffing, while others relate to the elected councilors or citizens.

Local-government professional staffing is generally considered to be inadequate. The local-government structures are only funded at about 65 percent of approved-levels. In addition, there are great challenges involved in attracting and retaining qualified staff, especially in “Hard to Reach/Hard to Stay” (HTR/HTS) areas and in certain sectors, such as health, and in certain staff cadres, such as engineers. Combined with poor pay and a lack of staff-housing facilities and other amenities, prevailing conditions lead to poor attitudes toward work, high absenteeism, and compromised efficiency and effectiveness. At the same time, the problem is increasingly recognized. Under the Public Sector Reform Program, a HTR/HTS framework has been developed. Thirteen billion Uganda Shillings have been provided for in the 2010/11 budget estimates of the MoPS for payment of hardship allowances as a first step towards the implementation of the HTR/HTS framework. In addition the health and education sectors have provided funds for the construction of staff houses in the HTR/HTS areas.

The councilor’s internalization of key issues and level of input and debate are still constrained by both their low educational qualifications and their limited and untimely access to appropriate information. Without the right information and knowledge, it is difficult for the councilors to manage their relationships with local-government staff properly, and ensure that the needs of their constituents are being communicated and met. In some cases they may be marginalized, while in other cases, they may overstep their bounds and try to force the hands of local-government staff who are trying to use their professional judgment to provide services efficiently and meet centrally imposed requirements. In some cases such action may be out of selfish material interests, and in some cases it may be well-intentioned.

As suggested above in the discussion of accountability, demand for good governance is relatively weak in many local governments, and many citizens are unable to effectively participate. There

are many reasons for the lack of civic competence—people fear authority, they lack basic information and awareness of their rights, and they may just be too poor to pay much attention. Collectively, these challenges limit the extent to which people exercise their civic rights and responsibilities. Participation in local-planning processes is often limited, so people are not as involved as they could be in determining local-development needs, and there are not many documented instances in which constituents hold their local leaders truly accountable.

Some observers see inadequate funding as the most important challenge to local-government capacity building. The externally funded District Development Program and Local Government Development Program began the practice of providing capacity-building grants to local governments along with formula-driven funding for investments in the mid-1990s. When capital funding was institutionalized as the Local Development Grant (LDG), the capacity-building grants were retained and defined as 10 percent of the LDG allocation. The LDG, however, has been declining as a percentage of total transfers and in per-capita terms, so the resources specifically made available to local governments for capacity building have been shrinking.

3.0 POLITICAL ECONOMY

3.1 POLITICAL INCENTIVES AND CONSTRAINTS: PROPONENTS AND OPPONENTS

The significant political change ushered in by the rise to power of the NRM created an opportunity to bring Uganda back from a long period of conflict and underdevelopment. There is little doubt that decentralization was a conscious and central part of the NRM strategy to develop Uganda.¹⁵ Museveni advocated decentralization as necessary to nurture local governance and to promote modernization and economic development in a fragmented country emerging from a period of conflict. There was broad support for this from Parliament and other key actors. Although some critics may have seen decentralization as a way for the NRM to consolidate power, supporters attributed the approach to a genuine desire to better the country.

Although Uganda is now officially a multi-party state, the NRM was dominant in the early days and remains powerful. Overt opposition to decentralization was limited aside from federalism proponents. Decentralization does not seem to have been a major point of contention within the NRM. The NRM does have factions, but these have had less bearing on the nature of decentralization and much more on the direction of democratization. Initially some NRM groups favored centralization because of the fear that decentralization would re-ignite ethnic nationalism and undermine national unity, but their view did not prevail. Another small group within the NRM (especially those with connections to the Buganda monarchy) was sympathetic to a federal arrangement similar to what was in place from 1962–1966.

Certainly an important part of the motivation for decentralization was the critical role the RCs had played in mobilizing citizen support for the NRM. The success of that initiative and the momentum for building on change created broad support for developing a local-government system. This gave Uganda an initial consensus on the value of decentralization and the eventual general shape it would take that is often missing in decentralization reforms. It is also clear that this was a “home-grown” desire, as demonstrated by the government’s efforts to hold the international development agencies largely at bay in the early period as the new system was developed. The government engaged only a small number of external agencies to help with the initial design of decentralization. Also important was the timing of the introduction of decentralization, whether intended or not, which coincided with the constitutional review process, thus facilitating the integration of the decentralization policy in the constitution.¹⁶

The creation of a modern local-government system may also have been a way to somewhat sideline the traditional kingdoms and to preclude the resurgence of a push for federalism, but the situation is not entirely clear cut. There were reports of Museveni’s willingness to restore the

¹⁵ A general framework for considering the political economy of decentralization is presented in Eaton, Kaiser, and Smoke (2010). An unpublished case study of Uganda was prepared for that effort and was used to inform this paper.

¹⁶ Please refer to Steffensen, Ssewankambo, and Tideman. (2004) for a detailed review of decentralization experiences up to May 2004.

kingdoms after an NRA victory and many NRA fighters were Baganda (of Buganda ethnicity), but there was some uncertainty over exactly what would happen when the NRM came to power, and this persisted for a number of years. In 1993, the kingdoms were permitted to reconstitute as parallel institutions with the understanding that they were primarily to serve a cultural rather than political function, and some of them currently have prime ministers and volunteer parliaments. Of course, the kingdoms by their nature have political meaning, but they were given no power to tax and limited funding from the government, so they were clearly not intended to be major partners in formal governance and development. There has also been some confusion and disagreement about their relationship to the regional governments, as discussed earlier.

Two factors about the emergence of the local-government system in the 1990s are important to keep in mind. First, even if the NRM commitment to decentralization was as genuine as it appeared to be, it also seems to have been based on an incomplete appreciation of the significant implications of the reforms. The local-government system created by the NRM government, which had high governance and functional expectations placed on it, was very different from the resistance council system (which played largely a political mobilization and conflict mediation role) that in great part inspired the decentralization initiative.

Second, early influential relationships with particular development partners that did not have much international experience in decentralization, led to the design of a very ambitious local-government system that would be considered highly unusual in a developing, post-conflict country environment (see below). The considerable functions, resources (including a sophisticated set of intergovernmental transfers) and levels of autonomy rapidly given to local governments under the initial reform program were in hindsight not commensurate with the capacity and accountability levels of the local councils.

3.2 THE DECENTRALIZATION SEQUENCE

Unusual for developing country contexts, Uganda spent a fair amount of time carefully developing its decentralization laws and framework and building (an apparent) political consensus. But the government put a full system—administrative, fiscal, and political—into operation rather quickly. The new system was rolled-out across the country over a three-year period, which is not all at once, but nonetheless is not much time for a major political and institutional reform program. There did not seem to have been close or deep consideration of the linkage of decentralization to other major public-sector policy activities and reforms.

As key government reform policies, such as the Poverty Reduction Strategy Paper (PRSP), were articulated and other central agencies became stronger, some influential ministries awakened to the roles that they could play in service delivery and local development, and they realized that many resources and responsibilities for these purposes had been assigned to local governments under the decentralization reforms. Reforms at ministries other than MoLG began to move beyond their own basic systems and capacities, and as more attention was given to performance on the ground, these additional reforms increasingly began to conflict with decentralization.

Public-financial management (PFM) reforms in MoFPED, for example, started to pay attention to local-government budgeting, which had previously been largely the realm of MoLG and the Decentralization Secretariat (discussed above). In the early reform period MoLG had developed a new local-government financial management system (Local Government Finance and Accounting Regulations 1998) that was adopted and local-government officials were trained in

its use. Only a few years later, MoFPED determined that the MoLG system was not adequately linked to national systems and procedures. The MoLG system was discarded and a new system was developed by MoFPED, and local-officials had to be retrained to use the new system. (This later developed into the more advanced Integrated Financial Management System.)

Around the same time, several major sectoral ministries began to develop new approaches to service delivery, primarily under the National Poverty Reduction Strategy and Sector-wide Approaches (SWAs) promoted by donors, which have already been mentioned and will be discussed more below. These set the stage for later clashes with decentralization policy and the early local-government systems and procedures developed by MoLG.

As other national ministries were independently beginning to carve out a role for themselves in local functions and management systems, empirical evidence, largely financed by the donors, began to document serious problems with local-government expenditure management and service delivery, raising questions about whether too much responsibility had been decentralized too quickly. These concerns were initiated by the results of early Public Expenditure Tracking Surveys (PETS) conducted by the World Bank and other related research.

The PETS process was piloted in the education sector in Uganda in 1996 and was later deepened in that sector and expanded to other sectors.¹⁷ The results of the empirical studies raised serious alarm bells. Education allocations over a five year period, for example, often did not reach intended schools. They received on average only 13 percent of allocations, with the bulk captured by local officials. Within local governments, however, there were great variations in the realization of allocations, suggesting that certain schools had the political power to claim more than they were due. In the health sector, allocations were reduced considerably when the districts were given significant authority to form their own budgets.

The emergence of these performance concerns reinforced decisions by other government agencies (further buttressed by international agencies as discussed below) to deepen PFM reforms and SWAs that had a non-trivial recentralizing effect.¹⁸ The convergence of centralizing interests resulted in policies, systems, procedures, and programs that undermined the powers of local government in ways that are inconsistent with the legal framework. In the late 1990s under the Poverty Action Fund, the intergovernmental-transfer system was made more conditional. This was reinforced by PFM and SWA reforms that also began to emerge around the same time. The Decentralization Development Partners Group was concerned enough to commission a study to consider how to re-introduce discretion. This resulted in the 2002 Fiscal Decentralization Strategy discussed above, which introduced new budgeting and financial-management processes. This did lead to better information and monitoring, but it also imposed a budget template that largely reinforced the limited budgetary discretion of local governments.¹⁹ The FDS provided for some flexibility, but it has been substantially stifled in practice, and its stated intention to ease restrictions after local-government capacity was enhanced, was never implemented.

¹⁷ See, for example, Ablo and Reinikka (1998), Jeppson (2001) and Reinikka and Svensson (2004).

¹⁸ See, for example, Jeppson (2002), Kasumba and Land (2003), and Wunsch and Ottemoeller (2004).

¹⁹ Details of the budgeting process are outlined in: Fiscal Decentralization Strategy (Government of Uganda 2002).

In addition to the bureaucratic dynamics surrounding intergovernmental administrative and fiscal-relations, shifts in political dynamics have also played a key role in reshaping decentralization. First, in part due to the desire of the incumbents to keep control in a new multi-party environment, the central government has recentralized the power to recruit and control top local-government staff, and it has also shifted control over district-level procurement from elected local councils and returned it to central civil servants.²⁰ Specifically, local governments have lost the power to recruit chief administrative officers, deputy chief administrative offices, and municipal town clerks to the Public Service Commission (PSC). The justification was to ensure recruitment of suitable CAOs, to protect hiring from local political interference, and to allow CAOs to be transferred to other districts without re-interviewing. However, these changes have softened local accountability, confused reporting and accountability between local leaders and central government, and limited control by councils over local-government performance.

Second, political incentives have led to increased local-government fiscal dependence on the center. Some of these dynamics are local in nature and have to do with the unwillingness of citizens to pay taxes to local governments that are not seen as credible service providers. Given the increase in conditions placed on the use of transfers and the lack of own-source revenues, local governments now have a limited ability to respond directly to locally expressed needs, and in the weak governance environment of Uganda, resources that are available not uncommonly get captured by local elites and used for patronage.²¹ There is, however, some evidence that local governments do a better job of delivering services for which they have had full responsibility relative to services that involve overlapping responsibilities between the central and local governments.²²

Other political dynamics on this front, however, involve more national calculations. For example, prior to the last national elections in which the NRM faced opposition from newly legalized political parties, Museveni abolished the GPT, as noted above. The GPT had long been criticized on efficiency and equity grounds by reformers and was politically unpopular. It was, however, a rich own-source of revenue (contributing 70–80 percent of local own-source revenue) for many local governments, and it was not adequately replaced.²³ The central government has also been reluctant to allow better use of the property tax, which is selectively and poorly administered and raises far less revenue for local governments than, for example, in neighboring Kenya. Central government unwillingness to support property-tax reform is likely due to the sensitivity of land and political-economy issues surrounding land-holding and use.

Third, as noted above, there has been a proliferation of new local governments in the past two decades. Although this is officially justified in terms of improving local citizen voice and better targeting service delivery, some analysts see it primarily as a source of political patronage designed to help the NRM to win increasingly tough electoral battles.²⁴ Creating a new district

²⁰ For more details see Muhumuza (2008).

²¹ Francis and James (2003) provide a discussion of the dual-mode system of “technocratic” and “patronage” driven governance in Uganda and Smoke (2008b) discusses the politics of local revenue.

²² This point is elaborated by Ahmad, Brosio, and Gonzalez (2006).

²³ The government did create two new sources of revenue, a hotel tax, and a local service levy, but these do not make up for the loss of GPT and are important primarily in urban and tourist areas.

²⁴ There is a detailed discussion of the history of district creation in Green (2008).

brings resources to a specific location and is very visible, which benefits the ruling regime. In addition, since district governments have little influence on national-policy formation, Museveni and the NRM can afford to create new districts even in opposition areas with little real risk of generating serious negative consequences for national-level politics and policies.

Critics charge that the creation of new local governments has resulted in: distortion of local-government structures, dilution of already inadequate human resources, performance gaps in key functional areas, inadequate physical infrastructure especially in new districts, substantial increases in administration costs and overheads, and the creation of an additional, significant supervision-burden on the central government. In short, the creation of so many new local governments is likely to worsen some of the problems it was supposedly intended to address.

Finally, after a period of relative inattention in public discourse, the issue of federalism seems to be surfacing again, with the traditional kingdoms favoring this over the regional administrations allowed for in the constitution and the 2009 legislation discussed above. Some kingdoms have reasserted their voice, and there have been clashes between them and the national government. The Kabaka (king) of Buganda, Ronald Mutebi, has been promoting the adoption of a federal structure of self-governing states built around the kingdoms.²⁵ This concerns the government not only because of the political threat but also because recent explorations have discovered oil in territory associated with a number of kingdoms. The potential volatility of the situation is evident from riots sparked in September 2009 by the government's refusal to allow Mutebi to travel around his kingdom, allegedly for his own safety. How the situation with the kingdoms will play out remains to be seen, but it could be an important factor in future developments.

Thus, despite the early commitment and early successes, the implementation of decentralization has encountered legal, policy, and operational challenges. There is a lack of legal harmonization with some sectors, and changing circumstances and information have led to the revision of key legal and policy instruments both formally and informally. The constitution and the LGA have both been revised on a number of occasions (e.g., the constitution was revised in 2005, the LGA in 2001, 2005, and is also currently undergoing revision).

3.3 INSTITUTIONAL ARENAS: THE NATIONAL ARENA

Although there was no apparent bureaucratic opposition to the decentralization reforms as laws and policies were being developed in the 1990s, this may have been due to reasons other than strong endorsement of decentralization by central agencies. As initial reforms were being designed, the NRM was in the driver's seat and relatively unquestioned (except by advocates of federalism), the public sector was weak, and many government agencies were preoccupied with strengthening their own policies, capacities, and procedures. In addition, some parties that might have objected were silenced, and it was clear that the donors favored decentralization.

Some of the central government ministries likely to be negatively affected by empowering local governments were either not involved in early discussions or possibly did not really understand the implications for them of the proposed reforms. Even some of the more powerful agencies, such as the MFPEP, were busy with other basic fiscal reforms and their own institutional

²⁵ This was widely reported in the press; this version of events came from a National Public Radio story (February 14, 2010).

development, and they probably did not focus on, much less fully understand, decentralization laws and policies.

Responsibility and resources for developing the local-government system were concentrated at MoLG. The government also set up, with external assistance, a Decentralization Secretariat under MoLG to coordinate decentralization reforms. The Secretariat, however, paid better salaries than MoLG and performed functions that MoLG should have been doing, so that in some ways the Secretariat became the driver of detailed design and implementer of reform, while only limited capacity was developed in MoLG. Many local systems and procedures were developed entirely by MoLG and the Secretariat with minimal consultation with other important agencies. Since MoLG was not sustainably powerful and the Secretariat was only a parallel mechanism, the stage was set for future concerns and challenges from other agencies, as discussed above.

The LGFC, mandated by the 1995 Constitution of Uganda and the 1997 LG Act, also received external resources to conduct work (and directly advise the President) on fiscal decentralization. In the early years, the LGFC was relatively weak and lacked influence, but even later when it developed credibility and capacity, its association with MoLG and the Decentralization Secretariat somewhat undermined its ability to influence broader policy. In some cases, MoFPED ignored even sound LGFC analytical work, and LGFC was so focused on intergovernmental transfers and local government own-source revenues that it had very little interaction with sectoral ministries. Thus it was only minimally involved in consultations about service standards, costing, or anything else related to the expenditure side of public finance.

Another key national actor is the PSC. The 1997 LGA provided for a separate personnel system to ensure that local leaders control local staff and make them responsive and accountable. As noted above, control over top, local, civil servants has been recentralized (most likely for national-political reasons discussed above and for local-behavioral reasons explained below).

The various central institutions are mainly responsible for formulating policies, setting standards, issuing guidelines, sector coordination, and technical supervision and backstopping. Central-local relations—in the context of the control that is being exercised now—have been generally satisfactory, although local governments complain of delayed release of transfers, line ministry duplication of programs already being implemented by local governments, poor coordination of inspection and capacity-building support, and various kinds of central interference. Central authorities, for their part, complain about the failure of local authorities to comply with regulations and procedures in procurement, and to account for central transfers on time.

3.4 INSTITUTIONAL ARENAS: THE SUBNATIONAL ARENA

As noted above, under the decentralization policy Ugandan local governments assumed many new responsibilities quickly for which they did not have sufficient capacity and downward accountability, and perhaps without appropriate horizontal accountability between local councilors and local staff. The decentralization legislation gave great autonomy to local governments to plan and budget, make policies, raise revenue, and implement their programs. It provided for political and institutional structures intended to allow local governments to operate effectively. The key institutional actors in the sub-national arena are the local-government councilors, the local-government staff, and various other formal and informal actors. Their basic roles were already covered in the discussion of accountability, above.

Under the LGA, the district service commissions (DSC) were made responsible for employment terms and management. DSCs were said to have been prone to influence peddling because the law allowed district, political leadership to appoint DSC members. The separate personnel system also led to conflicts between the local politicians and civil servants, especially where political leaders tried to interfere in procurement. Where the CAO and town clerk (accounting officers) cooperate with the political leaders (at times) to engage in corrupt practices there are no conflicts. However, where there is disagreement, local leaders may demand dismissal of these officers. This type of behavior was used to justify recentralizing control over senior local staff.

Though the goal of decentralization was to ensure people's participation in decision-making and make their local governments responsive and accountable, and consequently enhance local development, some analysts believe that few local representatives view decentralization in this perspective. The results of the Afrobarometer survey discussed earlier seem consistent with this position. On the contrary, many view decentralization as an instrument for amassing wealth to serve their interests, and there is said to be considerable political manipulation of service delivery. Local governments, especially at higher levels, have commonly been captured by local elites, and they often use the resources at their disposal to buy electoral support.

Local governments have the primary mandate for service provision. However, there are efforts to increase the involvement of local user-groups, including school management committees, health unit management committees, and farmer groups especially in service planning and operation under sector-specific programs. Many user groups are in place, but their functionality has been affected by the fact that the community members no longer contribute to service delivery and hence have no incentives to demand accountability and improved service provision.

Another relevant sub-national institutional issue is the relationships among the various levels of local government. Most conflicts have occurred around collection and remitting of local revenues. Districts and sub-counties are frequently accused of not remitting the mandatory shares of local revenue to the lower tiers. Also, although procurement and tendering regulations clearly assign district contract committees the responsibility for procurement of goods, works and services for the lower local governments beyond certain thresholds, the districts have been accused of excessively interfering in these procurement processes.

3.5 INSTITUTIONAL ARENAS: THE CIVIL SOCIETY ARENA

In developing the local-government system, both the government and most donors working on decentralization placed emphasis on building institutional and technical structures and procedures of sub-national government without paying enough attention to supporting the development of civil society and the governance sensibilities required to make it effective. This resulted in a limited linkage between development of local administration and development of local democracy.²⁶

Participation and other accountability mechanisms, of course, have been adopted, and citizen awareness and empowerment have been improving at least in some areas, but it seems that much remains to be done, including efforts that are beyond the scope and interest of the national

²⁶ Francis and James (2003) provide a review of local democracy and participation in Uganda. They also provide a discussion on what they call a dual-mode system of "technocratic" and "patronage" driven governance in Uganda.

government. The critical importance of improving local accountability was underscored by the initial poor local-government performance in the use of resources provided through unconditional transfers. This led to the proliferation of conditional transfers and a constrained budgeting process inconsistent with a decentralized system (discussed above).

The involvement of civil society is evident in local-government processes, especially in regard to planning and budgeting as well as implementation of programs financed by the Poverty Action Fund (PAF).²⁷ Civil society groups have often been involved in sensitizing and organizing the local communities to participate in decision-making, planning, demanding and monitoring services, and pressing for accountability. All these processes help further the goals of decentralization. Some CSOs, such as the Uganda Debt Network, engage local governments to ensure that they are accountable and pro-poor. It must however be noted that the role of civil society is primarily limited to advocacy because a stronger role is not provided for in the law. Hence, civil society inputs into the policy and interventions are not legally binding and depend on the good will of local leaders.

As a result of this situation, relations between CSOs and local authorities have only been harmonious in areas where CSOs supplement development efforts of local authorities, e.g. in service delivery (water, HIV/AIDS services, microfinance, education, health, etc.). On the other hand, advocacy CSOs engaged in monitoring the delivery of social services and mobilization of local communities to demand for services and value for money and accountability have faced some hostility from local leaders and their critical inputs are frequently ignored. Unless their role is legally recognized and institutionalized, they cannot have a serious impact.

Some analysts argue that Ugandan CSOs are weak because they have been created largely to serve selfish economic interests of local elites or narrow interest groups. They thrive in the capital city and urban areas but are disconnected from smaller community-based organizations (CBOs) in rural areas. Many CSOs are dependent on donor money and therefore serve their interests. The role of religious agencies with broader constituencies and legitimacy is not very pronounced. In order to better understand the situation, the Uganda non-governmental organization (NGO) Forum developed and has started to apply the Quality Assurance Mechanism (QuAM) to assess how accountable a CSO is and to whom, among other issues related to CSO behaviour and performance.

Local government associations such as the Uganda Local Government Association (ULGA) and UAAU are part of civil society and play an advocacy role. Their participation has contributed to the strengthening of democratic decentralization since their voices are heard by the various stakeholders at the central and local levels. Their participation has helped to improve intergovernmental relations by resolving central-local conflicts and intra- and inter-local government conflicts. They have even bargained for certain changes, e.g. they influenced LGA amendments. Examples of issues advocated for include introduction and increase of graduated-tax compensation, following-up on late release of funds from MoFPED, reform of local-government staff structures, and central government providing transport for sub-county chairpersons. However, the participation of the associations is ad hoc and mostly matters when there are pressing issues.

²⁷ Useful references on civil society in Uganda include: Wallace (2000), Lister and Nyamugasira (2003), DeConinck (2004); DENIVA (2006), and Muhumuza (2010).

Other key civil society actors include traditional authorities. While they are in principle supportive of decentralization of power, they do not, as discussed, support the current model of decentralization which does not offer them a political role. Traditional authorities, especially Buganda, as noted above, prefer a federal system and are not satisfied with the regional-government model offered by the constitutional and legal framework. The Afrobarometer survey discussed earlier found that citizens have a higher level of trust (61 percent) in traditional authorities than in any level of government. 66 percent of respondents believe that few or no traditional leaders are involved in corruption and 59 percent think these leaders should play a greater role in community governance. At the same time, only 49 percent of respondents think that traditional leaders listen to local people. Although this may seem low, it is better than the 39 percent who responded affirmatively to the same question about local government councilors.

3.6 INSTITUTIONAL ARENAS: THE DONOR ARENA

As noted above, decentralization has been central to the NRM and was intended to build on the Movement's success with RCs during the conflict period. The NRM wanted to develop decentralization in its own way, thus the government used external technical assistance only selectively in the period immediately after Museveni came to power and decentralization emerged as part of the reform agenda. On the one hand, this kept the motivation for decentralization high and prevented an immediate onslaught of development partners bearing diverse ideas and promoting different approaches and programs—the curse of decentralization in many developing countries. On the other hand, the development partners that Uganda engaged with early-on with respect to formally developing the decentralization framework, particularly Danish International Development Agency (DANIDA) (other agencies were involved in various pilots), were frankly not very experienced with decentralization and local government reform in developing countries at the time.

The limited engagement of experienced development partners may help to explain why such an ambitious decentralization program was so rapidly undertaken in a post-conflict, low-capacity country. In retrospect, the recentralization in recent years is not particularly surprising given that so much change was attempted so quickly. The early design of decentralization was based on a high standard of normative principles that is difficult for even the most mature democracies to achieve.

The number of functions and level of autonomy assigned to local governments in effect amounted to a substantial reduction in lines of accountability to central agencies before durable lines of accountability of local governments to citizens could be developed effectively. The sophisticated design of the intergovernmental-transfer system (which has never been fully implemented as intended) was based in-part on a study tour of Ugandan officials to more industrialized countries. The establishment of a Decentralization Secretariat as a parallel mechanism attached to a weak ministry and externally financed repeated the consequential mistakes of decentralization reform in several other developing countries.

While the larger system was being developed in this way, the government opened the door to other development partners, and resulting efforts were fragmented. The World Bank, for example, was initially working mostly on urban-development/infrastructure projects in Lira, Mbale, Masaka, and Fort Portal, while USAID and other bilateral donors (Ireland, Netherlands, Austria, Belgium, etc.) were working in particular districts on matters of interest related to

democratic governance (area-based programs). The United Nations Capital Development Fund (UNCDF) was promoting its Local Development Fund model to pilot discretionary capital-transfers and planning processes through the DDP mentioned earlier.

After a while, some points of cooperation began to emerge. When the World Bank expanded and broadened its support to local-government reform through the substantial Local Government Development Program (LGDP), for example, it built (after a period of time when it seemed it would go its own way) on revised versions of systems and procedures piloted by UNCDF in the DDP. Eventually in 2002 development partners established a Donor Decentralization Coordination Group, (later renamed Decentralization Development Partner Group (DDPG)), which brought a subset of the key, decentralization, development partners under a framework for coordinated programming of their support. DDPG also worked with government-policy coordination initiatives, such as the Fiscal Decentralization Working Group.

DDPG was central in supporting the MoLG to formulate a Decentralization Policy Strategic Framework (DPSF) to provide a structure for coordinating efforts aimed at deepening decentralization. The DPSF was the basis for developing the Local Government Sector Investment Plan (LGSIP), which outlines strategic investment plans, priorities, and budgets in six thematic areas: service delivery, political decentralization, administrative decentralization, fiscal decentralization, good governance, and local economic development. Current government arrangements for coordinating policies and development partner support involve a set of working groups. The Decentralisation Management Technical Working Group (DMTWG) is under the broader Public Sector Management Working Group, and is intended to enhance linkages between decentralisation and broader public-sector reform, although it is not very effective.

There are different opinions about the effectiveness of the donor-coordination initiatives, but they improved the status quo and resulted in productive efforts, such as the joint decision to stop financing the parallel Decentralization Secretariat in favor of direct support to MoLG. On the other hand, the partners focused coordinated efforts largely on developing technocratic mechanisms of the intergovernmental system while paying insufficient attention to nurturing local governance and accountability. What was much less successful than the coordination of decentralization efforts targeted at MoLG was the coordination of decentralization with other aspects of public-sector reform that affect local governments, as discussed above.

At some level, development partners correctly understood that decentralization had initially gone too far and that local governments were not performing their assigned functions effectively. Some of their recentralizing efforts were undoubtedly designed with good intentions to deal with this problem. At the same time, there is little question that some initiatives were driven largely by immediate service delivery concerns—and most likely the desire to pursue PRSP and MDG goals through single-point accountability channels based at particular sectoral ministries rather than more diffuse budget entities that complicated monitoring and compliance.

The development partners never conducted broader-based, detailed institutional and capacity assessments that might have allowed them to assist the national government to improve service delivery goals without so comprehensively and bluntly undermining decentralization and fragile local-governance mechanisms, while some of them continued to provide considerable support to the same mechanisms. In addition, the way the development partners pursued reforms—whether intentionally or not—supported the political objectives of an already dominant, national political party, and reinforced often problematic competition among central government agencies. The

question going forward is whether the more centralized system that is now in place will persist, or if well-considered efforts might be undertaken to more strategically and appropriately re-empower local governments in ways that increase the probability of sustainability.

On a broader aid-harmonization front, issues affecting the implementation of decentralization are supposed to be discussed between development partners and the national government under the Joint Assessment Framework (JAF)/Joint Budget Support Framework (JBSF). The JAF/JBSF should be a mechanism for better linkages to the sector initiatives, although this has not made much progress to date, and it is not clear that the various parties really want to make this happen.

4.0 CONCLUSIONS AND IMPLICATIONS

In this final section, we use the facts and analysis presented above to summarize a number of key points and to draw a number of lessons from the Uganda case. We conclude with a discussion of some issues and questions for further analysis.

4.1 VARIATIONS

In this section, we summarize some key achievements and weaknesses of the decentralization reforms in Uganda. Overall, a great deal has been accomplished, but there have also been some disappointments and setbacks, as outlined above. Even some of the aspects of decentralization that have worked well are to some extent plagued by constraints and threats. Dealing with these, as discussed later, is the central challenge for the future of decentralization in Uganda.

4.1.1 COMMITMENT TO DECENTRALIZATION AND DEVELOPING EFFECTIVE LOCAL GOVERNMENTS

Achievements: Uganda developed and launched decentralization with considerable political commitment in the apparent belief that it is a force for citizen-empowerment and the development of local capacities as key drivers of economic development and political legitimacy. Decentralization reform emerged largely organically from the political environment at the time it was being developed, and the government succeeded in limiting external actor involvement early on.

Shortcomings: Despite the initially strong and unchallenged government commitment to reform, there seems to have been a lack of appreciation—or perhaps some misunderstanding—of conventional notions of decentralization and their implications for Uganda. As the phenomenon was better understood by the various political and bureaucratic actors it affected, some resistance to fully implementing decentralization reform as planned emerged and even some sentiment for rolling it back.

4.1.2 THE LEGAL FRAMEWORK

Achievements: Uganda has developed one of the most robust legal frameworks in Africa through provisions in the 1995 Constitution, the 1997 Local Government Act, various laws, and an array of support mechanisms and programs. Ugandan sub-national governments have some important functions and considerable resources assigned to them.

Shortcomings: The legal framework was never fully implemented, and there have over time been some nontrivial steps taken towards recentralization that seem to be inconsistent with the spirit of local-government empowerment and autonomy outlined in the constitution and relevant legislation.

4.1.3 LOCAL FUNCTIONS/SERVICE DELIVERY/AUTONOMY

Achievements: Decentralization substantially increased the service delivery responsibilities of local governments and initially gave them considerable autonomy to make decisions about how to allocate the resources at their disposal across and within functions and service sectors. They were also given important responsibilities with respect to managing local-government civil service and procurement.

Shortcomings: Inadequate capacity and insufficiently developed accountability undermined local-government service delivery performance and led to new national-government restrictions on local-expenditure autonomy. Local discretion was further undermined by recentralization of some key administrative functions, including senior local-government employee recruitment and management and procurement processes. Local authorities were also assigned more responsibilities compared to revenues guaranteed, leaving a persistent funding gap.

4.1.4 REVENUE GENERATION/AUTONOMY

Achievements: Ugandan local governments receive a substantial portion of national government revenues (35 percent in the 2009/2010 budget allocations) through intergovernmental transfers, and they are also allowed to raise a variety of own-source revenues intended to help them to meet the service needs of their constituents.

Shortcomings: The emphasis on central transfers and failure to assign buoyant sources of local revenue has undermined local autonomy to make independent decisions and finance locally determined priorities. The transfer system has become increasingly conditional, further undermining local autonomy. Local sources of revenue are subject to controls and political interference from higher levels, and lack of accountability and capacity of local governments undermines the willingness of citizens to pay local-government revenues. The lack of revenues at the parish and village levels leaves them with little role to play.

4.2 COMPARATIVE LESSONS

4.2.1 MORE ATTENTION TO IMPLEMENTATION STRATEGY

Although there is a strong legal basis for decentralization, there has not been a pragmatic implementation process. Too many functions were initially transferred simultaneously, at least officially, to local governments with limited capacity. Little consideration was given to how strategically to implement and coordinate the multiple aspects of the system over time. Some analysts blame this on the entrance of more external actors pushing for the reform, whereas the government wanted a more incremental process. Decentralization in some sectors has been slow because reluctant ministries impede progress. In others, ministries attempting to comply with the law devolved functions too rapidly and overwhelmed local capacity. A more strategic, gradually sequenced decentralization process would likely have allowed the county to build a better foundation for sustainable local-government reforms.

4.2.2 CREDIBLE AND EMPOWERED COORDINATION

Coordination of decentralization in Uganda has been difficult—a now defunct Decentralization Secretariat was set up under MoLG, which is not a sufficiently powerful ministry to play a strong, coordination role. Without effective leadership, the MoFPED, which is wary of decentralization, began to play a stronger role, perhaps to the advantage of upward accountability

(in terms of enforcing financial responsibility and local compliance with national poverty-reduction strategy/Millennium Development Goals (MDGs)) but to the detriment of decentralization. Some analysts argue that development partners took advantage of Uganda's aid dependence to "hijack" policy-making roles through conditionalities associated with debt relief, MDGs, and the PRSP.²⁸ This pushed government-reform efforts in a different direction. In any case, ministries that did not comply with decentralization framework requirements were not sanctioned. A more credible coordination mechanism with the power to enforce compliance of key decentralization actions required of various central actors may have produced more integrated action and better results, even if it had to incorporate some changes to reflect national and development partner dynamics.

4.2.3 MORE FOCUS ON LOCAL REVENUE GENERATION

Much more emphasis has been given to developing intergovernmental transfers than to improving local revenues, and there are not adequate incentives in the transfer formulae to encourage the latter. Local revenues have performed poorly—grants still dominate (typically above 80 percent of local revenues outside a few municipalities), and lower levels (parish and village) have few revenues. Given increased conditions on the use of transfers and the lack of own-source revenues, local governments have a limited ability to respond directly to citizens, and revenues that are available often get captured by local elites and used for patronage. In addition, although progress has been made in the quality of analysis as LGFC capacity improved, there are serious questions about the clarity of objectives and the accuracy of data in the transfer formulae. More attention to these matters could have helped develop a more robust local-revenue system and helped local governments to more effectively exercise their autonomy.

4.2.4 BETTER LINKAGES BETWEEN LOCAL ADMINISTRATION AND LOCAL DEMOCRACY

Despite progress, there is still limited linkage between development of local administration and development of local democracy. Civil society has been weak historically, and there is insufficient recognition in the design and implementation of decentralization—perhaps not surprisingly in a centrally driven reform—that specific effort is needed to develop broad-based, civil society capacity. This needs to be provided for in law, and in practice must move beyond monitoring committees and the like that have no teeth. People cannot be immediately empowered to hold local governments accountable even under significant decentralization reforms—they must learn over time and with support how to interact effectively with local governments. More attention to these issues could have helped to develop more credible and effective downward accountability at the local-government level.

4.2.5 DISCIPLINING REFORM PROGRAMS AND DONOR BEHAVIOR

Donor interventions in Uganda have driven the development of decentralization and local government reform in different directions, often reinforcing anti-decentralization tendencies of certain national-government actors. Although over time some of the key donors involved in decentralization began to coordinate their activities more effectively, there has been little coordination between other public-sector, reform-support programs of the donors, such as those

²⁸ See Craig and Porter (2003) for a discussion of this issue.

undertaken to assist public financial-management reform or to promote service delivery in key sectors related to the poverty-reduction strategy. Better integration and harmonization of these various reform efforts and donor-support programs could lead to more effective and sustainable public-sector institutional development and more significant outcomes. There are inherent conflicts and tensions and not all of them can be resolved, but there must be room for greater consistency and impact than what has occurred to date.

4.3 FINAL QUESTIONS

Uganda's local governments were given considerable powers, responsibilities, and autonomy under the existing legal framework, and the decentralization reforms were implemented with enthusiasm by the NRM government. There have been some real achievements. Decentralization has promoted popular participation in periodically held elections, decision-making, planning, budgeting, and program monitoring, and there have been steps to improve inclusion of previously marginalized or neglected groups. Despite problems and challenges, political and technical officials have incrementally learned to manage better local affairs. Policies, plans, and budgets have been prepared and implemented. Service delivery has expanded considerably.

Despite the achievements, there are still many challenges. Local governments were given insufficient revenue sources and are heavily dependent on increasingly conditional intergovernmental transfers. Even permitted local-sources of revenue are often poorly collected. Although the quantity of services delivered has increased dramatically, there are major issues with quality, especially in primary education and health. Although governance has improved, there are still problems of accountability, corruption, and lack of meaningful citizen engagement.

The overarching public-sector framework faces a number of considerable challenges. A variety of political and performance factors led to some retrenchment of local-government powers, diminishing the status and promise of decentralization. Various central agencies have prioritized their own agendas without consideration of their relationship to other sectors and functions, leading to fragmentation in the government system, which has often been reinforced or even instigated by international development partners.

Although much is known about the positive and problematic features of the local-government system in Uganda, surprisingly little of this knowledge is systematic or evidence-based, and there are some aspects of decentralization that are not well explored. Equally important, there has not been much study of why certain dimensions of decentralization have developed as they have, or whether there are ways to improve the system. With these knowledge gaps in mind, we propose a number of areas for further investigation—they are relatively broad and perhaps overambitious, and they are related rather than mutually exclusive. Thus, they cannot all be undertaken and they all need further development, but they do provide a range of options to work with.

First, as noted above, some types of *governance dynamics at the local level* have been neglected or somewhat undermined by the steps that have been taken toward recentralizing the system. The development of the intergovernmental system and development-partner support for it was heavily targeted at the development of technical reforms. The limited attention to local governance, along with the overambitious nature of the initial technical reforms, helped to compromise performance. Those development partners that put a greater emphasis on civic

engagement did not link those efforts well to local-government incentives and procedures, or only functioned in limited areas. On this matter, it would be useful to:

- Better understand how citizens perceive their local governments: Do citizens trust local governments? (The Afrobarometer survey-data reported earlier is mixed on the general issue of trust). To do what? What do they appreciate about local governments? What problems do they see? How can current attitudes of citizens be built-on or influenced?
- Document the extent and nature of citizen engagement with local governments: Do they participate in local-government processes? Why or why not? What is the extent and depth of their involvement? What would it take to encourage them to engage more actively? Are there local governments that have successfully and meaningfully engaged citizens? To do what? How have they managed to do this and is their approach replicable?

These issues are important because it seems unlikely that the local-government system can regain traction without greater attention to developing local governance. As important as the system structures and procedures are, without a stronger role for civil society, the potential benefits of improved downward accountability cannot be realized.

Second, *centralizing PFM reforms have in some respects overwhelmed the local-government system* and possibly contributed to the deterioration of local accountability. The FDS clearly had positive features in terms of the legitimate role of the central government in strengthening inspectorates, regulations, and accountability mechanisms to ensure local compliance with good financial practices. At the same time, the FDS did contribute to the restriction of local discretion in blunt and sometimes problematic ways. The stated intention of FDS was to ease-up the restrictions after local-government capacity was developed, but this has never happened. The problem is that there is no incentive for local governments to develop capacity if they do not have sufficient programmable resources and autonomy to make meaningful local decisions on behalf of their constituents. In this regard, it would be useful to review the performance of FDS, with a particular focus on:

- Understanding what FDS has done well (e.g. better reporting and financial control) and where it has created challenges (e.g. in undermining the budgeting flexibility of local governments): What are the consequences of its performance to date?
- How local governments actually perceive and operate within the FDS: Within the constraints of heavily conditional transfers, how much local discretion is available and used compared to previous practice? So, for example, under a conditional transfer for school construction, how much say do local governments have on new building versus renovation, facility design, facility location, etc.? How does this matter?
- Possibilities for implementing the provisions of FDS that have never been implemented: Are there ways to allow local governments, perhaps based on performance, more discretion over time?

If the operation and effects of the FDS were better understood, it might be possible to move beyond the weak decentralization equilibrium it has generated and develop a process for gradually and appropriately relaxing budgeting restrictions. A more modest but also useful goal would be to work on assisting local governments to make better use of the discretion they do

have but may not effectively use (within the restrictions imposed by the FDS and conditional transfers).

Third, there has not been systematic attention given to understanding *how broader public-sector reform and poverty-reduction initiatives support or undermine decentralization* and the role that donors individually and collectively play in this. There is no question that PFM reforms (in part as manifested in the FDS discussed above) and sectoral reforms through SWAps, for example, have curtailed the powers of local governments. While the original decentralization may have devolved too many functions, it seems likely that many local governments could take more responsibility than they are currently allowed to do. In this regard, it would be useful to:

- Map the various reform initiatives (including donor support) and how they work with and against each other as well as the pros and cons of how they are currently functioning.
- Consider cases where there may have been too excessive and general a curtailment of local powers and if there are possible ways to introduce some measures to move back towards re-empowering local governments in appropriate ways and at appropriate paces.

If these matters can be better understood, it might, for example, be possible to work with receptive sectoral ministries to better link their sectoral policies to levels of local-government capacity, and this could help to restore a better balance between central control and local autonomy in Uganda's intergovernmental system.

Fourth, the *sectoral fragmentation of service delivery* has important effects beyond undermining the role of local decision-making in a particular sector. In fact, the present arrangements clearly seem to discourage one of the most important potential benefits of local governments—their ability and incentive to think holistically/territorially across sectors compared to more centralized approaches. On this topic, it would be useful to:

- Look at what has happened with processes, like LGDP, that were precisely intended to encourage broader development planning but were folded into the government systems in a way that made them less prominent and less influential rather than institutionalizing their positive features: What role do local planning processes currently play? How were they diminished in significance? Are there still individual cases where they work well and how is this possible?
- Consider how to break sectoral fragmentation: Are there opportunities, either in existing mechanisms or possible new ones, that could return local-government planning to a more holistic and vision-based exercise? (This question is related to the budgeting flexibility issue raised under the above discussion of FDS).

The sectoral silos that currently prevail in decision-making processes in Uganda may—in pursuit of specific service delivery goals—undermine the type of broader-based thinking about local economic development and tough prioritization (within budget constraints) processes that capture the essence of true local governments. Examining these issues in more detail could provide a basis for undertaking some useful and workable reforms.

Finally, as noted above, *local-revenue generation* has almost continually deteriorated in recent years, and this predates the high-profile suspension of the graduated personal tax in 2006. The central government points the finger at local governments, saying they are incompetent and

corrupt. The local governments point the finger at the central government, which they say practices so much control and interference that it is very difficult for them to raise local revenues. Citizens do not pay the taxes and charges they are supposed to. In this regard, it would be interesting to:

- Better understand the nature and importance of the various constraints on local-revenue generation: How much of the problem is the centrally imposed system, controls and interference? How much of it is local-government capacity or bad local-government behavior? How much of it is citizen or business dissatisfaction, lack of awareness or bad behavior?
- Look at cases where local-revenue generation has gone against the tide and been more successful: How have they been able to do this? What specifically have they done? How were they able to do this? Does what they have done provide lessons for others?

Such work could point both to potentially important policy reforms at the national level (if they are politically feasible). But it would also help to identify for local governments how they might be able to raise revenues in their own jurisdictions even under the current less than ideal conditions for doing so.

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