

UNBLOCKING RESULTS

CASE STUDY

Supporting the
development of
local government
in Uganda

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Centre for Aid
& Public
Expenditure

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Acronyms

CDF	Capacity Development Fund
DDP	District Development Project - Pilot
DFID	Department for International Development
IDD	International Development Department – University of Birmingham
LDF	Local Development Fund
LGDP I	Local Government Development Programme I
LGDP II	Local Government Development Programme II
LGMSDP	Local Government Management and Service Delivery Programme
MoLG	Ministry of Local Government
NRM	National Resistance Movement
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PFM	Public financial management
SFG	School Facility Grant
UNDP	United Nations Development Programme
UNCDF	United Nations Capital Development Fund

Executive summary

It is now widely accepted that governance and institutions affect the adequate delivery of public services. Yet there is much less evidence on whether and how aid can be delivered to address specific governance challenges. This case study forms one of a set of studies that examines this issue from the perspective of aid programmes; programmes which appear to have improved service delivery, by facilitating the release of specific governance constraints. This paper examines Official Development Assistance to local government in Uganda. It focuses on the implementation of two specific aid programmes: the District Development Project – Pilot (DDP), which ran from 1997 to 2001; and the first Local Government Development Programme (LGDP I), which ran from 2000 to 2004.

Uganda's decentralisation reforms took on a new lease of life when Museveni's National Resistance Movement (NRM) government took power in 1986. From the outset decentralisation reforms were a key political strategy, articulated through the decentralisation reform policy of 1992, the 1995 new constitution and the Local Governments Act of 1997. The Act set out what was considered to be a generally coherent legal framework for decentralisation. But the systems in place, human capacity and financial resources were inadequate to deliver what the Act promised. Many local governments flouted the rules guiding public service provision, and there was considerable frustration about the lack of accountability of local leaders. As a result most services ended up being provided outside local governments, limiting the scope for finding solutions within government systems.

The DDP was conceived in an attempt to address some of these challenges. It set out to support poverty alleviation by supporting the implementation of the new national decentralised structures, with an emphasis on empowering local governments and communities to identify, deliver and sustain locally determined infrastructure investments. It provided a combination of financial and technical assistance to fund three main components: a local government

grant for small scale infrastructure; a capacity building fund; and an annual assessment. In order to access the infrastructure grants, local governments were required to meet a set of institutional, financial and operational requirements mostly drawn from the legal provisions for service delivery. If they performed well they received a higher allocation, but they were financially penalised if their performance deteriorated. The DDP was a pilot project and applied to only five districts. The LGDP I was developed following its success. It mirrored the features of the DDP, but scaled up support to provide nationwide coverage by 2003.

The DDP and LGDP I have collectively contributed to a significant increase in basic services infrastructure at the local level and have also strengthened the institutional framework for service delivery by ameliorating specific governance constraints. Table 1 summarises the types of aid-funded activities and engagement that appear to have contributed to this in practice.

In addition to the aid-funded activities, a number of process features characterised the design and implementation of the programmes and appear to have influenced their effectiveness, both in terms of their own objectives and their ability to address the relevant governance constraints. First, the design phase of the DDP included substantial upfront diagnostic analysis of contemporary practices which helped determine binding constraints, and wide-spread consultation which helped to fine tune the parameters of the programme as well as sensitise key actors on design issues. Second, the DDP and the LGDP I facilitated the implementation of the government's decentralisation agenda in a way that built on existing mandates, without bringing to bear external policy conditions. By funding small scale infrastructure, they also financed visible goods and services that the political establishment could capitalise on in its campaigns. Third, the programmes encompassed a learning approach. Not only did the aid-funded activities strengthen government delivery systems through a 'learning-by-doing' and

Aid-funded activities that have unblocked governance constraints

Governance constraint	Activities and engagement
Policy and institutional incoherence	<p>Supported the nationwide application of human and systems capacity required for decentralisation.</p> <p>Targeted activities that facilitated the realisation of policy objectives and so facilitating an improved alignment of policy and financial frameworks.</p> <p>Facilitated incremental improvements in the intergovernmental fiscal architecture.</p>
Poor top-down performance disciplines and bottom-up accountability mechanisms	<p>Created incentives for local government performance.</p> <p>Strengthened the oversight and support function of central government.</p> <p>Provided the tools for citizens to hold implementers to account for their performance (e.g. the publication of information).</p>
Limited scope for problem-solving and local collective action	<p>Encouraged the participation of stakeholders in the planning and allocation processes for shared public services.</p> <p>Management systems built into the DDP/LGDP I brought the communities closer to local government.</p>

mentoring approach, but the LGDP I itself was built on the lessons learnt from the DDP and had an additional component exclusively to support project management and learning.

The DDP/LGDP I were followed by two subsequent programmes – the LGDP II and the Local Government Management and Service Delivery Programme (LGMSDP). But over the lifetime of the programmes decentralisation became an increasingly important tool for bolstering Museveni's support base, shifting the balance of priorities towards this at the expense of service delivery. The impact of this shift is particularly acute for the latter programmes, which have been implemented in the context of weakened incentives for performance and participation.

1

Introduction

This case study forms a part of a larger ODI research project on aid and governance, the findings of which are summarized in the synthesis report, '*Unblocking results: using aid to address governance constraints in public service delivery*'. It is one among four case studies of aid packages (covering Sierra Leone, Tanzania and Uganda) that appear to have been effective in addressing governance constraints to service delivery.

The development community has long recognized that weak governance and incentive problems hinder the delivery of broad-based public services in developing countries (Keefer and Khemani, 2003; World Bank, 2004; Collier, 2007), and the last decade has seen a growth in research that seeks to understand and diagnose the nature of these governance problems. This particular research builds on earlier ODI research by Booth (2010) and Wild et al. (2012) that categorise typical constraints and incentive problems to service delivery and show that a number of common constraints underlie much of the variation in service delivery performance in developing countries.

However, there is little evidence on whether and how well aid can help to address these governance problems. Research that does exist tends to focus on the impact of specific types of accountability structure on service delivery, rather than the design and delivery features of aid programmes needed to address the constraints. This research project begins to address this gap in the literature by studying the interaction between constraints and aid packages in particular country contexts. The research is exploratory and the findings should be treated as preliminary. It does not aim to evaluate the programmes against their stated objectives, nor measure their impact. Rather it considers whether the aid packages appear to have addressed the governance constraints and, if so, what enabled this to happen.

The case studies were selected after interviewing governance specialists from a range of donor agencies. Participants were asked to name projects

that they thought had been particularly effective in addressing common governance constraints. This produced a long list of projects which was narrowed down after a desk review of the available documents and an assessment of their relevance.

Uganda's decentralisation reforms have attracted a great deal of praise for their scope and construction since President Yoweri Museveni first assumed power in 1986. The District Development Project-Pilot (DDP), and its scaled up version, the first Local Government Development Programme (LGDP I), played an important role in facilitating central and local governments' adherence to the constitutional and legal mandates concerning decentralised service provision and the devolution of the development budget. The programmes provided a combination of performance-based financial support to fund locally-prioritized infrastructure, and technical assistance to address capacity gaps. Considered experimental programmes at the time, they proved to be a successful approach to strengthen local governments while also contributing to a significant increase in the availability of infrastructure facilities within national priority areas. In doing so they seem to have ameliorated three main constraints to service delivery: policy and institutional incoherence; poor performance disciplines; and weak scope for local problem solving within the tiers of local government.

This paper is organised as follows: Section 2 describes the political context and service delivery constraints pre-intervention. Section 3, on the intervention design, describes the programme activities and theory of change. It analyses how the intervention appears to have addressed governance constraints and discusses the persuasiveness of the theory of change and the challenges encountered in practice. Section 4 concludes with broader lessons for aid design.

2 Political context and service-delivery blockages

A significant amount has been written on decentralisation in Uganda and the role of local government development programmes. The aim of this piece is to explore whether and how these aid programmes facilitate the release of particular governance constraints that are considered to undermine service delivery. In order to explore this relationship, attention will first turn to the nature of the governance constraints prior to the implementation of the aid programmes. This will illustrate the extent to which these problems were crippling performance and also provide baseline information against which judgements about improvements can be made.

But first let us consider the political context which has shaped the implementation of decentralisation in Uganda.

2.1 Political context

The genesis of formal decentralised structures in Uganda can be traced back to the beginning of the last century (Tumushabe et al, 2010). The first attempts by the colonial authorities to set-up local administrations were made in 1919 when the African Authority Ordinance was passed. This provided African Chiefs with powers and duties related to law and order and tax collection under the authority of the District Commissioner. By independence (1962) elected local councils were responsible for district administration albeit with limited autonomy, as the central government retained the power to control most district decisions (Tumushabe et al, 2010). The 1962 constitution allowed for a substantial degree of autonomy to the federal and semi-federal

kingdoms, in an attempt to establish democracy and give power to the people (Mugabi, 2004). Alongside greater autonomy came the allocation of wider powers, including revenue and expenditure authority and provision of services.

Then five years later there began a period of re-centralisation, which lasted until the National Resistance Movement (NRM) took over. In 1967 the central government, increasingly threatened by the autonomous kingdoms which they saw as breeding grounds for the opposition, established a new constitution which curtailed their powers and turned the kingdoms into districts. Idi Amin's military coup five years later saw the suspension of the 1967 constitution and a dramatic reorganisation of local government, where district and urban administrations were dissolved and replaced by provincial administrations that he could control from the top. The election of Obote in 1980 went some way to reversing this trend, although in reorganising local government in accordance with the 1967 constitution he stopped short at allowing the greater autonomy provided in the 1962 one.

The latest phase of decentralisation, associated with Museveni's rule, is anchored in the NRM's struggle for independence. From the outset decentralisation reforms were a key political strategy for the NRM. There were numerous political incentives: a desire to reconcile political ambitions of all previously warring factions (Ahmad et al, 2006); to reward the Resistance Councils which were formed during the bush war and heavily relied on by the NRM to provide essential services and support at the local level; and because heavy centralisation had been

associated with the autocratic regimes of Amin and Obote.

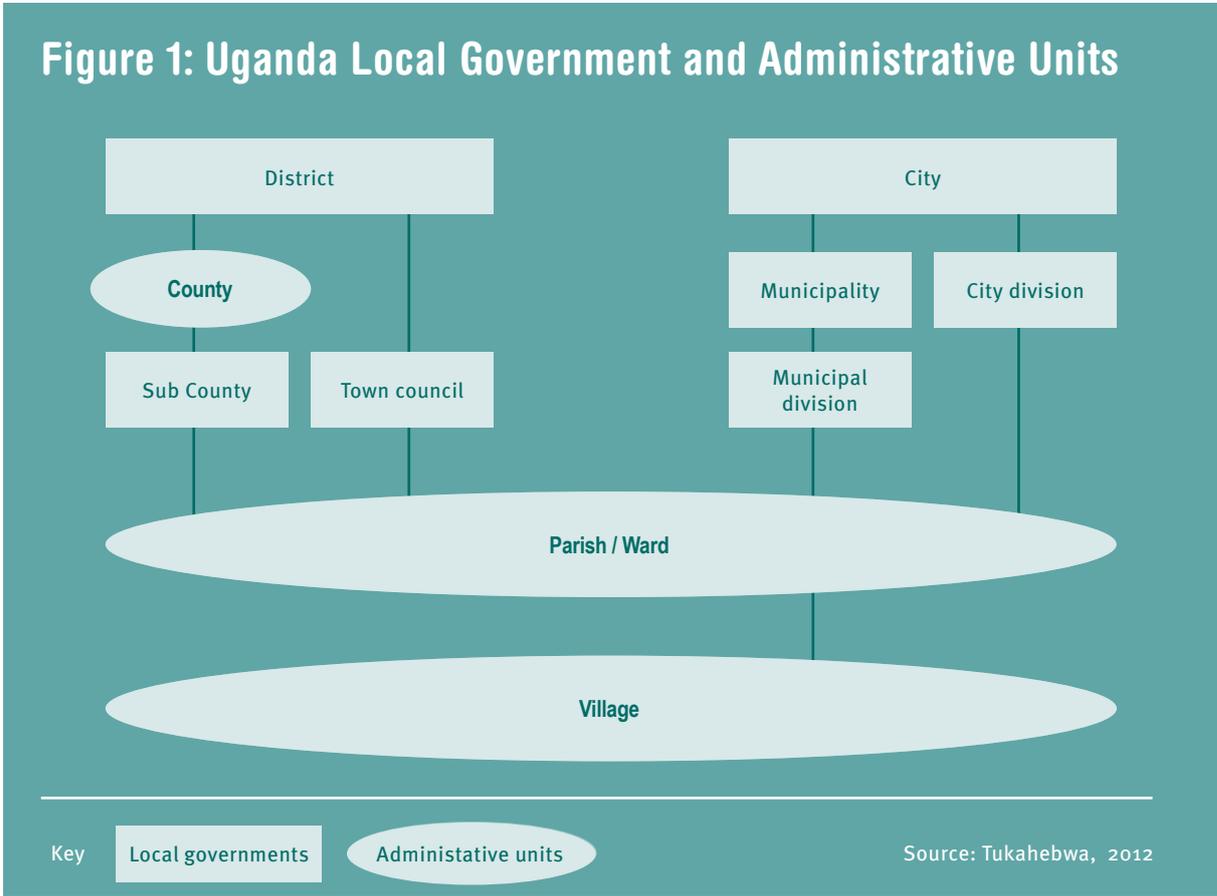
Decentralisation received immediate attention under the then new government. Following Museveni's takeover in 1986, they set up a Commission of Inquiry to examine the powers and duties of local governments. A year later, under the 1987 Resistance Council Statute, Resistance Councils were legalised and turned into local councils that would be coordinated through districts. By the nineties, the government had decided to devolve powers further. The President launched the decentralisation reform policy in 1992, with the Local Government Statute of 1993, the 1995 Constitution and the Local Governments Act of 1997 which established the role of local councils in the decentralisation process, in local governance and in local government in general.

The new government also championed decentralisation as a means of poverty reduction. During the 1990s the government established a record of solid economic reform and sustained growth, successfully tackling structural and institutional economic reforms such as import, export

and foreign exchange liberalisation, tax administration and civil service reform (World Bank, 1999).

Alongside this the government was making clear headway in addressing poverty, and from 1992/3 to 1997 the percentage of population in absolute poverty diminished across all Ugandan regions. Building on this success the government established the national Poverty Eradication Action Plan (PEAP) in 1997, and set up a mechanism (known as the Poverty Action Fund (PAF)) to track financial flows to priority poverty-reducing expenditures. Over this time Uganda was elevated to 'donor darling' status – an example for other countries to learn from.

Despite these advances, Uganda remained among the least developed countries of the world. In 1998, it was ranked 158 out of 174 countries on the Human Development Index and the average Ugandan was still living below the poverty line. In addition, 54% of the population had no access to clean water, while 38.2 % of the total population aged 15 and above, and 53% of females in the same age category, were illiterate. These were stark reminders of the need for improved service delivery.



2.2 Degree of policy and institutional coherence

Institutional frameworks should outline clear and unduplicated mandates; be in line with policy statements; and be sufficiently supported by systems, human capacity and financial resources.

At the time of DDP design, the 1995 Constitution and the 1997 Local Governments Act formed the legal framework for the decentralisation of political, administrative and fiscal powers to local governments. It laid out local governments' new responsibilities for the provision of basic services – new because until that time local councils had been pre-occupied with the administration of local justice and security (Manyak and Katono, 2010). Local governments became responsible for providing primary education, as well as some services at the secondary and tertiary schooling levels; primary health care and district hospitals; rural water services; most agricultural extension services; district, feeder and municipal roads. The tiers of local government responsible for delivering basic service services are depicted in the figure below.

On the whole, the legal framework developed at the end of the nineties articulated a set of well-defined and unduplicated mandates for decentralised service delivery. This is most meaningfully illustrated by the fact that Schedule 2 of the Local Government Act, which elaborates mandates for the different levels, has remained unchanged since its implementation even though there have been several other amendments to the Act. This suggests that the definitions of roles and responsibilities are not particularly problematic in practice, a sentiment supported by most of the individuals interviewed.

The public financial management (PFM) system behind Uganda's decentralisation structure, which includes infrastructure provision at the local level, is also considered to be coherent (Ahmad et al 2006). This is despite some caveats, such as the large number of institutions with overlapping and unclear mandates for monitoring of local authorities, and the somewhat obscure allocation of expenditure responsibilities between local government tiers (Ahmad et al, 2006; Tumushabe et al 2010). On the whole, evidence suggests that the legal framework for the decentralisation of administrative and fiscal responsibilities is generally considered to be coherent.

The degree to which this coherent institutional framework for decentralisation was supported by a detailed strategic policy framework during the implementation of both the DDP and LGDP I is unclear. Even though the President introduced the decentralisation reform policy in 1992, there appears to be a gap between the government-wide policy statements and clear sector development strategies – which were largely absent at the time (IDD, 2006). Beyond challenges associated with the extent of consensus for decentralisation within ministries, the limited policy framework didn't pose a particular challenge at the early stage of the DDP implementation, but became a greater challenge as decentralisation matured.

The binding constraint to effective decentralisation was instead the mismatch between the institutional framework's requirements and the financial, human and systems capacity in place to deliver them. First, there were limited resources to support local governments in implementing their legal mandates. Expenditure for recurrent items had started being transferred to local authorities before the DDP (in 1993/4), but there was no financing for local infrastructure, and as a result basic services infrastructure was particularly scarce. The recurrent expenditure transferred was often insufficient to fund operations and as a consequence community contributions were often required to fund parts of the local authority mandates. For example, in 1997/98 even though local authorities were executing approximately 30% of total government expenditure per sector – excluding the share directly financed by earmarked donor projects (Ahmad et al, 2006) – school fees were often 'trapped' at the district level (rather than at the school level) to cover the costs of keeping the district education office functioning (Doug and Onyach-Olaa, 1999). At the time local revenue was also being used to fund services but among the five districts of the DDP the local revenue base was very weak, accounting for approximately 20% of total revenue available (MoLG, 2001).¹

Furthermore, there was limited human and system capacity in place to apply the provisions of the legal framework. Examining the five DDP districts prior to intervention, no District Planning Unit had all six key staff required, and the best staffed had only four positions filled. In addition, the districts faced severe challenges in filling financial management positions.

1. This in contrast with the national average that was nearer 80% at the early stages of decentralisation (Ahmad et al, 2006).

Arua and Mukono districts didn't have a chief internal auditor to head the audit department and several of the sub-counties did not have accounting staff with formal qualifications as accountants. This led to real performance problems, and to some activities simply not being carried out, while others were significantly delayed e.g. the publication of final accounts (if they were ever released). This culminated in a general concern that local governments didn't have capacity to deliver on their financial commitments, illustrated by sub-counties reluctance to use Local Government Tender Boards because of their poor reputation for failure to secure reasonable bids and quality contractors (MoLG, 2001).

In addition to challenges concerning the appropriate level and quality of staffing within local governments, limited systems were in place to plan and account for decentralised resources. At DDP's inception, District Development Plans were supposed to be in place and used to direct the allocation of the local revenues and donor activities, but only one district out of five had produced one. And there were no systems in place to monitor and evaluate the use of the development expenditure for which local governments became responsible.

Inadequate human and system capacity, along with constrained financial resources and absent government development funding, meant that most of the infrastructure provision and service delivery was supported by communities directly, or by external actors such as NGOs and bilateral agencies through Area Based Programmes.

2.3 The extent of top-down performance disciplines or bottom-up accountability mechanisms

Rules about performance need to be developed and enforced both within and outside the public service sector. It is difficult to assess the extent of top-down performance disciplines prior to the DDP. Since the development budget hadn't been devolved before then, some performance systems were simply not in place – such as that for monitoring centrally transferred development budgets. Looking beyond this, to the degree of performance disciplines more broadly between local and central government, it's clear that the inadequacy of systems, human capacity and financial resources undermined the ability to demand and account for performance. For example,

District Planning Units were often inadequately placed to respond to monitoring requests. At the same time, inadequate staff, resources and systems meant that both the Ministry of Local Government (MoLG) and the sector ministries were unable to fulfil their mandates to set standards, support and inspect local services.

'Service decision tree analysis' (developed by local actors during the design of the DDP), showed that even where formal rules and systems for planning, appraising, budgeting and delivering services were in place (and identical across the country), there was an extraordinary range of local practices. According to Doug and Onyach-Olaa, 1999, 'At various times, in the same locality and for the same sector of service, rules were observed for part of the process, at times they appeared to be flouted, at times a mixture of rule and local arrangement was applied'. According to Doug et al, this may be partly explained by the non-linearity of development process: the constant tension between clearly defined and often rigid regulations and the actual reality of planning and budgeting which is volatile and inherently political process (Doug and Onyach-Olaa, 1999). Nevertheless this widespread deviation from the formal rules suggests that top-down pressure to adhere to the formal planning and implementation process was fairly fragile.

Set against this there appeared to be a high level of frustration from local communities that leaders and technical staff (not only of local government but also non-government organisations and community-based organisations), tended not to be accountable for their performance. The service decision tree analysis suggested that people were primarily concerned about mismanagement of resources, failure to honour commitments, and poor coordination, rather than whether they had been directly involved in the decision making. They were concerned with the fact that the technical quality of decisions was often poor and annoyed that 'technical issues' in the decision making process were often in reality based on political judgements/conditions (Doug and Onyach-Olaa, 1999). Communities felt that local priorities were often radically re-shaped as they went through the hands of councillors and technicians to final delivery, and that decisions tended to become increasingly parochial, ignoring wider ramifications and consequences, and less accountable (Doug and Onyach-Olaa, 1999). This suggests there was a clear demand from communities for improved performance, but limited means for meeting that demand.

2.4 The enabling environment for locally anchored problem-solving and collective action

Local-problem solving and collective action solutions need to be supported within public service delivery mechanisms.

Prior to DDP, most efforts to improve service delivery were pursued outside government public service systems either by communities directly or through support from external actors (donors/NGOs). Since the majority of resources used to establish and maintain local services were outside local government systems, the bulk of services were created and sustained by communities, with next to no involvement with local councils (Doug and Onyach-Olaa, 1999). Thus local communities, sometimes supported by external actors, were coming together to address their problems, but in ways that were largely outside the government systems.

One reason for the limited scope for local problem solving through government systems was the absence of formal and informal relationships necessary to broker improvements. Even though the legal framework for service delivery provided the mechanisms for participatory local management of resources, prior to DDP the relationships between the village and the district level, or cell/zone and municipality/city, were not functioning effectively (positions not filled, people not doing their jobs). This issue was particularly acute closest to the village/cell level and as a result there was limited involvement of the lower tiers of local government and administrative units in decision making. Citizens would rely on community action, external actors or central government to deliver services or address problems. In some cases the situation was exacerbated by external actors, who often supported isolated participatory planning processes that regularly bypassed the government structures, thus limiting their scope to develop the requisite capacity.

According to the service decision tree analysis, where local government was involved, decisions made about resource allocations for service delivery tended to involve increasingly fewer people and based on exclusive criteria (Doug and Onyach-Olaa, 1999). According to the analysis, this exclusion of many people from the decision making process often meant that the 'wrong priority' was funded.

Curiously, the scope for locally relevant solutions

seems to have benefited from the relatively weak mechanisms to ensure local governments adhered to formal planning and budgeting rules. For example, although practices were not just changed at will it 'was clear the mix of local history, politics, skills, and traditions are crucially important in how local governments, community organisations, informal leaders, contractors, and so on actually worked to plan and produce services' (Doug and Onyach-Olaa, 1999).

3

Intervention design

3.1 Activities and theory of change

This section discusses both the District Development Project - Pilot (DDP) that was implemented from 1997 to 2001, and the Local Government Development Programme I (LGDP I) – the scaled up version of the DDP – which ran from 2000 to 2004.

The DDP proposed to address poverty through making the development process, and in particular the delivery of public goods and services, more inclusive, efficient, effective and sustainable. The programme provided technical assistance and financial resources to enable the definition, testing and application of a range of procedures (participatory planning, allocation and investment management) in ways that aimed to:

1. Empower local governments and communities to identify, deliver and sustain locally determined investment priorities for public goods and services; and
2. Provide practically tested lessons from experience and contribute to the national decentralised policy and procedures (MoLG, 2001²).

The programme was a pilot and started in four districts, with an additional district added in 1998³. It was primarily funded by UNCDF, with a small contribution from UNDP and the Government of Uganda. The programme was a hybrid, providing a combination of financial and technical assistance, through sector-budget support combined with project aid. It was housed within MoLG, first within the Decentralisation Secretariat, and later in a special project management unit created to handle the project on the Secretariat's behalf (MoLG, 2001).

Programme activities were divided into three components. The first was a discretionary grant

for small scale infrastructure managed by local governments and known as the 'Local Development Fund' (LDF). Local governments were allowed to use the LDF to fund infrastructure activities related to their mandated functions and services, as set out in schedule 2 of the 1997 Local Governments Act. Local governments could choose from a menu of investments, with incentives provided to focus on poverty-related investment areas (World Bank, 2004). The size of the allocation was determined by a measure of socio-economic needs⁴ and

2. The DDP programme objectives were to:

1. Enhance the capacities of Local Councils to meet their service provision responsibilities;
2. Refine and test Local Council investment allocation, planning and management procedures and approaches;
3. Monitor, evaluate and document lessons from the Pilot process and ensure their effective communication in national fora concerned with devolution of budgets and service responsibilities;
4. Encourage private sector agencies in the production of infrastructure and services, including contracting and consultancy services to local governments and communities; and
5. Support the construction, rehabilitation and maintenance of services mandated to districts and sub-counties under Schedule 2 of the Local Government Act, 1997 (MoLG, 2001).

The LGDP I objectives were to:

1. Test the feasibility of implementing constitutional and legal mandates with respect to decentralized service provision and devolution of the development budget through the provision of investment funds to the Local Governments;
 2. Build the capacity of the Ministry of Local Government (MoLG), the Local Government Finance Commission Secretariat and a sub-set of the Local Governments for improved service delivery, accountability and transparency;
 3. Test and institute alternative service delivery mechanisms through the private sector, beneficiary communities and other stakeholders in Kampala City Council; and
 4. Monitor and evaluate project implementation for actual experience and good practices for formulating an appropriate strategy, implementation modalities, and phasing for eventual scaling up nationally, over time (World Bank, 2004).
3. The DDP supported Jinja, Arua, Kabale, Mukono districts, with Kotido district added in 1998.

Box 1 Minimum conditions and performance measures

Minimum conditions focused on basic safeguards, and included:

- a) Functional capacity in place for:
 - i) Development Planning;
 - ii) Internal Audit and Financial Management; and
 - iii) Technical supervision of engineering works.
- b) Approved District Development Plan available.
- c) Approved comprehensive and balanced annual budget available.
- d) Books of accounts in order and up to date.

There were eight minimum conditions for both high and lower level of local government

Performance measures focused on institutional improvement (e.g. planning, budgeting, financial management and good governance), and included and assessment of:

- a) The quality of the 3-year development plan
- b) Staff functional capacity
- c) Quality of communication/information sharing
- d) Quality of monitoring function
- e) Quality of the lower local government's mentoring function
- f) Quality of capacity building effort
- g) Quality and timeliness of accountability
- i) Quality of LGTB procurement/functionality
- j) Tax collection effort

(MoLG, 2002)

performance against a set of minimum conditions and performance measures (see Box 1). The second component was the Capacity Development Fund (CDF) which aimed to address performance gaps, supporting districts' ability to achieve the minimum conditions and performance measures. An amount was allocated to all districts regardless of performance, with an additional allocation targeted to poor performing districts⁵. The third mechanism was the annual assessment, which was used to assess the performance of the districts against the minimum conditions and performance measures, to determine the district's allocation of both the LDF and CDF. The assessment was divided into two parts; a self-assessment by the district and an annual assessment which was outsourced to a private contractor in an attempt to safeguard the credibility of the process.

The minimum conditions and performance measures were a set of institutional, financial and operations requirements mostly drawn from the Local Government Act 1997 (and for the LGDP I the Local Government Financial Accounting Regulations, 1998), which primarily related to public financial management performance (see Box 1). The programme also required a co-financing contribution from the local government. In order to access the LDF, districts had to achieve all the minimum conditions – so they acted as minimum access conditions. The performance measures, on the other hand, determined the 'topped up' (or 'down') allocation, with better performing districts receiving a proportionally higher (or lower) allocation. For example, local governments were eligible for a 20% reward but could also attract a 20% penalty on the allocation - calculated according to the allocation formula – with performance measured against that of the previous year. This created a 'carrot and stick' incentive system.

In response to the success of the DDP and a recommendation of its mid-term evaluation, a decision was made to scale up the intervention. The scaled-up version of the DDP was the LGDP I. It mirrored most of the features of the DDP, with only a few alterations (for example it included an activity to strengthen Kampala City Council). The LGDP I was rolled out to all districts that weren't being supported

4 The allocation formula for the local government grant was determined by population size, poverty count, and land area for rural authorities. Only population was used for the grant for urban authorities.

5 There were both supply (driven by national annual training needs) and demand (driven by national priorities) elements.

either by the DDP or other donors through area based support – this meant 30 out of the 56 districts and 13 municipalities. By 2003 nationwide coverage had been achieved (World Bank, 2004). The funding of the programme was transferred to the World Bank and the Government of Uganda paid a significantly higher contribution.

The subsequent iterations of local government support which have their origins in the DDP and LGDP I, although not covered in detail in this report⁶, are the Local Government Development Programme II (LGDP II) and the Local Government Management and Service Delivery Programme (LGMSDP). The LGDP II was the successor of the LGDP I and ran from 2004 until 2007. It was funded by a large number of donors, including the World Bank, the Danish International Development Agency (Danida), and national development agencies in Austria, Netherlands and Ireland. The LGMSDP is the current iteration and is the successor to the LGDP II. It takes a different form from its predecessors and includes a community-driven development component.

The intervention logic for the DDP/LGDP I was primarily based on that of a principle-agent model. The DDP and LGDP I were designed so as to encourage local governments to implement their functions according to the newly established legal frameworks and regulations concerning financial planning. It did this by providing the local government infrastructure grant only to those districts that had met minimum conditions, with the grant allocations positively correlated with an additional, more demanding, set of performance criteria. In order to cascade this incentive mechanism to the lower tiers of local government, districts offered higher allocations to better performing sub-counties and town councils and also employed some non-financial incentives. For example in the LGDP II in Rakai, a cow was presented to the best performing sub-county in an annual awards ceremony, which served to identify the best performers and ‘name and shame’ the worst. Those interviewed suggested that both financial and reputation incentives had worked well. The DDP and LGDP I also contained elements that aimed to improve local collective action solutions within government structures. The participatory planning and budget processes encouraged communities and local governments to work together to distribute resources according to collective interests. Interacting in this way to determine government resource decisions hadn’t been achieved before.

3.2 How the engagement worked

On the whole the programmes are considered to have performed well, satisfying most of their original objectives (MoLG 2001; MoLG 2002; World Bank 2004). They have strengthened local governments and contributed to significant increases in the availability of infrastructure facilities within national priority areas (health, education, roads, agriculture, and water and sanitation) – services particularly relevant to the needs of the poor (MoLG, 2001; World Bank, 2003). By the end of the LGDP I, just over 8200 infrastructure investments had been made which were generally highly valued by local communities (World Bank, 2003).

The programmes’ success in delivering these outcomes may be in part a consequence of their ability to ameliorate governance constraints that undermine the effective delivery of public services. This section explains how the DDP and the LGDP I appear to have addressed the constraints in question. Before turning to this, let us examine the wider political context.

Decentralisation has always been a key political strategy for the Museveni government. At the start of his tenure, the government appeared convincingly committed to deliver on this agenda for service delivery objectives. This was demonstrated by the implementation of the PEAP, the PAF, free primary education and other economic and social reforms which stimulated high growth rates and targeted poverty-reducing activities. At the time, the DDP and LGDP I were a way to capitalise on this alignment of donor and government interests, to improve development outcomes by providing resources to support both the structures of decentralisation as well as better service delivery.

Over the lifetime of the programmes, however, decentralisation became an increasingly important tool for bolstering Museveni’s support base, shifting the balance of priority to this at the expense of service delivery. One of the most noticeable effects was the mushrooming number of districts. According to Green, 2008, the carving out of more districts was a strategy employed primarily to achieve a larger source of patronage, as the new districts

⁶ The first two programmes were considered to provide more convincing examples of interventions able to support government efforts to address the constraints of interest.

were producing lots of new jobs in Parliament, the civil service and the private sector. It was also seen as a way of removing actual or potential opposition (former minister of Local Government Jaberu Bidandi-Ssali in Green, 2008). The newer districts were often much less equipped to deliver on their legal mandates, repeatedly performing worse than their older counterparts in meeting the minimum conditions (Green, 2008). This undoubtedly affected the quality of services they provided.

Yet election results showed that these new districts were a successful strategy for buying support (Green, 2008); a strategy which became increasingly important following the introduction of multi-party elections in 2005. Since then the central government has extended its influence over local government in various ways: reducing the scope for local revenue collection by suspending the graduated personal tax, while at the same time reducing government transfers; placing Chief Administrative Officers and Municipal Town Clerks under central government control; and developing a plethora of monitoring exercises of local government that appear to have limited bite (Tukahebwa, 2012).

The DDP and LGDP I were not immune to the consequences of this shift in priorities – the division of districts started during their implementation. That said, the shift seems to have been more significant (or at least more visible) during the latter stages of local government support, e.g. LGDP II and LGMSDP, when a poorer environment for service delivery appears to have had a more detrimental effect on performance. But although performance has slipped in some cases it has not returned to pre-DDP levels. This suggests that activities and results supported before the shift can be sustained.

We will now turn our attention to how aid programmes engaged and addressed the three governance constraints of interest.

3.2.1 Degree of policy and institutional coherence

The DDP and LGDP I appeared to strengthen policy and institutional coherence in three ways: by supporting the nationwide human and systems capacities required for decentralisation; by targeting activities that facilitated the realisation of policy objectives, facilitating an improved alignment of

policy and financial frameworks; and by facilitating incremental improvements in the intergovernmental fiscal architecture.

The purpose of the DDP/LGDP I was to improve the capacity of central and local governments to apply the provisions of the 1995 Constitution, the Local Governments Act 1997 and, for the LGDP I, the associated Local Government Financial and Accounting Regulations 1998. The programmes targeted capacity for planning, budgeting, procurement, financial management and reporting at both the national and local government level. It did this by providing a combination of incentives and capacity building. The programmes applied a set of conditions which encouraged local governments to adhere to the legal provisions concerning decentralised service delivery and the devolution of the development budget. Where capacity was weak, the DDP and LGDP I provided capacity building to support local efforts to achieve the conditions. In doing so they supported efforts to make the local government structures more operational. By the end of 2003, the programme had reached nationwide coverage. This was in part assisted by a rapid increase in the resources available to local governments (beyond the development budget) which nearly tripled between 1997/8 to 2001/2 (Steffensen, 2010).

By 2001, the DDP had ‘a major impact on enabling local governments to meet their responsibility for service delivery within the provisions of the local Government Act 1997 and the LG Financial and Accounting Regulations, 1998’ (MoLG, 2001). The five targeted local governments no longer relied on the centre for planning capability for technical investment projects. They were preparing 3-year rolling development plans, annual work plans and budgets on a regular basis comprising not only DDP investments but also investments financed from other sources. Qualified personnel were recruited in District Planning Units, sub-county chiefs held relevant qualifications, and the participatory planning approach was appreciated by all stakeholders (MoLG, 2001). By the end of the LGDP I, local

10 As District Executive Directors are appointed by the Prime Minister, the suspended District Executive Director was subsequently reinstated nearby, where councillors tried to resist her appointment.

11 The suspended staff are pursuing a case of unfair dismissal requiring the council to pay them a daily allowance, and if they are successful their full pay will have to be paid in arrears. This dispute has serious implications for both the current human resource

government's capacity to deliver on their statutory mandates was further developed (World Bank, 2004) and according to one sub-county councillor interviewed, 'the local government development programmes taught us our jobs'.

Despite these improvements, there were still concerns about the competence of local governments. For example, about the quality of the development plans produced, the degree to which budgets were adequately linked to policies, and other issues with the under-execution of the budget (World Bank, 2004 in Ahmad et al, 2006). One of the major challenges in this regard was the growth of new districts, not only because it was a challenge to bring them into the LGDP I (MoLG, 2002), but also because they often had greater capacity needs than the older districts. As a consequence the LGDP I underperformed on its objective concerning the proportion of districts reaching the minimum conditions and performance measures (World Bank, 2004).

The DDP and LGDP I were effective in supporting the Government's commitment to prioritise poverty-reducing expenditure, as set out in the Poverty Expenditure Action Plan (PEAP). The LDF was used to fund infrastructure facilities in the poverty priority areas (health, education, roads, agriculture and water and sanitation), thereby contributing to the increased availability of services particularly relevant to the needs of the poor. The LDF could be spent only on certain approved items, and this ensured that the money was spent on national priority programmes (MoLG, 2001). This facilitated the improved alignment of policy and financial frameworks. However, after the DDP, there were concerns that some investments were only 'tangentially' touching on poverty because many cultural and social factors affecting access to social facilities had not been sufficiently incorporated into the design of the facilities.

The DDP and LGDP I influenced the development and refinement of the Ugandan intergovernmental fiscal architecture, especially for delivering local infrastructure. Over time the Government has increasingly used the modalities developed under LGDP I to transfer development funds to local governments. The LDF fund allocation mechanisms and formula were designed in a manner consistent with the provisions of the 1995 Constitution and the Local Government Act 1997. The implementation of the DDP/LGDP I served

as a way to test the appropriateness of the legal arrangements for the devolution of the development budget, and highlighted some teething problems, ranging from capacity weaknesses to institutional design issues, which fed into the design of the Fiscal Decentralisation Strategy (Ahmad et al., 2006). This aimed to improve the grant allocation formulae across districts, and improve and simplify expenditure management and reporting by local authorities. In addition to the Fiscal Decentralisation Strategy, experiences from the DDP fed into the design of the Local Government Financial and Accounting Regulations 1998, and sector plans (MoLG, 2001).

Concerns were raised, however, that the LGDP I and other conditional grants had undermined the broader coherence of the intergovernmental fiscal architecture. After the DDP, a host of other conditional grants were implemented. Even though the highly conditional transfer system appeared to mitigate risks related to low capacity and weak PFM as well as ensuring appropriate pro-poor expenditure tracking (Ahmad et al, 2006), it also served to undermine autonomy and weaken institutional coherence as legal fiscal responsibility was based on a system of unconditional grants.

3.2.2 The extent of top-down performance disciplines or bottom-up accountability mechanisms

The DDP and LGDP I supported top-down performance disciplines by creating incentives for local government performance, while at the same time strengthening the oversight and support function of central government. Prior to the LGDP I most local governments were not adhering to their legal responsibilities. In an attempt to address this in an incentive-friendly way the DDP/LGDP I tied the access to, and volume of, development grants to their performance. According to the mid-term evaluation of the DDP and reviews of the LGDP I, the minimum conditions and performance measures significantly contributed to the enforcement of the legal framework for decentralisation and encouraged a results based approach (MoLG, 2001; MoLG, 2002). Although some discrepancies with the incentive system were noted at the time of the LGDP I, sanctions and rewards appeared to be adequately

implemented. For example in 2001, six local governments were sanctioned while one district and one municipality were rewarded (MoLG, 2002). Over time, however, under the subsequent iterations of the programme, the implementation of the sanctions and rewards got worse (MoLG, 2004).

In addition to the financial incentives provided by the LDF and CDF, central government's oversight and support of local governments was enhanced through improved inspection, annual performance assessment, audit and provision of selected supply-side capacity building (Steffensen, 2010).

The rigid structure of vertical accountability links created by the large number of conditional grants that accompanied the DDP and LGDP I strengthened the top-down performance disciplines within the system. However, this came at the cost of local autonomy in decision-making and impeded improvements in the system of horizontal accountability links, which are also important for strengthened performance by policymakers in decentralized frameworks.

The DDP/LGDP I appear to have also improved the degree of bottom-up accountability mechanisms by supporting local government capacity and providing the tools for citizens to hold implementers to account for their performance. By supporting the human and system capacity in the different tiers of local government and encouraging activities that required local actors to develop relationships, such participatory planning processes, a key element of the accountability relationship between citizens and government was developed. In addition, the minimum conditions and performance measures required information on financial allocations and the distribution of infrastructure investments to be published, either on public notice boards, by radio announcements, or by regular meetings between different tiers of local government and administrative units. This provided another link in the accountability chain. Some of those interviewed said that local politicians and civil servants were increasingly held accountable for their actions, and that this could result in promotions or dismissals. Furthermore, district officials noted that local communities began demanding more from local governments and regularly turned up at district offices. This was linked to the improved performance of councils, committees and the executive (World Bank, 2004).

3.2.3 The enabling environment for locally anchored problem-solving and collective action

The activities of the DDP and LGDP I increased the scope for local problem solving and collective action in two ways. First, they encouraged the participation of stakeholders in the planning and allocation processes for public services. Local knowledge about problems related to service delivery, through the participatory planning and budgeting processes, started to feed into the decisions of service providers in a more systematic way. This helped to improve the prioritisation of local infrastructure needs and the allocative efficiency of resources. Second, the management systems built into the DDP/LGDP I, such as the project management committees and the regular meetings required between different levels of local government and administrative units, brought the communities closer to local government.

However, concerns were raised about the meaningful participation of the poor, who are disadvantaged by social structures and a high incidence of illiteracy. In addition there were challenges related to ownership, as many of the investments were seen as government projects, which meant that local communities were reluctant to invest in their maintenance as they assumed this was the government's responsibility.

In addition, a number of developments alongside, but not attributed to, the implementation of the DDP and the LGDP I undermined local autonomy and the scope for local collective action. These included the conditional nature of most grants to local government; the reduction in government transfers to each district and the reduced scope for local revenue collection with the suspension of the graduated personal tax; and the placing of Chief Administrative Officers and Municipal Town Clerks under central government control.

3.3 Implementation approach

3.3.1 Mechanism

The DDP and LGDP I were hybrid modalities, combining sector budget support and project aid. Sector budget support, which made up the greater

part of the funding, was traceable and linked to a performance grant system. The project element was approximately 25% of total programme costs and included the CDF, support to implement the new grant system and support to ensure that the broader decentralisation policy was effectively implemented (Steffensen, 2010). The DDP was funded primarily by UNCDF, with a small contribution from UNDP and the Government of Uganda, with a cost of approximately \$17.5 million. The LGDP I, the scaled up version of DDP, was funded by the World Bank and the Government of Uganda and cost approximately \$80.9 million. By 2005, at the start of the LGDP II, the programme was considered to be the largest example of capacity building linked to notionally earmarked general budget support in Uganda (IDD, 2006).

3.3.2 Process features: origin and implementation

Upfront diagnostic and consultation effort

Substantial up-front analysis of current practices and considerable consultation have characterised the genesis and design of the DDP and appear to have influenced its performance. There was a year-long programme design phase, to understand the situation in each district and develop appropriate incentive mechanisms in the local context. To assess how services were being planned and produced, the design team spent three months working with communities, local councillors, contractors, non-government organisations and community-based organisations, to construct 'service delivery trees.' This not only provided a huge amount of detail about how things were happening but also provided insights into how they could be best improved (Porter and Onyach-Olaa, 1999).

Alongside this, the DDP involved wide consultations at both district and national levels, which helped to identify the districts most likely to succeed in the pilot, to fine tune the operative parameters of the project and its procedures, and to serve as a way of sensitising and training key actors at the local government levels who were expected to be responsible for the operation of the project (MoLG, 2001). In this way the consultation process was used to both inform and foster support for the programme, in the context of a growing consensus for broader decentralisation efforts within government. Both the upfront diagnostic effort and the extensive consultation revealed the most appropriate entry

points and fed into what was considered to be well-suited/appropriate programme design (MoLG, 2001). A testament to this is the fact that the LGDP I was primarily based on the DDP and that its design has since formed the basis of many similar programmes rolled out elsewhere.

Supporting political momentum for change

The programmes supported political momentum for change in several mutually reinforcing ways. The programmes focused on, and in practice catalysed, the government's desire to implement decentralisation to improve service delivery, and did so in a way that addressed the binding constraints for effective decentralisation – inadequate human and system capacity and financial resources at the local government level. By addressing these constraints, the programme was facilitating the implementation of the institutional framework for service delivery, exploiting a presumed political commitment for reform as articulated in the legal mandates.

Unlike many other traditional aid programmes, the DDP and LGDP I did not tie funding to external policy objectives. This limited the potential for disputes about programme implementation, because there was no departure from what had already been approved at a political level. It's worth noting that future programmes were not immune to this challenge. For example, during the LGDP II, the Decentralisation Strategic Policy Framework and Sector Investment Plan (2006-2016) were created and a broader framework for dialogue was developed in an attempt to address the perceived policy vacuum concerning decentralisation reforms. Yet this was a heavily contested process, and some interviewed suggested it contributed to the donor withdrawal from the LGDP mechanism to support other mechanisms under the investment plan.

The programmes also financed transfers for visible goods and services that politicians could capitalise on in their campaigns. Not only did the programmes fund investments that were largely missing at the local level, but the participatory nature of the budget process allowed communities a voice in the delivery of services that had been largely absent until then. This made the programmes popular at the community, local government and national levels. A testament to this is that fact that Parliamentary approval of LGDP successor programmes has always been smooth and that many of the international donors that were initially reluctant to provide financial support to local

governments started to crowd in their support for the LGDP II.

Learning by doing and mentoring approach

By supporting the implementation of legal mandates, the programmes aimed to support the nuts and bolts of delivery, building on what existed rather than refining the institutional and policy frameworks. Through financial and technical support the programmes sought to strengthen government delivery systems, in a way that allowed for a 'learning-by-doing' process. The programmes also encouraged local governments to learn from each other, by including mentoring as a performance measure for the allocation of the LDF. In this way local governments were encouraged to exchange knowledge and experiences on their performance. Learning was also an objective for programme project management. When the DDP was developed it was considered to be a fairly experimental approach, and building on the lessons learnt from the DDP, the LGDP I had an additional component exclusively to support project management and learning.

3.4 Challenges

There are a number of challenges associated with the local government development programmes (e.g. DDP/LGDP I/LGDP II/LGMSDP) in Uganda. Some issues directly affected the performance of the DDP and the LGDP I, while others have undermined performance of the subsequent programmes.

The main challenge has been that over time the technical and financial arrangements have not maintained a strong incentive for performance. This has been particularly problematic for the later iterations of support –LGDP II and LGMSDP. Two main factors led to this. First, there was a reduction in the quality of the assessment. In part because some conditions remained the same year-in year-out, losing their 'stretch' value, and in part because the list of conditions blossomed as each sector wanted to include their individual indicators which weakened the simplicity and clarity of the incentive system. In addition, independent verification of performance in the LGMSDP is no longer effective which, according to those interviewed, has distorted the incentive system as performance is not automatically rewarded or penalised. Second, the grant has not increased in proportion to the increase in the number of districts. This has made it almost impossible to maintain

the financial incentives included in the programme design: the cake is more or less the same size, but there are more mouths to feed. This problem is exacerbated by the fact that a greater proportion of the older districts are performing well, so requiring high LDF allocations, while a large number of the newer districts demand more support and high CDF allocations. In addition, over time the local government development programmes' share of district budgets has got significantly smaller, which also undermines the incentive system. This has created a situation where all of those interviewed noticed that they were no longer getting financially rewarded/penalised in full for their performance. Inevitably fashioned by a political context that appears to be de-prioritising service delivery.

Another challenge concerns the support of an agenda that had yet to achieve full buy-in from relevant constituencies. At time of DDP development, there was a lack of firm support for decentralisation policy from line ministries with critical activities at district level (MoLG, 2001), which created challenges for implementation (UNCDF, 2010). Such difficulties were exacerbated by donors who would sometimes support an incoherent set of policies, which on the one hand encouraged the decentralisation of services, while at the same time strengthening and supporting the central government. In addition, a large number of donors were providing budget support to the Government (IDD, 2006), but –in a somewhat contradictory manner – were reluctant to provide financial support the DDP and LGDP I because of their misgivings about local government capacity to deliver, and about the decentralisation framework (MoLG, 2001). Initially lessons from the DDP were not sufficiently shared with other sectoral/ line ministries, local governments and donors not covered by the Project (MoLG, 2001), but by the end of the LGDP I there was a growing momentum for other donors to buy into the model (World Bank, 2003).

The significant differences between financial amounts planned and disbursed under the DDP and LGDP I created another challenge for planning and implementing DDP/LGDP I investments. The majority of DDP disbursements were less than planned, sometimes to the extent of up to half the original amount. This was due to a variety of reasons including delays in donor funding, differences between local government planned and actual performance, and some rigidity in the programme design. These significant discrepancies made it difficult to plan effectively and created considerable

problems for implementation particularly for those projects that were tied to certain weather seasons (MoLG, 2001).

Concerns were raised about the quality of infrastructure produced under the local government programmes and their maintenance. Those interviewed felt that the quality of infrastructure built under the DDP was worse than that procured through other government sector conditional grants, such as the School Facility Grant (SFG). According to an interviewee, one of the local government development programmes had funded emptyable pit latrines but the SFG had paid for more expensive non-emptyable ones. Reasons given for this include the pressure/incentives districts officials faced to please constituents, causing resources to be distributed widely – but thinly; and to poor planning/skills at local government level. For example in one sub-county visited the sub-county procurement team rather than the district engineer often wrote the bills of quantities, even though they did not have adequate skills. In addition, there was weak guidance and supervision more broadly on the specifications of infrastructure, from the sector and local government and reluctance to maintain infrastructure that was considered the responsibility of local government.

Finally, there appeared to be a growing sense of participation fatigue for participatory planning processes. Like many of the other challenges, this seems to have had a more detrimental effect on the later local government programmes – LGDP II and LGMSDP – rather than the DDP/LGDP I. This growing sense of local disillusionment seems to be a response to the inability of local governments to satisfy the demands of local communities, undermining the incentive to take part in participatory planning exercises.

4

Lessons and conclusions

The DDP and LGDP I appear to have successfully addressed common governance challenges to service delivery. A number of lessons can be derived from their approach that may be relevant for the design and implementation of future interventions.

Address the constraints in mutual reinforcing ways

The DDP and LGDP I provided a package of activities that supported the amelioration of the three governance constraints in a mutually reinforcing way. Based on a principal-agent model, the programmes gave local governments an incentive to implement their legal mandates, by tying funding for local infrastructure to their performance, thereby seeking to address both top-down performance disciplines and policy and institutional incoherence. At the same time, the participatory planning processes, made possible by improvements in institutional coherence, encouraged communities and local governments to work together to distribute resources according to collective interests. This process facilitated improvements in local collective action and bottom-up accountability.

Exploit political momentum for change

The programmes helped catalyse the government's decentralisation objectives by financing goods that were politically popular and supporting the implementation of legal mandates. The aid programmes sought to exploit the presumed political commitment to legal frameworks by tying performance conditions to their implementation. This created the conditions for a more sustainable incentive mechanism, as incentives were tied to locally determined, rather than externally determined, conditions; thereby helping to make the (principal-) agent endogenous. Over time, however, prioritisation of decentralisation for service delivery objectives

seems to have diminished and so too has the effectiveness of the incentive mechanism. Yet local government's performance has not returned to pre-intervention levels.

Address the implementation gap by bringing practice into line with written rules

The substantive diagnostic effort in the DDP design phase shed light on current practices and the gaps between what was written and what happened. The programmes sought to close this gap, by bringing practice into line with institutional and policy frameworks in an incentive-friendly way. Over time, the programmes also fed into incremental refinements of the intergovernmental fiscal framework without, unlike many other aid programmes, ambitions for wholesale revisions to the institutional framework. In this way implementation support drove incremental changes to the institutional and policy framework, rather than the other way round, which has often been the experience with aid programmes.

Analyse trade-offs between policy and institutional coherence, performance disciplines and scope for local collective action

In the case of the DDP and LGDP the conditional grant system helped foster improved policy coherence by allowing the infrastructure grants to be spent only on specific national priority expenditures, and improved performance disciplines by tying the grants to performance. But this may have come at the expense of the scope for local problem-solving as, unlike an unconditional grant system, local expenditure autonomy was partially restricted.

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