

UGANDA

Capital : Kampala



Area : 241 040 sqkm
Population : 34 260 000 inhabts
Density : 119,5 ctzns/km2
Average growth: 3,4 %

FOCUS

Decentralization in Uganda has realized great progress since its introduction in early 90's. However, the process is facing a major challenge with regard to the sectoral decentralization. Line ministries are showing consistent reluctance to transfer competencies to LGs. This attitude is indirectly encouraged by development partners who funds sector-based policies. Actually, the conditional nature of most sector-wise programs puts the responsibility for sector implementation under the responsibility of line ministries instead of LGs. In this case decentralization and sector programs are seen to be pulling in opposite directions. Hence, different line ministries have established different systems for support for implementation of sector activities by LGs. Overall, these parallel approaches have to a large extent led to uncoordinated supervision, which many local governments claim, led to excessive amounts of time being spent on "upward accountability". To address some these issues, the Government has prepared the Fiscal Decentralization Strategy (FDS) with the objective to promote local government autonomy and widening of participation in decision making. Present discussions are increasingly reflecting the need for coordinated supervision and inspection, as well as the need for clear and simplified procedures for corrective steps in cases of LG mismanagement, either overall or within a specific sector. Based on the above, and in addition to the need to further development sector policies, the following issues can be distilled needing further attention:

- *The coordination of supervision, mentoring and inspection on the basis of set policies and quality standards, geared towards local capacity building. In this regard sector ministries should jointly move towards conducting more systematic annual assessments of LG service delivery performance as opposed to ad-hoc monitoring during the financial year*
- *Clarification of the relationship between some categories of staff and the national line ministries and Mechanisms of how to handle effectively and efficiently for cases Local Governments do not perform or not adhere to the set guidelines as set by line ministries according to their mandates.*

GENERAL INDICATORS

Human Development	HDI	0,493	
	Total GDP (millions \$US)	44 692	
	GDP/per capita (units of \$ US)	1728	
	Annual Growth	5,9	
	Life Expectancy	46,8	
	Literacy (%)	Men	78,8
		Women	59,2
Access Internet/1000 ctzn)	4,88		
Decentralization	Communalized Population	100%	
	Average Communal area		
	Urban Population	12,2	
	Number and Tiers of local governments	Local gov	180

I- The decentralization policy

Evaluation:

The local governance system is well rooted with consistent legal framework turned into practice. The administrative organisation is all geared towards decentralization.

Indicators:

- 1.1. Establishment of the LG system : ↑↑
- 1.2. Consistency of the legal framework: ↑↑
- 1.3. Consistency of administrative arrangements: ↑↑

The establishment of the local governance system

Uganda's decentralization process dates back to 1987 when the present government overtook power through an armed civil war which was waged on the basis of popular civic strengths. The formal process of decentralization reform took effect in 1993 when government enacted a revised law facilitating financial and administrative decentralization which was also followed shortly by another Act which provided for Human resources decentralization. The promulgation of the 1995 Constitution of the Republic of Uganda, and the enactment of the Local Government Act, 1997 further entrenched Decentralization as a main system of local governance. However, many issues are

challenging the decentralization system in Uganda.

A key policy objective of Uganda's decentralization policy has been named as "empowerment of local populations via democratization, participation, accountability, responsibility, efficiency and effectiveness" for the long-term goal of improving conditions of life for the population. However, the reality is that over time, implementation of decentralization has concentrated more on administrative objectives as a means of promoting popular democracy and less on economic transformation for poverty eradication.

The Legal framework for decentralization

The decentralization program in Uganda is supported by a strong legal framework which is based on the country's constitution.

As such in a way the constitution only served to regularize and provide stronger safeguards to the decentralization reforms

already adopted by government. In 1997 the parliament enacted the Local government Act which operationalized the provisions of the constitution and set the legal aspects of implementing the different functions under decentralized. In table 3 below, a summary of different aspects of

the main laws governing decentralization is presented.

- The constitution of the republic of Uganda , 1995;
- The Local Government Act, 1997

- The Local Government Finance and Accounting Regulations, 1998,
- The Local Government Tendering and procurement Regulations (2000),

The Administrative Organisation

Local Government in Uganda is based on the local council system with the Districts as the primary unit. Under the District are Lower Local Governments, which include Sub-counties and Town Councils. In urban areas local governments comprise the City Council, Municipal Councils, and municipal divisions. Local Governments are

corporate bodies that can sue and be sued in their name. Below local governments are administrative units comprising counties, parishes, wards and villages. These are not body corporate. The Council is the supreme political authority in Local Governments and has legislative and executive powers (see table 1).

Table 1 : Administrative and territorial organisation

Territorial Division		Local Govt..	Constituency	Delib. Organ	Executive Organ	Supervision/Control
Name.	Number					
City council	1	Yes	No	City Council	Executive Committee	Ministry of LGs
District	79	Yes	No	District Council	Executive Committee	Ministry of LGs
Municipality	13	yes	No	Municipal Council	Executive Committee	Ministry of LGs
County-council	151	Yes	No	County Council	Executive Committee	
Sub-county	900	No	Yes	Sub-County Council	Executive Committee	
Town council	87	Yes	No	Town Council	Executive Committee	
Municipal division	34	No	Yes	M. Divisional Council	Executive Committee	
Parish/Ward	5 225	No	Yes	Parish/Ward Council	Chairperson	
Village	44 402	No	Yes	Village Council	Chairperson	

Source: Ministry of Local government, 2007

II- The implementation strategy

Evaluation:

Since the beginning, the process is implemented continuously through an incremental approach. However, sectoral decentralization still stands behind although great progress have been achieved in structuring the local and national planning system. The ministry in charge of LG provides technical support to LG, including M&E of their performance and this support has led to improve the capacity of the latter.

Indicators:

- 2.1. Implementation planning : ↑
- 2.2. Transfer of competencies and sector-based policies: ↑
- 2.3. Structuring of decentralization and spatial planning: ↑
- 2.4. Technical support and M&E of the process: ↑

The Decentralization implementation planning

Despite strong political commitments to decentralization and great successes in its implementation, Uganda lacks an elaborate program for decentralization reforms. Decentralization program has been dominated by piecemeal reforms and innovations. However, decentralization process in Uganda has gone through the following milestones:

- Political decentralization represented in the Resistance council statute of 1987;
- Financial and administrative decentralization represented in the 1993 local government Statute which introduced delivery of funding from the Central to local Governments in form of block and equalization grants;

- Human resources decentralization of 1994 which caused de-linking of local government staff from their parent ministries and placed them under the authority of local government;
- Constitutionalisation of decentralization as the main system of local governance and service delivery in the country. This was done in 1995 and decentralization by devolution became strongly embedded in the constitution and local government entities were defined;
- Detailing of local government set-up and structures, responsibilities and services, Revenue sharing arrangements between different

levels of local government, election procedures of local leaders, as well as arrangements for Central government coordination, monitoring, and inspection. This was done by the Local government Act of 1997 which, in essence, provided the framework for operationalizing the 1995 constitution with regard to local governance.

It is noted and appreciated that at the start of the process in 1987, one process led to the other and there was total commitment from all players. However government did not lay down a long-term agenda for the reform process and this has been the biggest shortfall.

Institutions in charge of technical support and monitoring

The Ministry of Local Government is the lead government department responsible for spearheading decentralization in Uganda. Its mandate extends to promoting decentralization, propose and draft updating of the legal and policy frameworks whenever necessary and coordination of sector policies. In addition, the MoLG is responsible for mentoring and compliance inspection of local governments.

Now the ministry focuses on building strong local governments rather than administering and managing “de-concentrated” outposts of the central government machinery. The ministry is charged with:

- Support and mentoring to build capacity in local governments.
- Supervision and inspection of local governments;

- Policy development and coordination with line ministries and donors.

The Decentralization secretariat (DS) is a separate agency established by MoLG on launching decentralization in 1992. DS was in charge of managing the decentralization process (policy, technical and capacity building aspects in the roll-out of decentralization.) DS was phased out in 2004 and its functions were mainstreamed in the rest of the official departments of the ministry of Local government.

The Programme Coordination Unit (PCU) was created by MoLG to manage development funding and coordination roles under decentralization. PCU has served as the secretariat for the Local Government Development programme and played a catalyst role for both fiscal decentralization and involving Lower Local Governments in development

Transfer of competencies and sector based policies

Both the constitution and the Local Government Act are explicit in defining the range of services and functions for each level of government under decentralization. In general local governments are responsible for implementation/delivery of most of the basic services including primary health, primary education, water and sanitation,

feeder roads, agriculture production, trade and commerce, public administration, Planning, etc. On the other hand, the decentralization program has left significant functions with line ministries on top of the standard functions of policy development, capacity development and quality assurance. However, the practice has not been very clear on distinguishing

roles in services delivery between the two levels of government and this has been a cause of policy conflict. For example, almost all line ministries have maintained an active hand in service delivery as well as policy formulation and guidance. Most sector Ministries presently have their own mechanisms of monitoring and supervision. The following cases can serve as example.

- The ministry of Education and sports (MoES) has appointed engineering assistants, based in the districts, who certify works, among others, as a condition for payment, for infrastructure built by LGs while using funding of e.g. the School Facilitation Grant (SFG).

- The Ministry of Works Transport and Communication has set up Technical Support Units (TSUs or regional workshops) at sub-national level. These

Decentralization and spatial planning

Physical and Urban Planning have not been given due attention in Uganda's decentralization process. The legal framework for physical planning in Uganda is premised in the Town and Country Planning Act Cap 30 of 1964. This law is outdated and obsolete and it is therefore unable to contain the emerging pressure and demands from urbanization. In addition the law is not in tandem with the Local Governments Act, and other policy frameworks such as the National Environment Act. Implementation of spatial planning policies at the local level faces the following challenges:

- A Limited capacity at local government level to execute physical planning functions, which were decentralised to them,
- Conflicts with land tenure systems,
- Lack of updated spatial data on Uganda. The most recent topographic surveys in Uganda were carried out more than fifty years ago,
- Lack of comprehensive building standards and guidelines especially for rural sections of the country and poor enforcement in urban areas,

units are heavily involved in implementation (and release of funds), but in fact still operate in project mode.

- The Ministry of Water, Lands and Environment as also set up Technical Support Units (TSUs) at sub-national level.

- The Ministry of Health, on the contrary, has set up its own area service delivery units at the sub-district level (i.e the country level where there is no local government) , as an arrangement of a much more permanent nature and with little coordination with MoLG or “ decentralization”.

At the same time MoLG has developed its own LG monitoring and evaluation system using the Local Government Information and Communication System (LoGICS) and the Local government Financial Information and accountability System (LoGFIAS).

- Low prioritization of physical planning matters at budgeting and implementation of government programs.

As tasks, responsibilities and requirements have changed considerably over the past 5 years, MoLG will be required to undergo a restructuring exercise, so as to enable it to better meet the challenges of the future. Among the areas that need attention in future restructured MOLG are:

- The role of technical assistance units such as PCU in any future set-up,
- The institutional support needed to bolster the proposed Decentralization Sector Working Group Secretariat. Both long and short term technical assistance needs, which can be supported by the proposed Donor Basket Fund for the LGSIP,
- The need to strengthen the Department of Inspection to enable continued support, mentoring and inspection of LGs as is the cornerstone of the monitoring and evaluation system,
- Strengthen policy analysis and advocacy work and dialogue with line ministries..

III- The local government structures and management

Evaluation:

The LGs organs are functioning with respect to their agendas. The political organs have full control over the technical staff. Trainings are organised to improve their overall performance with support from the ministry in charge of LG. The Ministry also coordinates and supervises LGs activities.

Indicators:

- 3.1. Functioning of the political organs : ↑↑
- 3.2. Quality of the technical organs: ⇒
- 3.3. The level of the State control: ⇒

The political organs

The Legislative

The council is the highest political authority within LGs jurisdictions. Political representation is primarily through single member wards. For district councils, the sub-county councils serve as electoral constituencies. 1/3rd of the council members are women representatives. In addition to the geographical ward representatives, there are 2 youth representatives, 2 representatives of people with disabilities.

The Executive

In each HLG there is an executive committee consisting of the chairperson,

The technical organs

The Town Clerk is the principal officer and all the directors heading the directorates report to him or her. However, the chief officers provide advice to the council standing committees. In order to enhance the councillors' performance of their role many Local assemblies conduct orientation workshops at the beginning of the term of office of all councillors. The draft constitution has also attempted to deal with this problem by stipulating that one of the qualifications required to stand for position of councillor is that an aspiring candidate should have a minimum of grade-nine certificate.

Appointed officials of Local Governments are fully accountable to Councils through the Chief Administration Officers/Town Clerks at the district/municipal level and through the Sub county Chiefs /Town Clerks for sub-counties /town councils. The quality of the technical officials largely at the higher local government level has

vice chairpersons and such a number of secretaries not exceeding five as the council may decide. The Vice chairperson and the secretaries are nominated by the chairperson from among the members of the council and approved by the council. Local government councils appoint standing and other committees from members of the council. No council member belongs to more than one committee and the number of members on each committee should not be more than nine.

greatly improved with most personnel almost at par with central government functionaries. The situation in the LLGs, though improved with the posting of graduate staff at those levels (such as Graduate sub-county chiefs, Agriculture Extension Worker's, and Community Development Officers), still needs to be implemented in most local governments.

The Decentralization policy introduced a separate personnel system for the management of Local Government staff. The aim was to strengthen the capacity of Local Governments to deliver on functions and services that fell within their mandate. The Law provides District Service Commission with powers to appoint persons to hold or act in the service of a district or urban council, including powers to confirm appointments, exercise disciplinary action or cause their expulsion.

It is important to note that the Local Governments Act 1997 permits Local Governments flexibility in choosing the most effective methods of service delivery. In many instances, Local Governments have engaged private sector agencies in

service delivery processes. The Private sector has been active in the collection of revenue under contractual arrangement with Local Governments and in the delivery of training interventions.

Structures and functioning of the municipal services

At the HLG, the district/ city council is the highest political authority within the area of jurisdiction of the local government. These councils have planning, legislative and executive powers. A district council has powers of making laws as long as they are not inconsistent with the constitution or any other laws made by the national

legislature. The district chairperson is the political head of the district and answerable to the council. A HLG council is supposed to meet at least once every two months and the meetings are open to the public. The Speaker presides at all meetings of the council.

Control of Local government by the central government

MoLG has the responsibility to co-ordinate relations between central and local governments and to supervise, guide, harmonize, mentor, monitor and advocate for Local Governments and line ministries. However, current practices reveal that ministries still need to fully re-orient their activities to support Local Governments in implementing decentralization. The weak coordination of field activities by the Central Government agencies has led to sub-optimal utilization of scarce human and financial resources.

to the center, the MoLG has developed a computerized database system known as the Local Government Information and Communication System (LoGICS). The LoGICS, which is a monitoring and evaluation database captures sector performance and financial information. The LoGICS, is designed to feed into a one-stop resource center located at MoLG where information/data from LGs is collated and integrated. Efforts are also underway to integrate the LoGICS with other sector Management Information Systems like EMIS and HMIS for the education and health sectors respectively.

In order to improve on the coordination and flow of information from the Local Government through the various tiers up

IV-The Human Resources

Evaluation:

Consistent reforms have provided LGs with qualified staff although the distribution among LGs is very unbalanced. Transfer of staff between LGs is authorised with significant limitations which however saves LG autonomy in contracting with their partners.

Indicators:

- 4.1. The qualifications of local agents : ⇒
- 4.2. The transfer of the human resources: ⇒
- 4.3. The LG contracting power: ↑↑

The existence and qualification level of local agents

Administratively, decentralization has been accompanied by a number of reforms that have empowered local governments to establish their own staffing structures, appoint, discipline and promote their staff. These reforms are contained in a number of legal instruments which include the Legal Notice No.1 of 1994 that introduced

a separate personnel system for local and central government staff, the Constitution of 1995 and the Local Government Act, 1997. Considerable effort and progress has been made by central government in consolidating administration of the local government system through restructuring, recruitment of qualified personnel,

development and issuance of appropriate legislation and guideline, and building capacity of personnel in several functional areas. This has resulted in much improved performance across all local governments compared to the situation ten years ago. However, improvements in performance are not uniform across all governments, and even functional capacity differs significantly within different departments within each local government. Therefore, there is pressing need to enhance the administrative capacity and functionality of local governments to enable them to respond effectively to the rising demand across the country for more and better services.

In the late 1990s when funds for local governments became more accessible, there was increased movement of staff from central government to local governments. However more recently, a reverse trend is noticed, whereby people are seeking to move away from too much direct political pressure. The relative scale of these movements is however, limited, and the number of empty job slots, especially in the management functions (heads of departments and above),

The transfer of personnel

Apart from the Chief Administrative Officers and Town Clerks for Higher local governments, all other higher local government staff cannot be transferred to other local governments or to central ministries. Only LLG staff can be moved within the same HLG. This apparent staff immobility has therefore been cited as one of the major limitations facing decentralization in Uganda. Also for local government staff the opportunities to move horizontally between local governments through direct appointment is limited because of a perceived trend for councils to appoint “son and daughters” of the area.

Career perspectives for LG staff are limited because, the LG job market is pretty immobile, amongst other as a result of the fact that local government structures

The local government contracting power

All District local governments have been empowered to recruit and manage their

becoming available every year remains small. On the other hand Local Governments experience some difficulties in attracting qualified staff, especially for districts that are insecure and/or in remote areas, as well as for specialized staff categories. Staff retention is additionally problematic, especially at the lower levels of government. Similarly local government departments not benefiting from earmarked central government funding (e.g HRD/Personnel Office) are often understaffed and poorly motivated and facilitated.

In response to these challenges government has intensified capacity building efforts in local governments often taking a sectoral and supply –driven approach. In a bid to harmonize capacity building in the country, the Ministry of Local Government developed the National Local Government Capacity Building Policy (NLGCBP) in 2005 to regulate capacity building delivery and interventions across the country. The NLGCBP provides the guiding framework for local government capacity enhancement.

are so compartmentalized that it inhibits career advancement. There are limited prospects for upward staff promotion within a LG apart from desk promotion. Experiences from the past decade of decentralization indicate that too many people within local governments are in the same position or same location for too long a period thereby losing creativity and productivity.

Recently the performance and conduct of local government chief executives came under scrutiny by government which resulted into a recentralization of Chief Administrative Officers and Town clerks of districts and higher urban local governments to MoLG. Hence this makes them the only local government staffs that are centrally recruited.

own staff. As stated earlier in this report, right from the start, decentralization

involved processes de-linking local government staff from the centre which was accompanied by establishment of an independent District Service Commission (DSC) at each district. Since 1994, DSCs have been strengthened to deliver efficient and independent human resources management in local government. Central government support to DSCs has involved direct financial support as part of PAF

monitoring and accountability grants which is aimed at freeing them from local influences. In addition specialized training and capacity building initiatives for members of these DSCs have been targeted by government. Currently most DSCs are technically competent to manage staff recruitment, disciplining and promotions.

V- The Local democracy

Evaluation:

Elections are organised in full respect of the agenda. However, the dominant position of the ruling party mitigates democracy at the local level. The system is inclusive to other components of the local society. Gender, age and socio-economic issues are mainstreamed in the system. It leads to transparent and accountable local governance with broad participation of stakeholders. The municipal movement is relatively sustained.

Indicators:

- 5.1. Fairness of the electoral system: ⇒
- 5.2. Level of citizen political participation: ↑
- 5.3. Transparency and accountability of local authorities and management: ↑↑
- 5.4. Sustainability of the municipal movement: ↑↑

The electoral system

Elections for local councilors have been conducted every four years as per the constitutional provision. Election of all local government councils takes place at least sixty days before the expiry of the term of the existing council. This timetable has been dully followed although there have been some minor discrepancies in election of councilors for administrative units.

In conformity to the movement political system that has been operating in Uganda for all the time of decentralization reforms,

local political election has been based on individual merit and this has been one of the biggest threat to decentralization. Individual merit system has brought a perpetuation of politically motivated corruption at the local level. Politicians used their individual savings to campaign and vie for political offices. Therefore, upon election these politician have had the obligation to recover their investments and this has been the main cause for corruption in local governments.

The representativeness of the local authorities

Local councils are composed of directly elected representatives that include those representing spatial constituencies as well as those representing special interest sections of the population. At the Higher local government councilors include:

- Directly elected Chairperson,
- Directly councilors representing lower local governments,
- Directly elected Women councilors who must constitute one third of all council members,
- Two councilors representing youths (between 18-30 years) in the HLG (one Male and one Female)

elected by the youths under electoral colleges system,

- Two councilors representing People With Disability (one Male and one Female) elected by the youths under electoral colleges system

At the Lower local government councilors composition is made up of :

- Directly elected Chairperson,
- Directly elected councilors representing Parish/ Ward,
- Directly elected Women councilors who must constitute at least one third of all council members,

- Two councilors representing youths (between 18-30 years) in the HLG (one Male and one Female) elected by the youths,
- under electoral colleges system,
- Two councilors representing People With Disability (one Male and one Female) elected by the youths,
- Two councilors representing the elderly (50 years and above) who are appointed by the LLG

executive committee and approved by the council.

At the village level is a directly elected chairperson of a village executive committee. Upon election, the chairperson appoints a small committee of members that include the vice chairperson, and a number of secretaries which include that for finance, security, women, youths, and that for people with disability etc. All adults above the age of 18 years in the village constitute the village council.

The local participation (relation between municipal organs and the Civil society)

Formally, civil society involvement has been recognized as a crucial ingredient of decentralization. Many clauses in the decentralized Local Government Act in Uganda advocate, and actually promote citizen participation in local governance and development processes. Experience indicates traces of collaboration between local government and the civil society organizations at all levels including District, sub-county and village levels. In these cases different actors have got different roles to play. For Local Governments, such roles include, for example provision of community contributions, participation in project committees, counterpart-funding, etc. In other cases the relationship is more institutionalized in form of joint programs supported by memoranda of understanding signed by all concerned

partners. The Population has the power to recall councilors or Mayors through petition introduced accordingly. However, the following shortcomings are experienced in the relationship between local organs and the civil society:

- The civil society is not equipped with adequate information to participate;
- The civil society lacks the skills and knowledge to adequately contribute;
- The interaction is restricted to ad-hoc consultations;
- Civil society is merely reactive to local government decisions and recommendations;
- The interaction is a one-time-off event (rather than a continuous process).

The transparency and accountability system of local management

The Local Government Act requires all Local Governments to formulate, approve and execute their budgets and balance them. LGs are also required to keep proper books of accounts and to produce final accounts, at most, three months after the close of the financial year. MoLG has been undertaking considerable measures to improve financial management and accountability in local governments. Key Local Governments staffs have been trained and computerized accounting systems introduced in some LGs. In addition, information about financial transfers to LGs has been regularly publicized in the print media and posted on the MoLG website so that the public is informed and can demand for accountability.

As a measure of the progress achieved so far, up to 2001, only a small proportion of local governments were able to meet the requirement to produce statements of final accounts within three months from the end of each financial year, largely because of lack of capacity and skills in book keeping and accounting. Today, financial management in local governments has tremendously improved in that 96% of the local governments produced statements of final accounts within the recommended timeframe in financial year 2002/03. However, many of the community members do not access this information because of inadequate appreciation of its importance and the manner through which the information is disseminated in both the

way it is packed and the channel of communication used.

Local Government Procurement procedures represent another efficacy for transparency and accountability in LG. Laws and regulations define the rules that govern the Local Government

procurement procedures. Until the year 2005, local procurement was done via Local Government Tender Boards. They have been replaced by Local Government Contracts Committees composed of technical staff from the local governments.

The municipal movement and the decentralised cooperation

Local government associations are relatively well organised in Uganda. All higher local governments and about two-thirds of lower local governments are paid up members of local government associations. There are two wings of associations, one for rural local governments (the Uganda Local Authorities Association- ULAA) and the other for the urban local governments (the Urban Local Authorities Association of Uganda- ULAAU). Each of these associations is well established with almost full membership of its eligible constituents. Efforts to amalgamate the two associations have never succeeded. However some of the urban local authorities are members to both associations. Both Associations are recognized members of the African Union of Local Authorities.

Both associations are recognized players in the decentralization process. They undertake advocacy roles for their member

local governments and engage central government and donors during policy formulation and policy management and in budget and program management. However it is important to highlight that although Local government associations in Uganda have been active in these debates, their participation is on ad hoc basis and there are therefore very little influences they impact on government policies and programs. Their involvement always comes too late to influence the design and direction of government policies and programs.

Other weaknesses/ challenges facing municipal movements in Uganda include (i) lack of operational funds since the biggest part of their budgets is funded by donors, (ii) lack of formalized channels for lobby and advocacy over central government, (iii) inability to exercise disciplinary authority over their members. This is mainly due to lack of the necessary legal framework.

VI- The Local finances

Evaluation :

The intergovernmental transfer is effective and constitutes the bulk of the LG budget. The consequence of the LGs poor performance in mobilising their locally generated revenues is thus minimised. With the increase of the LGs' quote-part in the national revue sharing, LGs have gain more weight in the national economy.

Indicators:

- 6.1. Consistency of intergovernmental transfers : ↑↑
- 6.2. LG performances in locally generated resources: ⇒
- 6.3. The economic and financial weigh of LG: ⇒

Intergovernmental transfers

Content of the transfers

Transfer to local government started in financial year 1993/94 when recurrent budget was decentralised in a phased manner starting with 13 district local governments and using a vote system. In 1994/95 the first batch of 13 districts which

received funds under a vote system in 1993 received a block Grant and 14 new districts were enlisted on the Vote system. In 1995/96 the second batch of districts also graduated to the Block grant and the remaining 12 districts joined the vote system. By 1996/97 all 39 districts in the country then were receiving block grants

as financial transfers from the central government. In 1995, fiscal decentralization was guaranteed by a constitutional provision which determined the framework of distribution of national resources to local government and made it one of the key roles of the presidency to provide financial resources to finance decentralised services. The constitution also requires parliament to determine an allocation criteria which should ensure incremental disbursement of central government resources to local governments.

The fiscal transfer system in Uganda is built around 4 main areas, namely: (i) unconditional grants (ii) conditional recurrent grants, (iii) conditional (sectoral and non-sectoral) development grants and (iv) equalization grants. The growth in number and diversity of transfer mechanisms to local governments from the center has encountered disbursement problems downstream and high transaction costs. To address this challenge the government formulated the Fiscal Decentralization Strategy (FDS) that allows local governments some flexibility and/or discretion to reallocate resources between and within sectors during planning and budgeting process and aims to improve resource allocation, planning, budgeting and budget execution. While a

lot has been achieved since the FDS was launched, this is increasingly an area in need of further attention. Most LG budgets are still composed of more than 80-85% of conditional grants

The bulk of funds (about 88%) transferred from Central Government to LG are Conditional Grants. These are broadly categorized into recurrent and development (sector earmarked and discretionary). Within the conditional grants, the larger proportion (78.9% in 2004/05) is recurrent in nature and also earmarked for specific activities determined at the national level. Non-sectoral/unconditional development grants have increased in relative terms from 1% in 1997/98 to approximately 41.3% in 2004/05 of the development transfers although they still remain a small proportion of the conditional development grants.

With the introduction of the Poverty Action Fund (PAF) in 1997/98, the local government share of the national budget has significantly increased, to reach a level of 38% in 2003/04. The steady growth in the volume of central government grants to local governments has increased the level of services delivered by local governments and their partner agencies.

Table 2: Proportion of Unconditional Grant to Total Transfers, budget data (Billions Ushs)

	1997/98	1998/9	1999/00	2000/1	2001/2	2002/3	2003/4	2004/5
Unconditional Grant	54.3	64.4	66.8	79.1	73.3	77.4	82.8	87.5
Conditional Grant	170.6	220.9	320.2	418.8	537.3	588.2	655.1	714.5
Equalization Grant	0.0	0.0	2.0	4.0	4.4	4.3	3.5	3.5
Total Transfers	224.9	285.3	389.0	502.0	615.0	669.9	741.5	805.5
UCG as % of total	24.1%	22.6%	17.2%	15.8%	11.9%	11.6%	11.2%	10.9%
CG as % of total	75.9%	77.4%	82.3%	83.4%	87.4%	87.3%	88.4%	88.7%
EG as % of total	0.0%	0.0%	0.5%	0.8%	0.7%	0.6%	0.5%	0.4%

Source: LGFC ; Comparative Analysis of Decentralization East Africa

Fiscal decentralization has undergone remarkable progress over the years, for example, local governments' share of the National Budget has increased to reach the level of 38% (2003/04). One of the reasons explaining the increase in local government share of total national budget is the introduction of the Poverty Action Fund (PAF) in 1997/98 to facilitate implementation of national Program Priority Areas (PPAs) contained in the

Poverty Eradication Action Plan (PEAP) The Government established the PAF after benefiting from the HIPC initiative. Most of the funds under PAF were channelled to local governments to PPAs including primary education, primary health care, feeder roads, agriculture extension, and water and sanitation.). The PAF provided significant amounts of ring-fenced funds leading to very high levels of budget realization in local governments.

The PAF accounts for most of the increases in central government transfers. However, the fiscal decentralization system in Uganda faces some major limitations. Current debate is about (a) what is perceived to be a fair balance in the allocation of the overall national budget between Central Government and Local Governments and (b) the conditional

ties (earmarking) related to the Central Government grants. Many people within LGs perceive decentralization as a process involving a transfer of more responsibilities than resources. There is also increasing demand for more discretionary central government funding of local government budgets.

The locally generated revenues

The LG increasing effort

Traditionally, major Local Revenue sources in Uganda, in order of importance has been Gradated Tax, Property Tax, business Licenses, Market dues and others. Gradated Tax alone, contributed over 80% of Local revenue for rural Local Governments and about 30% for urban LGs. Unfortunately this source has been

scrapped by the central government without putting up any replacement to compensate for the great loss in local revenue. The scrapping has mainly been for political reasons. This development has had negative impact on the ability of local governments to function.

Table 3: Percentage of Locally generated revenue over local Government annual budget.

Financial Years	97/98	98/99	99/2000	2000/2001	200/2002	2002/2003
% of local revenue over annual LG budget	30%	25%	18%	15%	12%	11%

Source: Ministry of Local Government, Joint Annual Review of Decentralization, Paper Five

The decline of the results

Unfortunately, local revenues have been declining over the past several years. The percentage of locally raised revenue of total local government funding has continued to fall each financial year. In some local governments local revenue accounts for 3% of the total budget. As a result, local governments are too dependent on central government transfers and donor funds to finance their budgets. Available data for example shows that whereas LGs’ local revenues totaled to Ushs 86 billion for FY 97/98, this figure declined to Ushs 78 billion in FY 99/2000 and even further to approximately Ushs 34 billion in 2002/03.

Factors behind the poor performance of LG in this regards include:

- The graduated tax; central transfers which it is alleged have hampered local governments capacity to generate own revenues;
- lack of adherence to regulations regarding local revenue generation;
- imbalance in tax assignments between central and local governments tax due to inadequacy of local tax registers, poor asset enumeration and assessment procedures etc.

As a result, local governments have become increasingly reliant on central grants. Since an increasing proportion of central government grants are provided as conditional grants, this reliance on central government imply a declining autonomy of local governments

Continued sensitization on sources and collection methods is critical. Mechanisms for ensuring effective tax collection need to be refined. However, there is a great need to follow up and to implement the required changes.

VII- Local development and poverty alleviation

Evaluation:

LGs have got sound competences in development planning. All of them adopt medium term development planning and annual action plans. In implementing these plans, LGs have become fairly responsive to people’s demands regarding basic services. They also offer consistent

support to local economic actors through a well established tradition of public-private-population partnership.

Indicators:

- 7.1. Local development planning capacity : ↑
- 7.2. Level of service delivery to the population: ↑
- 7.3. Support to the local economic actors: ⇒

The local development planning

Development planning and Resource Allocation is done through the planning and budgeting process at the local government level. According to the constitution, District Councils shall prepare comprehensive and integrated development plans incorporating the plans of Lower Local Governments. It is a requirement that local government development plans are rolled, endorsed and approved every year by local government Councils, which are the planning authorities in local governments. Hence, in its oversight roles, the ministry of local government has used three levels of indicators to test the functionality of HLGs in development planning: (i) a three year rolled development plan, (ii) functionality of the Technical Planning Committees and (iii) linkage between the 3-year development plan and the annual budget.

Generally, HLGs show high commitment to the function of development planning as most of them satisfy this condition in the national assessment exercise conducted annually by the ministry of local government. These assessments attached a lot of weight to the planning function and the trends show that for two consecutive

years now (2004 and 2005), there has been total compliance by all HLGs on development planning. Local government Planning Units have received a lot of capacity building assistance from the center. Lower local governments have also shown improved performance on development planning although their plans are still of poor quality.

The 2003 Annual National Local Government Assessment Report illustrates this scenario where 249 out of 923 sub-counties and Town Councils continue to face challenges over the functionality of the TPCs.

The third parameter is linking of the annual budgets to the 3-year development plans. While 5 districts failed it in 2003, the figure dropped to 3 in 2004 and to only 1 in 2005. The challenge however lies in making planning and budgeting sufficiently participatory and all-inclusive. The National Planning Authority (NPA) is working on strategies for harmonizing planning nationally.

The ministry of local government has developed new planning guidelines incorporated in the Harmonized Participatory Planning Guide (HPPG) introduced in 2004.

Local Government supply of basic services to the population

It is therefore acknowledged that there are some improvements in the quantity of services delivered in local governments as a result of decentralization. The local government Act specifies the various services that are offered by urban services under decentralization. The list is long and includes services like management and delivery of solid waste, water supply and sanitation, of transportation, lighting public places and streets, health services, public halls and cemeteries, libraries, and museums, etc. The delivery mechanism

for most urban services is contracting and public –private partnership.

Over 90% of the urban services are delivered by private firms via private contracting or via partnership arrangements between urban councils and civil society organisations. Other services like water supply and sewerage services, telecommunication, and power supply are offered by divested parastatals. However like in other local governments, delivery of urban services through private contracting

and public-private partnership still faces a lot of challenges:

- Less emphasis has been put on the qualitative aspects,
- Some services that would be critical in the transformation of rural

areas have not been given the necessary attention,

- Increasing administrative costs of service delivery mainly as result of corruption and politically motivated creation of new districts with huge administrative cost.

The support to the local economic actors

The decentralization process in Uganda has been accompanied by a privatization policy concerning supply of most goods and services to government. The local government procurement law requires local government to outsource any procurements for goods exceeding the value of 1 million Uganda Shillings and services over 0.5 million shillings. This therefore implies that most procurement in local governments is outsourced. Revenue collection from almost all local sources is also contracted to private collectors who are also charged with management of

revenue generating facilities like Parks, markets, street parking slots, etc.

As a result of this policy there is a higher level of collaboration between local governments and the private sector. In fact over 70% of conditional grants are executed through private sector contractors and suppliers of goods and services.

Other stakeholders that have been interrelating with local governments in the delivery of decentralised services include NGOs, CBOs and Faith-based Organisations (FBOs).