**Uganda: Local Government Development Program**

The project, with a credit equivalent to US$80.9 million was implemented by the government over the period 2000-2004. The project was designed to scale up an earlier UN Capital Development Fund pilot to 30 districts (out of 56) so that policies and principles could be tested (and costed) on a larger scale and lessons learned used to develop national policy formulation within a sound fiscal framework. It had 4 objectives: (i) 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 (LGs); (ii) Build the capacity of the Ministry of Local Government (MoLG), the Local Government Finance Commission Secretariat (LGFC), and a sub-set of the LGs for improved service delivery, accountability and transparency; (iii) Test and institute alternative service delivery mechanisms through the private sector, beneficiary communities and other stakeholders in the Kampala City Council (KCC); (iv) 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.

**Impact on the ground**

- A total amount of $42.6 million was disbursed in local government grants against the projected $39.5 million. Most of the 8,204 investments were made in priority areas of the government’s Poverty Eradication Action Plan (PEAP), namely roads and drainage (39%), education (23%), water and sanitation (14%), health care (13%), production (5%), administration (5%), and solid waste (1%). Less than 20% was spent on the administration of these funds.

- Labor accounted for 24% of total project costs, or approximately $7.3 million that was paid directly to communities for approximately 1.5 million short-term jobs (of which 30% went to women).

- Annual assessments and audits (by the Office of the Auditor-General) of all Higher and Lower Local Governments were conducted – a major achievement.

- According to the Social Impact Assessment (SIA) carried out at the end of the project, significant benefits were perceived by local residents. These included: roads: improved access to markets, increased land values, improved access to social services and reduction in transport fares; water and sanitation: reduction in waterborne and sanitation-related diseases, reduced distance and time to access clean drinking water; education: improved enrolment and retention of pupils, improved timeliness of staff (due to housing availability) and more conducive learning environment – chairs and desks; health investments: increased in- and out-patient attendance, increased immunization; productive investments: improved food security and improved earnings for farmers; and power: new businesses, increased land value and improved security.

- The SIA also indicates that downward accountability is gradually taking place – Councillors regard the...
Lessons learned

- Discretionary budget support to LGs can result in effective planning, investment and management by LGs without elite capture, providing there is a strong accountability framework upward, downward and through peers. Linking funds to performance provides incentives to LGs to improve capacity through "learning by doing" and by stimulating competition and increasing compliance with standards and regulations.
- Effective participation and downward accountability require specific support. Capacity building for communities and LLGs to effectively engage in district planning is very important. This involves developing appropriate mechanisms to inform communities of decisions, trade-offs and results.
- Investment decisions that incur recurrent costs need to be made at the level of beneficiaries and adequate resources budgeted for, especially in a declining local revenue context. Community projects can be sustained through community contributions and peer pressure, but for LG-level infrastructure, adequate budget is needed for O&M.
- Instead of using parallel project systems, it is critical to mainstream a development grant scheme into the government system as soon as possible to improve the systems, documents and staff skills.
- LGDP-type projects can significantly strengthen the informal sector and small contractors through competitive demand-driven provision of public services. CSOs can be used more proactively to provide and deliver services.
- In order to effectively manage the process of increasing revenue mobilization, the inherent political risks need to be assessed during the preparation of the project, ranging from understanding the impact on the poor to ensuring the highest level of political commitment.
- There is a need to establish better criteria and mechanisms for the transition of districts from Social Funds to LG programs so that there is a more effective engagement between communities and LGs; where both programs are necessary, it would be useful to better clarify the boundaries of each.

This Infobrief has been excerpted from Implementation Completion Report No. 30284. For more information, please e-mail Lance Morrell, Lead Operations Officer, AFT Water and Urban (AFTU1), at lmorrell@worldbank.org.

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