

REVISED VERSION: 2013

Uganda Public Expenditure Review on Decentralization and Service Delivery

Background Paper No 1: Political Economy of Institutions for Service Delivery¹

I. Introduction

After Uganda introduced a robust and high-profile decentralization policy in the early 1990s, it was for a time portrayed internationally as a case of considerable success with a type of public sector reform that has proven particularly challenging to adopt in many developing countries.² This positive image, however, has been changing.³ Over the past decade, the legally robust system of local government in Uganda, which substantially devolved service delivery responsibilities, has been compromised in a number of ways, and some analysts and observers increasingly wonder if it is time to rethink the role of local governments in Ugandan society.

Decentralization however, is fundamentally a political phenomenon, and political economy realities need to be taken into account if productive and sustainable reform is to be undertaken.⁴ Indeed, it might be argued that Uganda has arrived at its present decentralization situation in part because the initial decentralization institutional and policy reforms did not adequately consider a number of important political economy constraints and other contextual factors that should have been expected to affect the ability of the envisioned decentralization to take root and prosper.

This paper examines the possible future of decentralization and service delivery in Uganda through a political economy lens. The next section provides a short description of the system, offering a brief history of the political economy of decentralization and its impressive rise. The third and fourth sections respectively document the present state of the local government system and review some of the political economy drivers underlying how the system evolved from its inception. The fifth section analyzes a number of possible policies to improve on the present situation and the political economy factors that may facilitate or hinder reforms. The final section summarizes key points and suggests possible next steps.

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² See, for example, Smoke (2000), UNCHS (2002), Onyach-Olaa (2003), UNCDF (2003), UNDP (2003), World Bank (2003), Saito (2004), USAID (2004), Okidi and Guloba (2006), Asiimwe and Musisi (2007), and Kauzya (2007).

³ See, for example, Ahmad, Brosio and Gonzalez (2006), Tumushabe, Mushemeza, Tamale, Lukwago and Ssemakula (2010), and Smoke, Muhumuza and Ssewankambo (2011).

⁴ For an overview of the political economy of decentralization, see Eaton, Kaiser and Smoke (2011).

II. Background: The Rise of Decentralization, Sub-national Governance and Local Service Delivery⁵

1. Decentralization Policy

Uganda was one of the first countries in Africa to embark on a major decentralization of significant administrative, political and fiscal powers to local governments. The government announced the policy in 1992 and set out to develop a system that was defined in the Constitution (1995) and further elaborated in the Local Government Act (1997). The bulk of service delivery responsibilities were devolved to local governments, with the exception of urban water and sewerage and electricity, which are provided by national corporations. Line ministries were left primarily with responsibility for setting national policies and standards, assuming inspection, supervision and monitoring roles, providing technical advice and support, and training local governments. The legal framework also provided for intergovernmental transfers (unconditional, conditional and equalization) and several types of local own source revenues. The elected local councils were empowered to develop and execute plans and budgets and to hire and fire staff. In short, decentralization in Uganda created local governments with a fairly broad set of autonomous powers and functions typical of a devolved system.

A range of subsequent major policy initiatives appears to promote and/or rely on decentralization as well. The Poverty Reduction Strategy (2000), Fiscal Decentralization Strategy (2002), Decentralization Policy Strategic Framework (2006), and Local Government Sector Investment Plan (2006) in various ways highlight the key role of local governments in public functions. The Fourth National Development Plan (NDP) 2011-15 also stresses the centrality of local governments to its implementation, although it raises questions about whether the current system is appropriately structured, sufficiently empowered and adequately capacitated to play the roles expected of it.

2. Basic Structures and Actors

Uganda's subnational government activity functions through a unified system of elected authorities grounded at the district level, which has primary local planning and budgeting responsibility, and four lower government and administrative levels with more modest responsibilities. The district (local council 5 or LC5), sub-county (LC3), and village (LC1) councils are elected by universal adult suffrage, with county (LC4) and 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 in urban areas), parishes (urban wards), and villages (urban cells) are

⁵ For more information on the history and details of decentralization in Uganda, see Byrnes (1990), Government of Uganda (1994), 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), Muhumuza (2008), Smoke, Muhumuza and Ssewankambo (2011).

administrative units. Two associations, the general Uganda Local Governments Association (ULGA) and urban-specific Urban Authorities Association of Uganda (UAAU), represent local government interests in national policy discussions.

At the national level, the Ministry of Local Government (MoLG) is charged with coordinating, advocating for, mentoring/supporting, and inspecting/monitoring 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) have functions related to their specific mandates. The usual range of sectoral ministries (education, health, etc.) is also important for local government. They ensure compliance with policies and standards and play roles in inspection, monitoring, technical advice, support, supervision, and training in their areas of expertise. Several other bodies, e.g. for audit and inspection, also engage in local government oversight.

The central government maintains a presence and exercises general oversight at the local level 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.

Regional governments are allowed by the Constitution and an amendment to it, as well as by the Regional Governments Bill (RGB) of 2009, but they do not currently operate. The RGB allows two or more neighboring districts to cooperate to form a regional government to perform functions and services allowed under the Constitution. Certain areas associated with traditional kingdoms (Buganda, Bunyoro, Busoga, Acholi, Lango) are specified in the law as having agreed to form regional governments. The regional tier concept, however, is not universally accepted,⁶ and its future is unclear (more below).

3. Underlying Political Economy Considerations⁷

At first glance it seems improbable that a least developed African country emerging from a period of serious and debilitating conflict and with a history of contentious debate about the need for and nature of decentralization would look to local governments as a foundational element of the state. A quick review of the historical background, however, reveals a coherent logic behind this approach.

During the early colonial period Uganda was government was a top-down system of district administration led by appointed district commissioners, and local governments were later created. Debates over a federal system built around traditional kingdoms were initially prominent and have arisen periodically since then. A federal system existed after independence from 1962 to 1966, but the kingdoms were abolished in 1967 under the

⁶ For example, the Buganda Kingdom is requesting for the reintroduction of the federal arrangement that operated between 1962 and 1966.

⁷ Much of the analysis here is adapted from Smoke, Muhumuza and Ssewankambo (2011).

first Milton Obote regime and absorbed into the district administration system. Over the years formal local government institutions were alternatively strengthened or weakened.

During the war that brought President Museveni and the National Resistance Movement (NRM) to power in 1986, the National Resistance Army (NRA) mobilized popular support by creating Resistance Councils (RCs) at village level. After the victory, the NRM government built on this approach by creating a hierarchy of elected RCs in villages, parishes, sub-counties, and districts with authority to plan, make decisions, administer local justice, and provide services. The early NRM system formed the basis for the local government system (the LCs described above) that emerged in the 1990s.

It seems likely that a combination of the success of the RC system for the NRA and the desire to build an effective and more equitable state with popular support were behind the decision to create empowered local governments. From the early stages of the NRM government, there was a strong emphasis on citizen engagement and political legitimacy. Decentralization was seen as critical for democratization, service delivery, and fighting poverty, and it was visibly promoted in these terms. Although the NRM government selectively consulted and relied on international development partners for advice and support, it is fair to say that the main impetus for decentralization came from within.

The political importance of traditional kingdoms and their role in the rise to power of the NRM, however, did not go unnoticed. In 1993, they were permitted to reconstitute as parallel institutions with the understanding that they were to serve a cultural rather than political function. Some of them have created the position of prime minister and have formed volunteer parliaments, so they have taken on some of the trappings of political entities, and the kingdoms by their nature, of course, have political meaning. They were, however, given no power to tax and limited government funding, so they were clearly not intended to be major partners in formal governance and development.

Some analysts suggest that the allowance for regional governments is primarily a way to constrain the kingdoms by creating a formal government entity that would occupy some of their space. There are concerns in some circles, however, that regional governments as conceived in the RGB would mix administrative and service delivery obligations with cultural and traditional functions (where there are created in the territory of kingdoms); would increase operating costs by establishing regional administrations and assemblies; would result in changes in functions that require the revision of the 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.

In summary, Ugandan decentralization was unusually homegrown and initially substantial for a low-income, post-conflict country. A number of other factors about the emergence of local government in the 1990s, however, are important to keep in mind when analyzing possible further reforms. First, even if the NRM commitment to decentralization was as genuine as it appeared, it seems to have been based on an incomplete appreciation of its significant implications. The new local government system, which had high governance and functional expectations placed on it, was very

different from the RC system (which played largely a political mobilization and conflict mediation role) that in part inspired formal decentralization.

Second, it seems likely that potential opposition from those who might logically have opposed decentralization was muted by the dominance of the NRM, the absence of a formal opposition, a broad based desire to take positive steps to rebuild the country after an extended period of conflict, and the preoccupation of nascent national agencies with building their own policies and capacities. In this environment, some of the actors who stood to lose from decentralization might not have been aware of its significance for them and were engaged with other matters that were at the time more pressing.

Third, early influential relationships with particular development partners with limited international experience in decentralization led to the design of a very ambitious local government system that would be considered unusual in a developing, post-conflict country environment. The considerable functions, resources 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.

Fourth, MoLG and the Decentralization Secretariat attached to it had the primary responsibility for developing decentralization and the bulk of the resources provided to do so. The Secretariat was well capacitated and its staff members were paid above civil service scale through external financing, and in the haste to advance reforms, the Secretariat focused more on performing MoLG functions than on building MoLG capacity. Consultation with other key agencies as initial systems and procedures were developed was limited. Since MoLG was not a sustainably powerful ministry and the Secretariat was effectively a parallel mechanism (and eventually disbanded), the stage was set for future concerns to be raised and challenges to emerge from other players.

III. The Current State of Decentralization

1. Fiscal Performance

Although the decentralization framework of Uganda is strong in constitutional, legal and policy terms, central government decisions and actions have not always followed the strategic orientation set out in the above-noted legal instruments and policy documents. In fact, there is growing concern about local governments and their performance in discharging their mandates. Several facts and impressions are of particular concern.⁸

First, although local government budgets have continued to increase in absolute terms, **the overall size of the public sector and the share of local government in total government spending are in nontrivial decline.** Between FY 2001/02 and FY 2011/12, total government expenditure has declined from about 21 to less than 17 percent of GDP, a reduction of over 20 percent. The share of central government grants to the local governments in the national budget fell from FY 2003/04 to FY 2010/11 from more than

⁸ The information here is drawn from the ongoing Public Expenditure Review exercise, Local Government Finance Commission (2012), government data, and interviews conducted for this review.

25 to just over 20 percent, also a decline on the order of 20 percent. The provisional figure for 2011/12 sank lower to just over 17 percent.

Second, **there are reasons for concern about the composition of local government expenditure and service delivery performance.** Although central government real per capita expenditures increased between FY 2001/02 and 2011/12, the comparable figure for local governments has remained relatively flat overall, but with a decline in urban areas. The local expenditure share for goods and services declined from 41 to 20 percent between 2005/06 and 2009/2010, suggesting a growth in administrative expenditures. There are indications that expenditures on education and to a lesser extent health are on the decline.⁹ Data on service delivery coverage and quality are mixed, but they suggest that performance is not commensurate with the resources expended or expectations.¹⁰ In addition, great disparities persist across districts, and the expected relationships among improved inputs, outputs and outcomes (e.g. primary education expenditures per student, primary completion rates, and literacy rates) are often not well correlated.

Third, **local government own source revenues have been in dramatic decline.** In the early years of decentralization, own source revenues accounted for 8-10 percent of total local government revenues, but in recent years, this has dipped to 5 percent or less. Available estimates indicate that local governments are collecting less than half of their potential revenue.¹¹ There is, of course, great variation (with urban governments typically more fiscally independent than rural governments). Weak performance is often blamed on the suspension of the Graduated Personal Tax (GPT) in 2005¹², but local revenues were, with some variation, generally on the decline before that occurred.

Fourth, **local governments have become increasingly dependent on conditional transfers.** In accordance with the norms in a devolved system, unconditional transfers accounted for a significant proportion (nearly 35 percent) of total transfers in FY 1995/96. By FY 2010/11, the number had declined to only 10.8 percent, and it is estimated to be less than 5 percent in FY 2012/13. The number of conditional grants has more than doubled since 2000, and a dominant share of the remaining unconditional grants is used to pay for (underfunded) administrative core functions.

Fifth, **there has been a proliferation of new districts (and other levels of local government and administration) in the past decade.** The number of districts increased from 56 in 2002 to 80 in 2008 and to 113 in 2012.¹³ The dramatic increase would raise concerns almost anywhere, but there are indications that many new local governments in

⁹ This information is taken from McMillan's analysis for the PER.

¹⁰ This statement is based on an overall impression from a review of various studies and interviews, primarily with sectoral ministries.

¹¹ This is reported in Local Government Finance Commission (2012), although it is likely to be an underestimate since the revenue base of local governments has not been well documented.

¹² 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.

¹³ Smoke, Muhumuza and Sseseankambo (2011) report that the number of subnational government and administration units increased from about 44,000 to more than 67,000 between 2004 and 2008. Current estimates indicate that there are more than 69,000 units.

Uganda were created without adequate assessment and may not meet basic viability criteria. The political imperative, however, seems to be overwhelming, and some knowledgeable parties believe that this process will continue until there is a district for every parliamentary constituency. There was a recent hopeful sign in the form of the rejection by the Parliamentary Committee on Public Service and Local Government of an MLG request to ask Parliament to create 25 additional districts. The Committee asked the Minister for Local Government to provide them with a justification and a plan for financing the new districts.¹⁴ There seems to be a general sense, however, that this is only a temporary setback.

Sixth, **the central government in recent years has adopted a number of centralizing policies that constrain local government powers.** Most important among these has been some reduction in the power to recruit and control top local government staff and the reassignment of control over district procurement from elected local councils back to central civil servants.¹⁵ 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), and the center now has more control over or in some cases even takes direct responsibility for district procurement.

Finally, **a range of weaknesses in the design of the intergovernmental system have always been problematic and continue to create challenges for the public sector in general and for decentralization in particular.** These include weak coordination among the central agencies that play a role in or influence local service delivery and development; the maintenance of central government staffing at pre-decentralization levels; weak linkages between the recurrent and capital budgets; and the lack of attention in the reform process to building downward accountability and civil society capacity to interact with local governments, among others. The combination of recent developments in the local government system and initial weaknesses in decentralization policy and the intergovernmental framework has generated pervasive and profound effects.

2. The Effects of the Changing Local Government Landscape

The actual and potential effects of these evolving changes to the local government system are considerable. Most are on balance negative, and many are mutually reinforcing. First, the **shrinking fiscal importance of local governments**, which is largely attributable to the steadily declining share of national public revenues transferred to local governments, raises serious concerns about their ability to meet their extensive constitutional and legal functional mandates for delivering services. These concerns are exacerbated by the weakness and downward trend in local government own-source revenue generation.

Second, there are **major service delivery challenges** in terms of efficiency, coverage, quality and equity, and these raise serious concerns for Uganda on several fronts. Public service provision reflects on the quality of governance and the success of the state, and it

¹⁴ This was reported in the lead story of the *Daily Monitor* on July 25, 2012.

¹⁵ For more details see Muhumuza (2008).

is ultimately critical for economic development and poverty reduction. Decentralization was in fact adopted in Uganda in great part to improve these very outcomes.

Third, **the composition of the intergovernmental transfer portfolio** raises major issues. The increase in conditional grants and the need to use unconditional grants on core administration reduces the fiscal space for local governments to target local priorities in the budgeting and service delivery process. This may frustrate attainment of the main efficiency benefit attributed to decentralization, weaken incentives for local revenue generation and diminish the accountability relationship between elected local councils and their constituents. In addition, each new grant scheme comes with budget lines and regulatory processes, increasing complexity and transaction costs, further undermining local discretion and taxing limited local capacity.

Fourth, **the creation of many new districts**, some of which may not be viable, generates an abundance of immediate and potential problems.¹⁶ Additional districts increase central government supervision burdens, complicate the ability to capture economies of scale, increase fixed costs for facilities and personnel, bias expenditures toward staffing at the expense of service delivery, and create logistical challenges for the disposition of staff and resources across the evolving jurisdictional landscape. Many established positions in new districts remain unfilled, creating capacity gaps and providing opportunities for central agencies to provide services that districts cannot and to recentralize functions. This blurs lines of responsibility between central and local governments, and it may distort performance incentives since local governments know the central government will step in if they do not perform and develop capacity needed to do so. Depending on local accountability relationships, adding districts may also aggravate corruption by increasing the number of people who could engage in such activities. In short, creating so many new local governments is likely to worsen problems it was supposedly intended to address.

Finally, some of the **centralizing institutional and procedural steps taken by the central government** in recent years are not as inherently problematic as excessive transfer conditionality and new district creation are, but they may not serve their stated purpose and they send signals that reinforce mistrust of local governments. The recentralization of CAOs under the Public Service Commission, for example, was said to ensure recruitment of suitable CAOs, to protect hiring from local political interference, and to allow transfer of CAOs to other districts without local re-interviewing. Critics charge, however, that these changes have softened local accountability, confused lines of reporting and accountability between local leaders and the central government, and reduce control by councils over local government performance.

Collectively many of these features of the current local government system paint a picture of decentralization that is at odds with the legal framework and raises concerns about the ability of local governments to fulfil their obligations and generate the expected benefits

¹⁶ There is a discussion of this topic in Reev Consult International (2012). Review of the July 2012 MLG proposal to the Parliamentary Committee on Public Service and Local Government regarding 25 new districts describes each in terms of geography, economic and demographic characteristics and service delivery, but there is no analysis of fiscal capacity or other factors that are important for district viability.

of decentralization. Some of the reforms intended to improve on the early performance of the system may in fact be weakening it and limiting the possibilities for the emergence of a more effective local government system in the future.

3. A View from the Citizens¹⁷

Although there is no specific study on public perceptions of the evolving local government system, there is some empirical evidence that raises concerns about how citizens perceive the state of government and service delivery in Uganda. Available information is not current, but it is instructive. According to a 2008 *Afrobarometer* study of selected countries, public support for the Ugandan government is mixed and below average for the region. Only 56 percent of respondents had a lot of trust in the president (compared to a 65 percent regional average). Figures for other institutions include: Parliament (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 is closer to the regional average (53/55 percent), and people seem reasonably informed about local governance. Ugandans are more likely than average to understand that local councilors should be accountable to people (54 versus 37 percent). There is, however, only modest satisfaction with local governance quality. Dissatisfaction ratings for Uganda and the regional average include: making the council's work program known (55 vs. 48 percent); providing budget information (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 services (65 vs. 49 percent). 65 percent of respondents indicated that 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 relatively poorly, with only one service or revenue (cleanliness) rated as fairly or well managed by half of the respondents, and all ratings are near or below country averages. Some results 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 that councilors often or always listen to what their constituents have to say and only 33 percent believe that the councilors handle funds honestly.

Some of this dissatisfaction with governance and performance, of course, may result from greater awareness of Ugandans about the expected accountability of local governments to citizens compared to other countries in the survey. The bottom line, however, is that available information on balance suggests that Ugandan citizens expect better service delivery and local governance than they are currently receiving. It is interesting to note

¹⁷ The data provided here come from *Afrobarometer* (2009). More detailed analysis of citizen perceptions of and engagement with local governments may be found in: Francis and James (2003), Muhumuza (2006), Mentor Consult (2008) and Muhumuza (2010).

that citizen trust in traditional authorities at 61 percent is higher than trust in any other Ugandan government institution, including local governments.

IV. The Drivers Behind the Post-Decentralization Evolution of the Local Government System¹⁸

The overarching question at hand is how the less than ideal situation outlined above emerged in a country that so strongly embraced decentralization and local government as vehicles for local and national development. A number of considerations are important in this regard. As major national policies were articulated in the years after decentralization was adopted, influential ministries that had been developing their own capacities awakened to their potential roles in service delivery and local development, and they realized that many powers and resources for these purposes had been assigned to local governments under decentralization. As these ministries moved beyond developing their basic systems and capacities, the reforms they adopted increasingly began to come into conflict with decentralization, and new bureaucratic dynamics were set in motion.

Public financial management (PFM) reformers in MoFPED, for example, started to pay attention to local budgeting, which had been under MoLG and the Decentralization Secretariat. In the early reform period MoLG developed and instituted a new local financial management system.¹⁹ Only a few years later, MoFPED decided the new system was inadequate and replaced it with one more consistent with the central government system. Around the same time, line ministries began to develop new service delivery approaches, primarily under the National Poverty Reduction Strategy Paper (PRSP) and Sector-wide Approaches (SWAs) promoted and financed by donors to support the Millennium Development Goals (MDGs). These reforms had centralizing elements that clashed with decentralization policy and the early local systems and procedures developed by MoLG. In addition, they were in some cases financed by the same international development partners who were supporting decentralization, such that donor behavior reinforced some of the competitive tensions among government ministries.

As these national bureaucratic dynamics were unfolding, empirical evidence, largely financed by donors, began to document problems with local expenditure management, raising questions about whether too much responsibility had been decentralized too quickly. The initial concerns arose from early Public Expenditure Tracking Surveys (PETS) conducted by the World Bank and built on by other research.²⁰ This information reinforced decisions by various government agencies to pursue recentralizing activities that were already on their agenda.²¹ The convergence of centralizing interests resulted in multiple policies, systems, procedures, and programs that undermined local government powers defined in the legal framework. Steps to support the Poverty Action Fund, for example, started the process of making the transfer system more conditional in the late 1990s, creating impetus for or reinforcing the above noted PFM and SWAp reforms.

¹⁸ Much of this section is adapted from Smoke, Muhumuza and Ssewankambo (2011).

¹⁹ Local Government Finance and Accounting Regulations 1998.

²⁰ See, for example, Ablo and Reinikka (1998), Jeppson (2001) and Reinikka and Svensson (2004).

²¹ See, for example, Jeppson (2002), Kasumba and Land (2003), and Wunsch and Ottemoeller (2004).

The Decentralization Development Partners Group was concerned enough about emerging recentralization to support the 2002 Fiscal Decentralization Strategy (FDS), which introduced new budgeting and financial management processes. These reforms did lead to better information and monitoring, but they also limited the budgetary discretion of local governments, thereby stifling a core element of decentralization.²² The FDS provided for some local government flexibility, but it has been constrained in practice, and the stated intention of the FDS to further ease restrictions and increase discretion after local capacity improved was never implemented.

In addition to the bureaucratic dynamics surrounding intergovernmental relations, shifts in political dynamics also played a key role in reshaping decentralization. In particular, the emergence of multi-party elections in 2006 created incentives for incumbents to adopt policies to help them stay in power. The abolition of GPT, the partial recentralization of control over senior staffing and procurement, and the creation of many new districts, among others, are all considered as largely or partially related to the NRM's re-election strategy, although that is, of course, not how they are publicly portrayed.

New district creation, for example, is officially justified as a means to improve local citizen voice and to better target local service delivery. Although the policy may have that effect in some areas, a number of analysts see it primarily as a source of political patronage designed to help the NRM to win increasingly tough electoral battles in a more competitive electoral climate.²³ Creating a new district is highly visible and brings resources to a specific location, which benefits the ruling regime. An additional consideration is that many of the original districts included multiple parliamentary constituencies, and MPs sometimes feel overshadowed by the district chairperson, creating incentives for breaking up these districts, perhaps to the point where districts reach a one-to-one correspondence with the constituencies.

National political developments underlie the effects of decentralization and changes in related policies, but local political dynamics are also critical in how reform plays out, and central-local interactions can be powerful. For example, there are concerns about trust and accountability at the local level.²⁴ There is 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 central-local responsibilities,²⁵ but the increasing local government dependence on conditional transfers is likely to weaken local accountability. Moreover, local resources are not uncommonly captured by local elites and used for patronage in the relatively immature governance environment that prevails in many areas.²⁶ These local political dynamics and other factors discussed above complicate accountability and compromise local capacity, such that the local governance

²² Details of the budgeting process are outlined in the 2002 Fiscal Decentralization Strategy.

²³ There is a detailed discussion of the history of district creation in Green (2008).

²⁴ This is demonstrated by the *Afrobarometer* results presented above and references in footnote 15.

²⁵ Ahmad, Brosio, and Gonzalez (2006) elaborate on this point.

²⁶ Francis and James (2003) provide a discussion of the dual-mode system of "technocratic" and "patronage" driven governance in Uganda and Smoke (2008) discusses the politics of local revenue.

environment is far from ideal. Under such circumstances, citizens may be unwilling to pay taxes to local governments that are not seen as credible service providers, further undermining the basic relationships required for effective local governments.

Finally, the issue of federalism seems to be resurfacing prominently yet again. The kingdoms have always favored a form of federalism that empowers them, and most have little interest in the regional government system discussed above. Some kabakas (kings), especially the Kabaka of Buganda, the largest and most influential kingdom, have been vocally promoting a federal structure.²⁷ This concerns the government not only because of the political threat, but also because of recent oil discoveries in territory associated with a number of kingdoms. How the situation with the kingdoms will play out in the coming years remains to be seen, but it is likely to figure prominently in future debates about intergovernmental structures and roles, particularly if districts continue to be weakened by further subdivision and interest in regional governments continues to grow.

V. Potential Policy Options and Political Economy Considerations

1. The Overall Situation

Although Ugandan local governments have made progress since their inception, the preceding discussion documents that they have faced numerous problems and have also been weakened in recent years. The decentralization that was apparently genuinely valued, but its implications seem not to have been fully appreciated. The system also suffered from design flaws, and implementation was rapid, overwhelming local capacity/accountability and threatening the power of central actors. It seems fair to say that there was an over-reaction to early under-performance of districts burdened with unreasonable expectations. This has taken the form of steps to recentralize, which have been fueled by other political and bureaucratic dynamics. The impact on local capacity and service delivery has been considerable. The main issue now is whether there are incentives for the government, individual ministries, and donors to act to improve service delivery and make local governments more effective, and how this might be done in the present environment.

A number of technical options to improve local government service delivery may be considered. There would undoubtedly be ways to adopt them in Uganda, but there are also larger questions surrounding the incentives of various key actors to do so and the likelihood of these steps making a real and sustainable difference in the current political economy climate. In addition, none of these reforms can be appropriately pursued unless there is a clear understanding of the priority goal(s) of further reforms.

Decentralization was pursued in Uganda to improve service delivery and development, but it was also expected to improve accountability and governance. It is well known that the design of decentralization reform can involve tradeoffs in the pursuit of national

²⁷ The *Sunday Monitor* of July 22, 2012 reported (p. 4) that the Buganda Kingdom is insisting on the adoption of a federal system, the return of lands claimed by the kingdom, and the payment of USH 27 billion the kingdom believes it is owed by the central government, among other demands.

objectives. One of the most important is the balance between genuine autonomy and appropriate central control of systems and standards, both of which are required, but in evolving combinations, for effective local government service delivery performance.

To illustrate, some would argue that in a low capacity, low accountability environment, public sector reform might be best pursued by keeping service delivery more centralized and focusing on developing local systems and accountability arrangements needed for the benefits of eventual decentralization to be realized. Under such circumstances, local governments might be given autonomy over a small volume of resources or limited functions and in meeting these modest obligations develop capacity and accountability that would allow additional functions to be devolved later. In a higher capacity and stronger accountability environment, more functions could be devolved from the start.

In the case of Uganda, there was, as already noted, considerable and probably too much/too rapid/non-strategic decentralization in an environment where capacity and accountability were rather limited. This set into motion the dynamics discussed above, which resulted in a level of recentralization that leaves the country looking more like a deconcentrated system than a devolved system. Some might argue that deconcentration, although not the original intention of reformers, might have been more appropriate than devolution in Uganda, at least for delivery of certain services, and that the system has now headed in the correct direction. Others would argue that this is an argument about strategy and timing, and that devolution ultimately develops a system that is more accountable to citizens. This view sees devolution as an important goal both inherently (because of its empowerment effect) and a means to improve service delivery as per the benefits expected of decentralization as the overall system matures over time.

Whatever the benefits of a deconcentrated versus a devolved system, it is clear that there were some design and implementation weaknesses in the original reform and that these, rather than inherent flaws of devolution itself, generated many of the local government performance problems that emerged. It is also true, however, that the recentralizing steps taken by the central government have also been pursued in a way that far from meets basic principles. Many were taken for political reasons and/or under some pressure from international development partners, and they have largely been adopted in a fragmented rather than holistic, integrated way. Some of the centralizing reforms have improved reporting systems and upward accountability mechanisms that were too weak under the original reforms, but it is not clear that they improved resource use or service delivery overall. In fact, there are reasons, as articulated above, to fear just the opposite. Moreover, few of these reforms have made any serious attempt to improve downward accountability and to build the capacity of civil society to engage local governments, without which the core theoretical benefits of decentralization cannot be realized.

2. Reform Options

Recognizing these broader concerns and the overall realities of the current system, it is useful to review and assess some of the technical policy options that have been proposed to deal with the situation. In addition, it is necessary to consider the likelihood that the

various options would be adopted and have their intended effect under current political economy conditions. Several options are considered: improved delineation and rebalancing of responsibilities of the central and district governments; introduction of a mechanism to capture scale economies so as to offset the effects of district proliferation; and increasing the role of the non-state sector in service delivery. Each of these solutions has its own pros and cons from the political economy and technical perspectives; they are not mutually exclusive and potentially could be combined. Each also requires carefully planned and strategic implementation, as none of these solutions could be considered an immediate panacea for the considerable and durable challenges outlined above.

It is important to note two points before reviewing the proposals. First, **some technical issues are noted to ground the discussions, but this paper focuses on political economy dynamics**. Second, the approaches have not been detailed, and there are multiple options for each. **Without more specifics, it is not possible to make definitive assessments, so the political economy analysis necessarily considers in a general way the likely incentives of various actors to support or oppose different scenarios.**

A. Rebalancing Responsibilities

As new districts have been created and already serious service delivery challenges have been exacerbated, some analysts have called for a rethinking of functional assignments among levels of government. The provisions governing these responsibilities are based in the Constitution or in legislation that pre-dates the proliferation of districts, so officially changing them would require formal constitutional or legal reforms.

Although making appropriate functional assignments across levels of government is a well-established principle of fiscal decentralization and there seems to be support among a broad spectrum of government officials for rethinking present arrangements, several issues and challenges are evident. First, the legal assignments were not fully implemented. Some districts have from the beginning been unable to perform their functions and continued to rely on central government or nongovernmental action to provide some services. Whether the affected districts were involved in the decision for other actors to be involved does not seem to be well known or well documented.

Second, there has already been considerable ad hoc rebalancing/recentralizing of service responsibilities in response to the failure of local governments to provide basic services and the worsening of the situation by the creation of many new districts. Representatives of virtually every service sector covered in this review indicated that their ministry has assumed more responsibility for local government functions or described actions that amounted to some degree of recentralization, often in direct response to the creation of new districts without adequate staffing. The Ministry of Agriculture, for example, in response to district capacity concerns and the exacerbation of the problem due to district proliferation, is proposing to take control over the only remaining sector position still under control of the local governments, the District Production Officer. Several other ministries, including Transport and Works and Water and Environment, have policies that strongly influence or could even be said to control district functions and decisions.

Third, although there are many pockets of information about service delivery combining various input, output and outcome measures, mostly within individual sectors, there is not sufficient information about where specific services are being provided and by whom this is being done—a local government, a central government agency, or a non-governmental actor. In addition, it would be necessary to develop a set of sector and sub-sector specific criteria to be used for determining when a local government has the capacity needed to deliver a specific service is in place. Without information about current service delivery performance and capacity, it is hard to begin a productive discussion about how to undertake a rational functional assignment rebalancing or how to ensure that appropriate capacity is built where local service delivery is needed but not currently feasible. Some of this information could help to improve performance under existing assignments.

Finally, even with good information and clear principles, there will be strong differences of opinion about rebalancing. Some local governments will not resist losing functions and resources, even if they do not have sufficient capacity, and they will surely have strong support from local government associations. At the same time, many central actors will support some degree of rebalancing, probably even in cases where districts do have the capacity to meet some of their obligations. Thus, a process for working out what will be reassigned, the criteria for doing so, and debate and appeal about specific decisions would have to be developed. This would have to include the possibility of asymmetric treatment, such that not all governments of a particular type are treated equally, but decisions are based at least in part on different conditions and performance.

B. Capturing Economies of Scale

As districts get smaller and available human and financial resources are spread more thinly across them, proposals to better capture the economies of scale that could be realized through service delivery over a larger area have emerged. These include the introduction of an extra (regional) level of government, the development of a legal framework for districts to work together to deliver services where appropriate, or the creation of special service delivery districts (a specific form of inter-district cooperation).

Regional governments could potentially help to solve the problem of severely diluted local government capacity generated by the creation of many new districts. A number of ministry representatives argued that even before so many additional districts were created, some districts did not have the volume of work in a particular sector to justify having certain full-time positions, such as a water or roads engineer. Most technical staff of line ministries consulted for this review, even if they have concerns about the political implications, envision regional governments as productive because they are a logical place to locate specialized staff and/or set up a technical support unit in their sector and/or to conduct district monitoring more effectively than can be done from Kampala. Some sectors, such as agriculture, roads and water, already share skilled employees across districts when demand conditions or staff shortages warrant it. There are, however, a number of conceptual and practical problems for formalizing regional governments.

First, regional governments are legally provided for, as discussed above, but they do not currently exist, and the effort to create them would be considerable. Many of those interviewed for this review recognize that facilities and physical assets would have to be acquired, institutional structures would have to be developed, staff would have to be recruited and trained, etc. In short, although there could be transfer of assets and staff currently situated at other levels of government, this approach to capturing economies of scale is in many respects effectively a “start from scratch” proposition and would be enormously demanding in substantive and logistical terms. Some people also expressed concerns that certain individual sectors could move more rapidly in regionalizing than other sectors and than general regional government structures and facilities could be set up and running, potentially creating a complex or chaotic situation in some areas.

Second, although the 2009 RGB exists, its provisions seem to be far from universally understood or accepted, and it appears there could be considerable debate over what should constitute a region. In addition to the provisions for regional governments in certain kingdoms, the law allows multiple districts to propose creating a region. This could result in a messy and ever-changing system, and one in which good or problematic effects could be created (similar to the effects of inter-district cooperation discussed below). Another model is embodied in the perspective of several of the people consulted for this review, who have in their minds a set of five or six parts of the country that could logically be considered regions. These regions, however, seem to be based largely on a sense of history, ethnic identification, natural topographical features, geographic boundaries, and the like. If such factors are the starting point, a great deal of additional information would be needed to identify specific options for moving forward and the constraints that might be expected. Little thought seems to have been given to technical criteria for forming regions, inattention to which has caused serious problems with new jurisdiction creation in some countries (including the district creation in Uganda).

Third, the delineation of responsibilities between the regional governments and other levels would likely be politically contentious in a number of respects. It has already been noted that many of the sectoral ministries have strong centralizing inclinations, and there is a danger that regional governments would try to take on many functions, possibly leading to an excessive disempowerment of local governments. Moreover given the great economic, demographic and institutional differences that exist across Uganda, technical and pragmatic considerations might suggest that the division of responsibility should at least initially differ across regions, which may be politically unacceptable to actors who would be less empowered and could complicate implementation and operations.

Fourth, increasing the number of government levels may raise the overall wage bill, further crowding out non-wage expenditures on service delivery and generating considerable redundancy in staffing if all established positions are filled. This could be somewhat offset if staffing can be better rationalized across levels, e.g., if there is some attempt to make sure that new regional government staffing draws from central agencies and existing local governments rather than being entirely additional. Whether this can happen, of course, depends on the political and bureaucratic dynamics that always

surround efforts to make changes to an entrenched status quo, and issues of public employment and deployment of civil servants can be particularly contentious.

Finally, hardly anyone consulted for this review seemed to recognize or be particularly concerned about the governance and accountability implications of creating a regional level of government. Would the regional governments primarily make policy and monitor implementation, or would they also be directly involved in providing services? Would they ideally be deconcentrated administrative arms of the central government, or would they best be governed by elected councils like the districts are? In either case, how would the regional governments interact with district governments (independently, hierarchically, cooperatively, etc.), and how would a reasonable balance between upward and downward accountability be established and developed and evolve over time as appropriate? The idea of regionalizing functions and then delegating them selectively back to local governments has been suggested. This is fine in principle, but in practice it runs great risks of excessive regional government control and would require a strong framework from and impartial enforcement by the central government, assuming there is an interest at the center in keeping meaningful downward accountability.

Of all the potential challenges with developing regional governments, perhaps the central concern is that the current regime appears to see regional governments primarily as a way to marginalize the traditional kingdoms, as embodied in the provisions of the 2009 RGB, while central government bureaucrats overwhelmingly see regional governments as a way for them to improve service delivery efficiency and performance in their sector of responsibility, often through technocratic measures, such as staff consolidation and improved oversight mechanisms. Neither of these dominant pro-regional government forces seems to be concerned in any explicit way about the implications of creating regional governments for the role of local governments or accountability to citizens, core features of the decentralization reform that the country adopted in the 1990s.

The future role of the kingdoms is also a critical factor, and most do not support the type of regional governments proposed by the central government, but instead see themselves as an alternative. If the traditional kingdoms remain a force or become more powerful as negotiations over oil revenue proceed, Uganda could end up with both regional governments and an enhanced role assumed by well-resourced traditional kingdoms that are apparently more trusted than any level of government in Uganda (the *Afrobarometer* results). Even if the kingdoms ultimately accept to be considered regional governments as per the 2009 RGB, there is a risk that they will not wish to function as a key player in an integrated intergovernmental system. They may prefer to act more independently (and perhaps according to traditional patronage relationships rather than principles of elected government) instead of working together cooperatively with other levels of government.

Mechanisms for inter-district cooperation would likely involve at least somewhat less dramatic changes than creating regional governments. There is considerable international experience with such mechanisms, and inter-jurisdictional coordination mechanisms in some countries have helped to improve service delivery. In other cases, however, they

have failed to take off and have become irrelevant or politicized. A number of considerations are relevant for considering this approach in Uganda.

First, inter-district cooperation mechanisms could be service specific or more general in scope. Organizing service specific mechanisms is generally easier (logistically and politically) and they do have the potential to attain economies of scale, increase opportunities for financing larger public investments and ultimately improve service delivery in the sector in question. At the same time, the use of individual service districts risks missing the need for some services to be provided together in order for individual services to function as intended (e.g. a hospital or school requires roads and water to operate effectively). This mechanism will clearly not support a more territorial, strategic and holistic approach to promoting local development, which is increasingly recognized as core function of local government. Developing special districts that cover multiple services, however, can be complicated by the fact that the most efficient delivery areas tend to vary by service function, and the participating jurisdictions may be starting from very different service delivery bases and capacities in the various sectors involved. In addition, there will be issues of how to share administrative costs among the sectors.

Second, there is the issue of where the origin of the impetus for coordination. Inter-district cooperation bodies can be mandated by the central government or voluntarily formed by local governments. (A centrally mandated body for a specific service is essentially a special district). In the case of the former, there is a risk that the imposition of such mechanisms will undermine their acceptance and limit the commitment of local governments to making them work. There are also risks that powerful central agencies will try to use these mechanisms to unduly centralize services that are supposed to be the responsibility of local governments. In the case of voluntary mechanisms, there is likely to be stronger local commitment, but there may also be a greater risk that such arrangements will be based too heavily on potentially problematic inter-jurisdictional political dynamics related for particular groups of partners, such as elite cronyism or patronage relationships, compared to centrally imposed mechanisms, although there is obviously room for political manipulation on that front as well.

Third, difficult decisions will likely have to be taken regarding how the inter-district mechanisms are managed, which is a highly political issue regardless of whether these mechanisms are required or voluntary. They may be governed by dedicated boards, for example, but the degree of independence and the composition of those boards—central agency versus local government, technical staff versus elected councillors, government agents versus civil society representatives, etc.—can greatly impact how they function and what they decide to do. The balance of representation across the involved districts also matters. This may be based on equal representation or some approach that recognizes differences across districts on the basis of population, service needs, resource contributions, etc. Although the inclusion of more capacitated and better-resourced districts can benefit other partners in terms of service delivery, it can also disadvantage them if the nature of governance relationships allows advantaged partners to exert greater influence. Clearly, the governance issue has the potential to be a political minefield.

Fourth, there is a range of logistical issues related to inter-district cooperation mechanisms. For example, such mechanisms would likely involve the sharing of staff across districts, so there will be potentially politically contentious issues regarding where these staff are to be based, how they will be financed, to whom they will report, and how they will prioritize their time. Some of these issues are of course relevant for all staff members involved in service delivery, but when they must serve multiple jurisdictions and may have been pulled from or have special allegiance to one of the former separate jurisdictions, the situation becomes more logistically complicated, not to mention potentially more politically contentious. Another example of a logistical concern is that if too many individual cross-jurisdictional service arrangements are adopted, the capacity of the local governments involved to deal with them all may be severely taxed or overwhelmed, perhaps leaving stronger partners in the drivers seat.

In short, there are a number of potential advantages to delivering public services across multiple districts through inter-jurisdictional coordination mechanisms, but there are also several key issues to resolve and potential pitfalls. Some of the concerns outlined above can be partly dealt with by having a strong legal framework for such cooperation, developing criteria and standards that must be followed in setting them up and operating them, and creating incentives for certain behaviors. But the political economy dynamics that prevail in some areas and with respect to certain service sectors will undoubtedly be critical in how the mechanisms develop and function, and therefore affect their impact.

It is also important to recognize that some mechanisms for coordinating and providing services across districts already exist in Uganda. Variations of special service delivery districts of different scales operate in a few sectors, such as water and sanitation sectors (water and sanitation boards), and in some areas sector-specific district bodies, such as district roads committees, work together. In other sectors, related new mechanisms are under consideration, e.g. the Ministry of Health is exploring how to better utilize regional referral hospitals to support districts and strengthen public private partnerships. There does not, however, seem to be systematic evaluation of existing mechanisms either individually or comparatively, a necessary task before framing future policy options.

C. Tapping the Non-state Sector

Shifting a larger portion of service provision to the non-state sector is another option for helping to improve service delivery. As noted in the PER Concept Note, non-state actors (faith-based institutions, civil society organizations, etc.) already provide a significant portion of basic services (health and education) in Uganda, and there is some evidence that this mechanism can deliver some services more effectively than the public sector.²⁸

The PER Concept Note also reports that a number of Ugandan ministries have begun initiatives to increase the role of the non-state sector in service delivery. One example cited is the piloting of performance based contracting with Private-Not-For-Profit (PNFP) providers in 2005. The Ministry of Health is working on improving the allocation formula for PNFP subventions through strengthening the contracts between the providers

²⁸ See, for example, Reinikka and Svensson (2010).

with local governments and better linking financing to results. Another example is the Universal Post Primary Education and Training (UPPET) program, which began in 2007 to support primary school graduates who meet eligibility requirements to enrol in free secondary and vocational training institutions. A capitation grant replaced fee payments, and places are provided in government schools, with sponsorship of students to attend private schools in areas where government schools are not available or oversubscribed.

Beyond a few initiatives of this nature, however, nongovernmental services are for the most part provided independently and are not well coordinated with government services or with each other. On the one hand, this suggests that there could be potential for government contracting these providers to deliver services, which could result in service delivery improvements. On the other hand there are risks to this approach, and the political economy considerations associated with moving towards expanding this method of service delivery are considerable. Among those interviewed for this review, there was recognition of the role already played by NGOs in service delivery and even some statements to the effect that the NGOs do more than local governments and provide superior services. There was, perhaps not surprisingly, limited interest in the idea of formally engaging nongovernmental actors to provide services in their sector, although it is also fair to say that not many of the people consulted had give much thought to it.

In some countries, national ministries or local governments include the actual and potential role of nongovernment service providers in their planning and budgeting processes. This way they can plan to allocate their own scarce resources to areas and sub-sectors that are not being served by other providers. The intention in Uganda seems to be to explore a less reactive form of accounting for non-state services. This would involve directly contracting non-state agents to provide specific services rather than just planning services provided by the government around those provided by non-state actors.

The responsibilities of civil servants (at the central or at the LG level) will be in this case be shifting towards organizing and managing contractual relationships with these providers and monitoring performance. The allocation of public funds between government and non-state service providers can be based on delivery targets (number of people served, units of service to be delivered, etc.) or on the principles of results-based financing, whereby funds are allocated based on the outcomes achieved. Issues regarding the latter approach include how to calibrate targets to the diverse local contexts in Uganda and whether the competition generated between government and non-government providers is likely to have an impact on the performance of the former.

More fundamentally, it is notoriously difficult, especially in capacity deficient environments with relatively weak governance relationships, to structure rules and processes for government agents to manage nongovernmental partners, and it is even more difficult to ensure their proper use. This is likely to be less of an issue with non-profit NGOs than with profit-seeking firms, such concerns remain relevant. Even if contracts are fairly awarded on the basis of sound procurement, government ability to monitor and enforce contracts often needs to be developed, or there is no guarantee that the new approach will result in a better use of resources than the approach being replaced.

Political economy factors are, of course, also important in assessing what might happen. These factors can differ depending on how the formal responsibilities are assigned and how processes and oversight are structured and managed—including whether other potential reforms, such as the creating regional governments and/or inter-district cooperation mechanisms, are adopted. If central agencies have a strong role, they may resist using non-state providers for service delivery if they believe they can provide these services themselves, or they may try to structure contracts with nongovernmental providers (and involve affected local governments as required or convenient) in a way that adequately benefits them. There is also the issue of the historical roles and origins of nongovernmental providers, which may be capable of supporting local service delivery and development but also have diverse accountability foundations and longstanding ties to international agencies that may still influence how they behave.²⁹

If local governments are to be the main actors, there are also dangers of resistance and corruption as well as local elite capture. Whatever the balance between the roles of central and local actors, the core issue of how this reform would affect accountability to citizens needs to be considered. In the case of district driven contracting, it would be important to develop a framework for assessing, selecting and contracting providers as well as an enforcement mechanism. Local governments would need sufficient discretion to choose among competing uses of funds subject to a budget constraint and to choose a non-state provider. Citizens must also be aware of the role of local government in this regard, and they need a means to evaluate and react to whether the decisions made by the local government corresponded to their preferences.

VI. Summary, Synthesis and Looking Forward

Ugandan decentralization emerged in a political economy context that allowed an unusually authentic and powerful local government reform to emerge relative what has been pursued in many other low-income and post-conflict counties. There was genuine progress with meeting a number of institutional, political, and functional objectives expected from reform. The nature, pace and trajectory of reform, however, seems to have been too ambitious to advance beyond a basic level and to be sustained. In retrospect, there was probably too much emphasis on formal system development and not enough on building local accountability and enhanced governance mechanisms.

As decentralization reforms proceeded and public sector reform rolled out, central agencies that supported (or did not overtly oppose) decentralization saw its implications for their own roles, and some acted to protect their territory. In addition, emerging evidence of poor service outcomes and evolving political and bureaucratic dynamics (including development partner behavior) a number of recentralizing policies, such as increasingly conditional grants, which constrained the incentives and ability of districts to improve performance. Other politically driven policies, such as GPT suspension, extensive creation of new districts and the recentralization of senior district staff recruitment, reinforced the weakening of local governments. As all of this was going on,

²⁹ See related discussions in Wallace (2000) and Deconinck (2004).

the recurring debate about federalism and regional governments re-emerged, further complicating the space in which local governments operate and deliver services.

1. The Need for and Challenges of Reform

Concerns about service delivery have now reached a point where there is a broad sense that something must be done.³⁰ Even the strongest decentralization advocates do not suggest that the current local government system is performing adequately or does not require improvement. A number of possible approaches to improve on the status quo have been put forth, including reassessing functional assignment across levels of government, taking steps to improve economies of scale in service delivery, such as empowering regional governments or creating mechanisms for inter-district cooperation, and more extensive and systematic use of non-state actors to deliver local services.

Each of these approaches has been proposed because of features that seem to hold potential for alleviating weaknesses of the present system. Each has both technical advantages and disadvantages, which have been partially explored here and also receive attention in other PER background papers. Equally or more important, however, is the fact that each option is subject to complex political economy dynamics that must be recognized in assessing overall feasibility and how the reform might have to be structured and implemented if it is to work effectively on the ground. Some key political economy aspects of each approach were explored above. Generally speaking, the creation of regional governments is potentially the most problematic of the approaches, but any of them could be made to work. As discussed above, each approach could be operationalized in multiple ways that privilege or threaten different actors and create both support and opposition. This means that a more definitive political economy analysis of a specific option requires making decisions about basic parameters.

2. Preliminary Assessment of Basic Options and Need for Further Analysis

A number of considerations cut across the approaches proposed for improving service delivery in Uganda. First and foremost, systematic and integrated information on current service delivery arrangements is lacking. There are pockets of information on particular services, but more is needed on which actor(s) deliver specific services, how this compares to current constitutional and legal provisions, how services are financed, and how well services are provided. A more comprehensive mapping of the service delivery landscape would help to identify more specific forms of each alternative reform approach, facilitating more informed technical and political economy analysis.

Having a better sense of which individual options are likely to be productive and feasible would also allow better assessment of how to use the approaches together. For example, it might be reasonable to make provisions for inter-district cooperation even if the government were to decide firmly on the creation of regional governments. Increasing the use of non-state actors in service delivery might be useful whether the emphasis is on

³⁰ This is regularly emphasized in the media. The lead editorial in the *Daily Monitor* of July 26, 2012, for example, states that “there is a dire need for quality services.” (p. 10).

new regional governments or inter-district cooperation, but how these non-state actors are contracted and managed may differ substantially. Using the options together may make reform of the present system more acceptable to a greater range of interested parties.

Even if alternative ways to deliver services are chosen, decisions must be made about what to do with district governments. It seems unlikely that they will disappear, and those who believe in the original devolution would argue that they should continue to play a robust role no matter what additional mechanisms are adopted. Most of the proposed mechanisms would alter the role of districts, sometimes in ways that weaken them. There is, however, considerable room for improving the effectiveness of districts even if their roles are shared with other actors or diminished in scope. It does not seem feasible to maintain and/or further develop accountability to citizens in Uganda without keeping the elected district councils in the picture, at least for certain functions.

Finally, transition is going to be a major concern no matter what decisions are made about service delivery mechanisms. Moving too quickly could risk repeating the same mistakes of the original decentralization. Decisions will need to be made about how to appropriately deploy human and financial resources under new arrangements, and there will undoubtedly be considerable capacity building needs. Translating these decisions into an effective system will be demanding and difficult, so good planning is essential.

B. Rebalancing Responsibilities

The service delivery challenges faced under Ugandan decentralization have led to calls for rebalancing responsibilities between the central and district governments. In some respects, this would be the easiest way to reform the current system because it would not involve the creation of new levels of government or new institutional mechanisms. In certain sectors, it would simply involve formalization of current practice, as steps have already been taken to recentralize aspects of a number of functions and services. At the same time, it is not clear that present arrangements are consistent with the Constitution or the Local Government Act, so a formal rebalancing of responsibilities may involve potentially contested constitutional or legal reforms. If this were to be seen as a viable reform option, a number of issues would have to be considered:

- Which specific services are candidates for recentralization?
- How will decisions about rebalancing be made and by which actors?
- Are there ways to keep districts involved in the delivery of recentralized services?

Rebalancing is certain to be contentious to various degrees across services. The general pattern is likely to be one in which local governments will tend to oppose it (unless they agree that they cannot manage certain services or see some benefit to giving them up) and central agencies, particularly those that benefit from recentralization, will tend to support reform (unless they see ways to benefit from preserving current official assignments).

C. Regional Governments

The creation of regional governments would represent a major change to the structure of the intergovernmental system in Uganda and an affirmation of the view that the local government system created with so much enthusiasm nearly two decades ago has failed. This approach could have technical benefits in terms of service delivery, but this would depend on the specific way the regional governments were set up, who was empowered/disempowered, and how relationships that are essential for decentralized service delivery are handled. On balance, however, there seem to be considerable risks involved in creating regional governments to deliver local services in Uganda.

On the positive side, regional governments could, if properly structured and used, create economies of scale and help to consolidate government administration. On the other hand, it would be no simple matter—in political economy or logistical terms—to define their specific responsibilities, funding sources and governance mechanisms, and there would likely be significant conflict over these decisions and the resulting deployment of financial and human resources required to operate the system. Even if a clear delineation of responsibilities could be agreed on, there are dangers that the framework would not be respected (as was the case with some district functions under original decentralization reforms); that constitutionally empowered district councils would be unduly undermined and become increasingly irrelevant; that the connectivity (downward accountability) of subnational governments to citizens could be weakened through the creation of heavily empowered jurisdictions that are larger and more distant from the people they serve than the districts are; that the public sector wage bill would be excessively bloated by adding a regional bureaucracy if it were not possible to cut back staffing at the central and district level (and there would clearly be resistance to doing so); and that there would be severe and visible opposition from the traditional kingdoms.

The likely effects and the likely sources of support and resistance, however, would depend on the design features of the regional governments. In this regard, a number of questions would need to be addressed:

- What is the main anticipated form and purpose of regional governments?
 - Would they be primarily administrative in nature or would they have a strong political function (regional elections)?
 - What would be the relationship between central government agencies and the regional government technical departments?
 - If elected regional councils are created, what role would they have in controlling the administrative and technical staff?
- Which actors will be involved in the process of defining regional governments?
 - Will the Parliament just define the process or also make the actual decisions regarding regional government creation?
 - What criteria would be used for creating regional governments and which actors (central and local) will be consulted?
- What types of functions would the regions assume?
 - Would they have a strong service delivery role or be more focused on supporting and overseeing the service delivery activities of districts (and possibly inter-district mechanisms)?

- Which specific services would they be involved in delivering and how would they be financed?
- What are the implications of regional government creation for the district governments and what would be the relationship between the regions and the districts (and levels below) once the former are in place?

Depending on how these questions are answered, different political economy dynamics would predominate. The general inclinations of key actors were outlined above, but the specific dynamics would be a function of the details of the option(s) placed on the table.

D. Mechanisms for Inter-district Cooperation

Mechanisms for inter-district cooperation are a less extreme option (in terms of the magnitude of system restructuring involved) than the creation of new regional governments, and there are likely to be ways to organize the cooperative mechanisms that could find broad based support. Given the creation of so many marginally viable or non-viable districts in recent years, some form of inter-district cooperation seems all but inevitable in Uganda. If this is the case, then the key policy question is how to structure them in a productive, politically acceptable and sustainable way.

On the positive side, inter-jurisdictional cooperation has been effective in various ways in many countries. If well designed and implemented, it can allow the districts to realize economies of scale in service delivery and to streamline their bureaucracies. At the same time, such arrangements can undermine local autonomy if they are heavily driven and managed by the central government (either a coordinating ministry or individual sectoral ministries in the case of single function mechanisms); create challenges for developing cross-jurisdictional governance arrangements and risk dominance by stronger districts; raise issues regarding redistribution among partner districts with varying fiscal needs and capacities; and in the case of single-function mechanisms, risk fragmenting the delivery of services that must be territorially coordinated for overall effective service delivery and general support to economic development.

Broadly speaking, the degree to which inter-district cooperation would be embraced or opposed by different actors would depend on whether they feel they are losing or gaining advantage from the specific arrangements proposed. Several issues require clarification:

- Would inter-district cooperation mechanisms be service specific or more general in scope? (Uganda's experience to date with service-specific mechanisms can help to inform this decision).
 - If the former, how would the service(s) in question be coordinated where this was necessary?
 - In either case, how would administrative arrangements be handled (in terms of existing district resources or additional resources)?
- Which actor(s) will be involved in the decision to create inter-district mechanisms?

- Is this a voluntary decision of the concerned districts taken at their own initiative, mandated by the Ministry of Local Government or relevant sectoral ministry, or negotiated between central and local actors?
- What are the specific criteria for approving inter-district cooperation mechanisms?
- Which oversight body would review the proposals and monitor their implementation?
- How will the operation of inter-district cooperation mechanisms be managed?
 - Which actors (governmental or nongovernmental, technical or political) from which levels (central, district or lower-level local councils) would be involved and what are the implications for accountability and efficiency?
 - What would be the relationship between the technical staff who manage service delivery and the elected district councils who are accountable to the constituents?
 - Where would staff be based and how would they be shared across districts involved in the cooperative entity?

The implications of these various questions for the role of district governments and accountability channels are relatively straightforward. Having at least some additional clarity on the answers would illuminate the acceptability of different types of inter-district coordination to different actors. This in turn, would shed light on the likely political economy dynamics associated with each. Compared to creating regional governments it seems more likely that inter-district cooperation mechanisms could be structured in a “win-win” manner that would attract support from a wider range of actors, but this does depend on the structural and operational details.

E. Tapping the Non-state Sector

Developing policies to shift a larger portion of basic service delivery to non-state providers could be productive in Uganda. On the positive side, in contrast to regional governments and inter-district coordination mechanisms, the non-state sector is already widely operating under its own initiative, and as noted above, the service delivery outcomes can be good under certain conditions. The challenges of district service delivery and their exacerbation by the steady creation of new districts make exploring this option all the more worthwhile.

At the same time, providing services on behalf of the public sector is different than providing services as an independent NGO. As noted above, a few Ugandan ministries have begun to use non-state actors in various ways, but substantially expanding such arrangements could face challenges. This approach would only be viable for certain services—small and medium-sized NGOs may be good at running health clinics, for example, but they are not likely to contribute substantially to network infrastructure services. In addition, there may be risks related to the nature of these organizations. Many have affiliations with and funding from religious or other international NGOs with specific objectives, and these may see service delivery as a means to other goals rather than the core of their organizational mission. Even though the providers would now be

funded to perform specific functions, old habits and behaviors rarely change quickly. Such organizations are also managed in a variety of ways (with different accountability implications). Overseeing this potentially highly diverse group of actors to provide services that meet public sector goals would require developing a strong government managerial, monitoring and enforcement framework with embedded incentives for all parties involved. Finally, maintaining a role for local governments is important. If citizens come to feel that district roles are being taken over by non-state actors in ways that weaken the councils they elect, the local accountability impact could be considerable.

There is likely to be some opposition to almost any form of non-state service delivery if it is seen as taking away functions and resources from either central or local government actors. At the same time, the specific sources of support and opposition will depend on which level and which government actors are involved in managing the formulation and oversight processes and how they are involved. Some factors that require consideration to conduct a more definitive political economy analysis include the following:

- Which services and actors would be included?
 - Would any service be a candidate for non-state provision or would there be restrictions?
 - Would any type of non-state provider be considered or only those of a specific type or with certain characteristics?
 - Who would make these decisions? (Presumably some type of national framework would be issued, but how much discretion would specific central or local government actors have?)
- How would the engagement of the non-state sector in public service delivery be managed?
 - What criteria would be used for selecting non-state partners for specific services?
 - Where would responsibility for selecting and contracting of the non-state sector reside?
 - How would resources be allocated for service delivery and who would control this decision?
 - Which government actor(s) would have responsibility for overseeing the implementation and ensuring contractual compliance?
- What is the duration of these arrangements? Are there any plans to build the capacity of local governments to eventually provide these services, or are non-state provision arrangements seen as permanent?

As with the other possible reforms outlined above, the use of nongovernmental providers does have some potential to improve service delivery. But whether this is likely to occur depends on the goals and details of the arrangements.

3. Concluding Thoughts

With such pervasive concerns about service delivery and a seemingly relentless process of weakening of local governments in recent years, Uganda is at a critical juncture.

There is a pressing need for better service delivery, and it is clearly an appropriate time for some fresh thinking about how to make that happen and which institutional reforms might productively be pursued. The proposed alternative mechanisms for service delivery provide a starting point for discussing the way forward.

In addition to the specific issues outlined above, a number of other considerations should be kept in mind as thinking about possible reform proceeds.

- First, none of the proposed reforms can be easily defined or successful in an environment in which a core institutional actor—the local government unit—is a moving target unless, there is a specific intention to heavily marginalize the districts. Thus, it may be difficult to move ahead in a significant way until the wave of district creation activity stabilizes.
- Second, it is hard to imagine that the influential political economy forces behind the steps taken in recent years to recentralize local government powers are going to dissipate any time soon. This suggests that those who see a benefit to preserving elements of the devolved system will have to think carefully about how to frame specific reforms.
- Third, any reforms that are undertaken need to be backed up by efforts to improve local governance and downward accountability (including the role of lower levels of local government). Making service delivery a purely technical exercise risks some degree of regression to failed centralized development models abandoned decades ago.
- Fourth, some of the reform options under consideration could further fragment an already fractured landscape of institutional structures and service delivery operations. Thus, new reforms would ideally be developed in the context of some overarching vision of the desired intergovernmental framework.
- Finally, whatever decisions are made about the relative importance of service delivery relative to preserving key aspects of decentralization and whichever reform options are considered and ultimately adopted, it is clear that the way forward needs to include the use of carefully considered compliance and performance incentives and to be based on a well crafted and coordinated implementation strategy.

The best path to improving service delivery performance in Uganda is not obvious, although the decisions that need to be taken are relatively clear. There are considerable obstacles to progress, including the diverse set of actors involved, fragmentation across many aspects of the system, and complex political and bureaucratic dynamics that must be navigated. The potential reforms considered here are not mutually exclusive and may, depending on which are pursued and how they are framed, be highly interdependent—they could either reinforce or undermine each other. Despite the complications, pressing concerns about service delivery and decentralization urgently require looking for

common ground that could create a foundation for taking steps to improve on the status quo. The findings and issues that emerge from this and other PER background papers could provide a basis for creative and pragmatic thinking if the right mix of motivated actors engage in discussions on how to move forward, but this must be recognized as a process. Political economy analysis is one aspect of an iterative progression of deliberation among country actors required in developing viable technical solutions that are also politically and bureaucratically feasible.

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