

Making Decentralization Work: Uganda Country Paper

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Developing countries like Uganda embark on decentralization as part of their political and administrative reforms. Decentralization is expected to promote democratization, people's participation and a host of other desirable political and administrative objectives. Uganda's experience shows that the adoption of decentralization as a policy does not automatically translate its objectives into reality since its implementation proves to be a complicated process. This article discusses why decentralization was adopted in Uganda, how it is being implemented, the constraints as well as the challenges that the country is now facing in the process of its implementation. It proposes measures on how to make decentralization work for the country.

Introduction

In recent years, increased attention has been paid to reforms and processes of macroeconomic adjustment, deregulation, liberalization, privatization as well as political and administrative reforms. The reforms have been prompted, in part, by the need to promote good governance, review development approaches, improve service delivery and promote local ownership of programs and projects. Other reasons and motivators for the reforms include the need to address the development challenges of economic decline, rapid urbanization, deepening poverty and environmental degradation. Invariably the reforms have renewed interest in "less Government" and led to a wider recognition of more participatory forms of governance.

This study specifically focuses on the decentralization process. It closely draws upon Uganda's experience to discuss the decentralization policy and its implementation.

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The opinions expressed in this study are the personal views of the author and do not necessarily reflect the views of the Decentralization Secretariat, Ministry of Local Government.

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Country Context

Uganda is located in the heart of Africa, astride the equator. It lies between latitudes 400' North and 1,030' South and longitudes 3,000' East and 3,500' East of Greenwich. It borders Sudan to the North, Kenya to the East, Tanzania to the South, Rwanda to the Southwest and the Democratic Republic of Congo to the West.

The country is landlocked and it covers an area of 241,039 square kilometers of which about 197,097 square kilometers are dry land and 43,942 square kilometers are open water and swamps. It has an estimated population of 22.21 million people (2000 estimate). Average density of population is 76.42 people per square kilometer making it the fifth most densely populated country in Africa.

Uganda has a pleasant equatorial climate moderated by the altitude. Much of the country is plateau lying between 900 and 1,500 meters above sea level, rising to 5,590 meters above sea level in the west (Mount Rwenzori) and 4,320 meters above sea level in the east (Mount Elgon). Temperature is fairly constant throughout the year. The hottest months are December to February with a day-time range of 27°C to 29°C contrasted with an annual average of 26°C daytime average and a nighttime average of 16°C. Heaviest rainfall occurs between March and May and between October and November.

Agriculture is the driving force of the economy. Agricultural activities are based on crops, livestock, fisheries and forestry resources. Agriculture contributes about 60 percent of the country's Gross Domestic Product and 90 percent of export revenues. It employs over 80 percent of the labor force. Agriculture is dominated by smallholder subsistence farming.

Recent Evolution of Decentralization

The rationale for the recent decentralization in Uganda was political. The main consideration leading to the far-reaching decentralization that is being implemented today was the need to reverse the centralization of government introduced by the Constitution of 1967. The constitution at independence in 1962 provided for a decentralized system consisting of federal states and districts.¹ However, the Independence Constitution was abrogated in 1966 and in its place a new centralizing constitution was promulgated. The situation was made worse by the military taking over the government in 1971. The rest is history.

When the Nationale Resistance Movement (NRM) came to power in 1986 it proposed to establish a Local Government System that would be democratic, participatory, efficient and development-oriented. It also proposed that the

new system should empower local communities to take charge of their destiny through local institutions of self governance and resource mobilization, hence, the current democratic decentralization efforts started in 1986.

In 1987, the Resistance Councils and Committees were legally established under Statute No. 9 as policymaking organs in their areas of jurisdiction. The Resistance Committees were subsequently granted judicial powers under Statute No. 1 of 1998.

Following the June 1987 Report of the Commission of Inquiry into the Local Government System, proposals to strengthen democratic decentralization were considered and approved by the Cabinet in 1991. It was then that the objectives of decentralization were defined as follows:

- transfer real power to districts and thus reduce the load of work on remote and underresourced central officials;
- bring political and administrative control over services to the point where they are actually delivered, thereby improving accountability and effectiveness, promoting peoples' feeling of ownership of programs and projects executed in their districts;
- free local managers from central constraints and, as a long-term goal, allow them to develop organizational structures tailored to local circumstances;
- improve financial accountability and responsibility by establishing a clear link between the payment of taxes and provision of services they finance; and
- improve the capacities of the councils to plan, finance and manage the delivery of services to their constituents.

The arguments for decentralization were therefore to:

- establish local governments as the nexus between the central government and the grassroots;
- provide opportunities for local popular participation and increased involvement of the people in decisions that directly affect them, a key failure of the centralized state;
- reduce the decision load by sharing it with more people and allowing more decisions to be made "below" instead of concentrating them at an "overburdened center";

- promote local ownership and ensure sustainability of projects and programs because local plans are more likely to reflect local needs and priorities than centralized plans;
- create local governments which are more accountable for the revenue they collect and the services they deliver;
- encourage greater community control over local facilities and staff;
- provide opportunity to closely address local capacity building needs; and
- provide opportunities for more active participation by NGOs, the civil society and private sector in local development.

The President formally launched the decentralization policy on 2 October 1992. A year later, the Local Governments (Resistance Councils) Statute 1993 was passed as an enabling law to provide for a continuous process of decentralization of powers, functions and services.

The most important change in the process of decentralization came with the promulgation of the Constitution in October 1995. The Constitution not only reviewed the existing system but also preserved and reinforced decentralization. The enabling law giving full effect to the provisions of the Constitution, the Local Governments Act was passed as Act No. 1 of 1997. Its objectives are to consolidate and streamline the existing law on local governments to be in line with the constitution; to give effect to decentralization and devolution of powers, functions and services; to provide for decentralization at all levels of local governments to ensure good governance and democratic participation in and control of decisionmaking by the people; to provide for revenue and the political and administrative setup of local governments; and to provide for election of local councils and any other matters connected to the above.

The Implementation Process

Decentralization and devolution of power to local governments was point no. 1 in the NRM's Ten Point Program. The return of power to the people in keeping with the Ten Point Program was an urgent matter. This urgency motivated the government to take decisions to give assurances to the people that decentralization was a high political priority. Well before the enactment of the decentralization statute in 1993, government took measures to introduce administrative and financial decentralization. First, Administrative Officers at the rank of Under Secretary were posted to Districts as District Executive Secretaries. Second, staff in line Ministries' Field Departments

were seconded to Districts and placed under the charge and supervision of District Executive Secretaries. Third, in the 1993/1994 Financial Year, District Votes directly managed by District Executive Secretaries were created. With these actions, a transitory process of financial decentralization where Districts first managed votes, then block grants was started and this lasted until the financial year 1996/1997. This means that in the first years of implementation, financial decentralization was introduced.

It should be emphasized that the institutionalization of decentralization has been gradual. There was de facto decentralization before attempts to legislate the system. In most parts of the country, through the late 1980s and early 1990s, Resistance Councils performed duties of defunct state organs. However, the initiation of the process formally started with a study of the local government system and public consultations. It was followed by technical analyses and preparations, cabinet consideration and approval, debate of the policy by a directly elected Constituent Assembly and ultimately the inclusion of decentralization in the Constitution.

The Constitution demands that the system shall be such as to ensure that powers, functions and services are devolved and transferred from the central government to local governments in a coordinated manner. Added to the above are the following principles:

- decentralization shall be a principle applying to all levels of local government and in particular, from higher to lower local government units to ensure people's participation and democratic control in decisionmaking;
- the system shall be such as to ensure the full realization of democratic governance at all local government levels;
- there shall be established for each local government unit a sound financial base with reliable sources of revenue;
- appropriate measures shall be taken to enable local government units to plan, initiate and execute policies with respect to all matters affecting the people within their jurisdiction;
- persons in the service of local government shall be employed by the local governments; and
- the local governments shall oversee the performance of persons employed by the government to provide services in their areas and to monitor the provision of government services or the implementation of projects in their areas.

Decentralization and devolution of power took a holistic approach of assigning political, administrative, human, financial and planning responsibilities to people at appropriate levels where they can best manage and direct their own affairs. The system is such that decentralization is "open" to all levels. And while the Constitution reserved certain functions and services for the central government, on the other hand, districts and lower local governments may, on request, be allowed to exercise functions and services reserved for the central government.

It is worth mentioning that to facilitate compliance with the above principles and the achievement of the objectives of decentralization, the Local Governments Act was passed in 1997. Besides substantially devolving power previously exercised by the central government, it defines in considerable detail the respective powers, functions and services of the central government and local governments. The Act has become a key landmark and its division of powers is the cornerstone of implementing decentralization in Uganda. Regulations and manuals prescribing rules, procedures and guidelines for implementation have also been issued.

The Institutional Framework for Decentralization

Local Institutions

The system of local government is based on the district as a unit under which there are lower local governments and administrative units as illustrated below:

<i>Local Governments²</i>	<i>Administrative Units³</i>
The District/City Council The Municipal Council/City Division Council The Municipal Division/Town/ Sub-County Council The Town Council	The County Council The Parish/Ward Council The Village Council

A Local Government Council is the highest political authority in its area of jurisdiction. Local Government Councils are corporate bodies with perpetual succession, a common seal and may sue or be sued. They have both legislative and executive powers. They can make local laws and enforce their implementation. In contrast, Administrative Unit Councils serve as political units to coordinate or advise on the planning and implementation of basic services in their areas of jurisdiction. Administrative Units also assist in the resolution of disputes, monitor the delivery of services and assist in the maintenance of law, order and security.

The Assignment of Functions

The central government is responsible for national goods and services such as defense, law and order, banks, land, mines, mineral and water resources, citizenship, foreign relations, taxation, national parks, national elections, national plans, national standards and national policy. Central Government Ministries are no longer responsible for the direct delivery of services such as feeder roads; primary and secondary education; hospitals and health centers; and water supplies. Instead, Government Ministries are responsible for national policy; development of the national plan; development of national standards and ensuring compliance with national standards and regulations; professional training, supervision, technical advice, mentoring, monitoring and evaluation; and liaison with international agencies.

The local governments are responsible for making local policy and regulating the delivery of services which include primary, secondary, trade, special and technical education; hospitals other than those providing referral and medical training; health centers, dispensaries and aid posts; the construction and maintenance of feeder roads; the provision and maintenance of water supplies; agricultural extension services, land administration and surveying; and community development.

Local governments have also been assigned powers to make development plans based on locally determined priorities; raise revenue, including determining and implementing the revenue raising mechanism; make, approve and execute own budgets; alter or create new boundaries; appoint Statutory commissions, boards and committees for personnel (District Service Commissions), land (District Land Boards), procurement (District/Urban Tender Boards) and accountability (Local Government Public Accounts Committees); establish or abolish offices in the public service of a district or urban council as well as hire and manage personnel, including own payroll and pension; and make ordinances and by-laws that are consistent with the constitution and other laws.

Challenges

The implementation of the transfer of powers, functions and services is underway but is proving to be a complex and challenging process. Some of the challenges are highlighted below.

Institutional Challenges

First, there is a hangover from centralization. Because of this hangover, there is a tendency to confuse devolution with deconcentration and in the process continue to subordinate local governments to the center. For

example, some line ministries continue to regard local "sector units" as their "field offices." They are dealing directly with the units instead of the chief administrative officer or town clerk who is the head of administration of the relevant council.

Second, sector analyses and approaches dominate. Sector Ministries have deliberately set out to develop sector-wide policies and plans. Local integration and coordination of public services, a key objective of decentralization, is not strongly being promoted.

Third, local governments still need to adapt their administrative structures to the new context because devolution implies a transfer of employees and structures. Government ministries were restructured first in 1993, then in 1998 to take into account the requirements of devolution. However, local governments were restructured before the passing of the new Local Governments Act, i.e., between 1994 and 1995. A fresh restructuring of local governments is, therefore, necessary and is going on, having started in November 2001. The structures of local governments will be an adoption of the respective councils and are expected to reflect the increased transfer of functions and services to the local level under the new constitution and the Local Governments Act. It is also widely expected that the councils will approve costed structures that reflect their service delivery responsibilities.

Fourth, hospitals and secondary schools are not formally devolved. Their staff continue to be financed by conditional grants.

Fiscal Challenges

Fiscal challenges often arise because the responsibility for services is generally allocated without first computing the cost of services to ensure that each government agency taxes and pays for its service responsibilities.

In Uganda, local revenue collection is weak, partly because the local councils' revenue collection efforts are low. This notwithstanding, assigned local revenues are relatively low-yielding and are expensive to collect in terms of money, time and public patience. Local revenues largely comprise small multiple levies like graduated tax, property tax, licenses and fees. High yielding taxes such as the value added tax, income tax, customs and excise taxes are collected by the central government.

In addition to local revenues, local governments receive transfers. The Constitution established three types of grants:

- unconditional grant, which is the minimum grant paid to local governments to run decentralized services and is calculated using an objective formula;

- conditional grant, which is a grant given to local governments to finance programs agreed upon between the central government and local governments and is expended for the purposes for which it is made and in accordance with the conditions agreed upon; and
- equalization grant, which is money paid to local governments to give subsidies or make special provisions for the least developed Districts. It is based on the degree to which a local government is lagging behind the national average standard for a particular service.

On one hand, transfers have improved the financial base of local governments in Uganda and led to improvements in the quality of services delivered locally. Total transfers to local governments from the fiscal year 1993/94 to the fiscal year 2002/2003 have increased from Ug.Shs:31.5 billion to Ug.Shs:669.9 billion as summarized below:

Fiscal Transfers to Local Governments (1993/1994-2002/2003)

<i>Financial Year</i>	<i>Amount in Ug. Shilling Billion</i>	<i>As a % of the National Recurrent and Development Budget</i>	<i>As a % of the National Recurrent Budget</i>	<i>As a % of GDP</i>
1993/1994	31.5	-	-	-
1994/1995	70.2	8	17	1.4
1995/1996	116.6	12	25	2.1
1996/1997	176.5	14	30	2.9
1997/1998	196.4	14	30	2.8
1998/1999	282.3	17	34	3.5
1999/2000	333.1	16	36	3.8
2000/2001	501.9	22	50	5.2
2001/2002	618.2	23	53	5.9
2002/2003	669.9 (Estimate)	27	52	5.7

On the other hand, increased transfers are inhibiting efforts to raise more local revenue and are increasing the dependence of local governments on central government transfers. Local governments are increasingly asking the center to finance costs which are statutorily theirs; for example, the remuneration and allowances of councilors.

There is also a concern that the largest proportion of transfers is made up of conditional grants. In the financial year 2000/2001 unconditional grants accounted for 15.7 percent of the grant allocations while conditional grants accounted for 83.5 percent and equalization grants 0.8 percent. Most of the conditional grants are Poverty Action Fund (PAF)⁴ resources and are channelled under stringent guidelines to support the Priority Program Areas.

Local governments have limited discretion to decide on their utilization, hence function merely as central government agencies when they receive conditional grants. In other words, conditional grants are poverty-focused but conditionalities are undermining the discretionary powers of local governments.

Ideally, given the high level of devolution of powers, functions and services to local governments, the major proportion of devolved services should be financed by the unconditional grant. In retrospect, the low amounts of the unconditional grant are due in part to the fact that the minimum grant was computed to cover the minimum standards and the cost of devolved services. The minimum, as per the Seventh Schedule to the constitution, is the minimum unconditional grant for the fiscal year 1995/96.

Following a recent Fiscal Decentralization Study and in keeping with constitutional provisions, unconditional, conditional and equalization grants will continue to be the key transfer modality. However, it is proposed to establish the Recurrent Transfer Budget (RTB) in which all unconditional and conditional grants for recurrent expenditure will be wrapped, and the Development Transfer Budget (DTB), will constitute all development expenditure. There will be one conditional grant for each sector, say primary education, primary healthcare, feeder roads, water and sanitation, and agriculture. Local governments will be allowed the discretion to reallocate between and within sectors up to a predetermined percentage, say ten percent. Furthermore, conditions for conditional grants will have to be agreed upon by the central and local governments as required by law, as opposed to the current practice under which they are largely determined by the central government. Local governments that demonstrate improvement in managing their finances and investments will receive increases in their local development grants to stimulate even better performance.

Capacity Challenges

Most capacity challenges are a result of the ongoing decentralization process. Capacity problems affect both the national and local governments and are historical in the sense that they precede the current decentralization efforts.

The nature of the capacity problem is, first, local governments lack resources to remunerate staff. Second, there are inadequate arrangements to educate and train staff to serve in local governments. Third, there is an absence of career development incentives/schemes of service and pay is low. Fourth, there is a high mobility/turnover of technical officers, sometimes on secondment to other local governments and sometimes going to "greener pastures."

Future Innovations

The above challenges point to the need to continuously refine policy, establish positive attitudinal and managerial arrangements, strengthen coordination, set up open and informative communication systems, and constantly use dialogue to reach a shared vision and common understanding. Implementation itself is a learning process. The way forward, therefore, is to continue to consolidate and adapt the process to the realities on the ground. Some of the measures that will soon be taken include strengthening the following:

Institutional Arrangements

- Harmonize key legislation including acts, statutes, rules and regulations, e.g., the Public Finance Act and the Public Service Act, to be in line with the Constitution and the decentralization policy.
- Continue the process of devolving functions and services, particularly hospitals and secondary schools.
- Strengthen the capacities of line ministries to implement decentralization.
- Develop new local government administrative structures, agree wage costs and transfer funds to pay for the agreed structure/wage costs.
- Decentralize the management of the payroll to district and urban local governments.
- Conduct monitoring and support supervision to ensure compliance with standards, regulations, and guidelines.
- Develop schemes of service for staff serving in local governments.
- Improve pay and link pay to performance.

Financial Decentralization

- Conduct studies and make recommendations to diversify local revenue and improve the grant transfer system.
- Reduce conditional grants by gradually merging some of them.

- Increase the size and refine formula for distribution of the equalization grant.
- Further decentralize the development budget and introduce grants for recurrent and development expenditures as recommended by the Fiscal Decentralization Study.

Decentralized Planning

- Implement the National Planning Authority Act.
- Complete mechanisms and procedures for integrating the local planning and budgeting processes.
- Develop a methodology for integrating Lower Councils' plan into the District Development Plan and an integrated cycle for local governments' planning and budgeting.
- Assist Local governments integrate national/sector policies and plans into their development plans.

Capacity Building

- Continue local governance and decentralization education programs.
- Make available to local governments, on a decentralized basis, more responsive/customized and relevant capacity building programs.
- Develop comprehensive user-friendly materials and make them available to councilors, public servants and the public-at-large.
- Develop a methodology for conducting local governments' specific training needs assessment and train local government to regularly conduct own training.

Concluding Remarks

The formulation and implementation of either decentralization or federalism is determined by each country's particular historical, political and social context.

It is best to be modest and pragmatic when carrying out reforms such as decentralization or federalism. Managing reforms always produces a cycle of acceptance, resistance and denials which lead to revisions, shifts, reversals and eventually modifications. With each modification, the cycle begins again.

The Constituent Assembly rejected the federal system on a number of grounds (Nsimbabi 1998). First, federalism was associated with the historical dominance of Buganda kingdom that existed before the abrogation of the Independence constitution. Second, federalism was linked to the preservation of the monarchy and ethnic or tribal demands. Third, decentralization was confused with federalism. The advocates of federalism failed to show how, after introducing it, other subnational units would continue to have the powers they enjoyed under decentralization. Buganda, which spearheaded the demand for federalism, was a highly centralized kingdom before the advent of colonialism.

Uganda has adopted a highly devolved system based on the district. Districts have both legislative and executive powers, a key distinguishing feature and power sharing arrangement like that in federal systems. Finally, two or more districts are free to cooperate in areas of culture and development and may, for that purpose, form and support councils, trust funds or secretariats.

Endnotes

¹There were five federal states: the kingdoms of Buganda, Ankole, Bunyoro, Toro and Busoga. There were ten Districts: Alcholi, Bugisu, Bukedi, Karamoja, Kigezi, Lango, Madi, Sebei, Teso and West Nile.

²There are presently 56 Districts Councils (including Kampala City), 5 City Divisions councils, 13 Municipal councils, 853 Sub-County Councils, 34 Municipal Division councils and 63 Town councils.

³There are 140 County councils, approximately 4,600 Parish/Ward councils and approximately 40,000 Village councils.

⁴The PAF was set up in 1997 after Uganda became the first country to qualify for the IMF and World Bank Highly Indebted Poor Countries Initiative (HIPC).

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