

## DECENTRALISATION AND POVERTY: CONCEPTUAL FRAMEWORK AND APPLICATION TO UGANDA

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### SUMMARY

In order to shed further light on the discussion about decentralisation-poverty linkages in developing countries, this article introduces a conceptual framework for the relationship between decentralisation and poverty. The framework takes the form of an optimal scenario and indicates potential ways for an impact of decentralisation on poverty. Three different but interrelated channels are identified. Decentralisation is considered to affect poverty through providing opportunities for previously excluded people to participate in public decision-making, through increasing efficiency in the provision of local public services due to an informational advantage of local governments over the central government and through granting autonomy to geographically separable conflict groups and entitling local bodies to resolve local-level conflicts. Based on the experience with decentralisation in Uganda, it is shown that these channels are often not fully realised in practice. Different reasons are singled out for the Ugandan case, among them low levels of information about local government affairs, limited human capital and financial resources, restricted local autonomy, corruption and patronage, high administrative costs related with decentralisation and low downward accountability. Copyright © 2007 John Wiley & Sons, Ltd.

KEY WORDS—decentralisation; poverty; local government; efficiency; participation; Uganda

### INTRODUCTION

In recent years, it has come to be widely accepted that decentralisation can be conducive to poverty reduction mainly because local governments are assumed to have better information and higher incentives than the central government to design and implement policies that respond to local needs and preferences. Besides, decentralisation is considered a means to achieve good governance in terms of a high level of public participation, accountability of public officials and low corruption, which is a crucial condition for poverty alleviation. These arguments appear to be very popular among policy-makers in developing countries, including donor organisations. The World Bank, for example, explains on its website that ‘national development and poverty alleviation often hinges on improved subnational growth and service delivery’, which in turn is supposed to be achieved through decentralisation.<sup>1</sup> However, the academic backing for an impact of decentralisation on poverty is restricted and at best ambiguous. The literature on the topic is still confined to relatively few studies, as interest in the relationship between decentralisation and poverty picked up only recently but has since been steadily growing.<sup>2</sup> Most publications tend to concentrate on selected aspects of decentralisation-poverty linkages, which cannot yield a complete examination of the topic. Therefore, the present article introduces a conceptual framework for the relationship between decentralisation and poverty. This framework integrates much of the existing literature thereby intending to provide an overview as complete as possible. It takes the form of an optimal scenario and is not meant to be in any way an image of the real world based on empirical evidence. Instead, it indicates all the potential ways for an impact of decentralisation on poverty and assumes rational behaviour of all stakeholders.

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<sup>1</sup>See <http://www1.worldbank.org/publicsector/decentralization> (last accessed 23 October 2006).

<sup>2</sup>Related literature on the relationship between decentralisation and development dates back to the 1980s (Cheema and Rondinelli, 1983). The decentralisation-development link is still at the centre of interest in some cases, such as in the special issue ‘Decentralisation. Paving the road to local development?’ of *African Insight*, Vol. 35 (2005) No. 4.

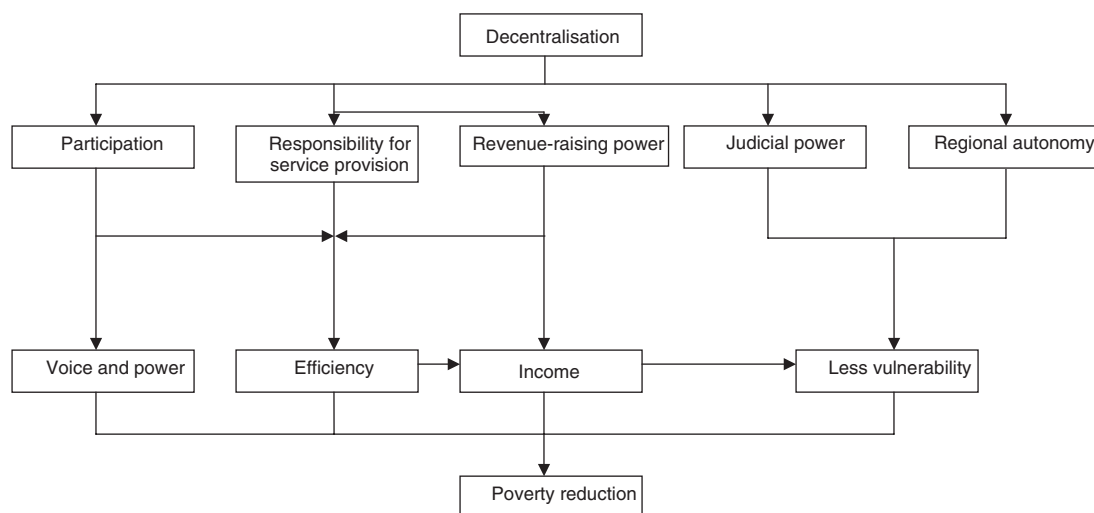


Figure 1. Links between decentralisation and poverty: the optimal scenario.

In order to examine how well the conceptual framework is put into practice, it is then applied to the case of Uganda. This country is exceptional among developing countries in terms of the scale and scope of its current decentralisation reform as well as recent achievements in poverty reduction: On one hand, the National Resistance Movement (NRM) government adopted a very comprehensive decentralisation reform in 1992, praised as ‘one of the most far-reaching local government reform programmes in the developing world’ (Francis and James, 2003: 325) or ‘one of the most radical devolution initiatives of any country at this time’ (Mitchinson, 2003: 241). On the other hand, the period since the takeover of the NRM in 1986 is known to be a period of economic recovery, macroeconomic stabilisation and high economic growth (Reinikka and Collier, 2001). As a result, the poverty headcount was reduced remarkably from 56 per cent in 1992 to 38 per cent in 2002/03 (Kappel *et al.*, 2005), and other indicators of poverty and underdevelopment improved as well. The remainder of this article is organised as follows. Section 2 presents a conceptual framework that outlines three different but interrelated channels through which decentralisation potentially affects poverty. Section 3 analyses the extent to which two of these channels are performing in the case of Uganda. Section 4 summarises the findings of this article and derives implications for policy.

#### CHANNELS FOR THE IMPACT OF DECENTRALISATION ON POVERTY

Over the last 5 decades, the question of the meaning and measurement of poverty has received much attention, and the debate has in principle moved from an economically oriented towards a multidimensional conceptualisation of poverty. Different dimensions of poverty have been defined, among them the economic, human, political, socio-cultural and protective dimensions (OECD, 2001).<sup>3</sup> Following such an understanding of poverty as a highly complex phenomenon, it must be clear that poverty eradication cannot be achieved by any single remedy like decentralisation but that it requires a combination of policies designed for country specific or even local conditions. A strategy of complementary elements for poverty eradication has been promoted in recent years, which generally consists of measures to promote opportunities, facilitate empowerment and enhance security (World Bank, 2001). As is illustrated in Figure 1, decentralisation can contribute to poverty reduction through different channels that are

<sup>3</sup>The economic dimension identifies poverty as insufficient income to meet certain basic needs. The human dimension focuses directly on the question of an individual’s access to basic needs, such as education, health and nutrition, without making specific reference to income. The political dimension refers to the deprivation of basic political and human rights as well as limited participation in public decision-making. The socio-cultural dimension indicates social exclusion and a lack of dignity within or between communities, while the protective dimension implies vulnerability to social, economic or security-related shocks.

part of the three elements of poverty eradication strategies. The left channel of Figure 1 corresponds to the role of decentralisation for facilitating empowerment, the middle channel to the role for promoting opportunities and the right channel to the role for enhancing security. The connecting lines between these channels make clear that they are not independent of each other but strongly interrelated.

With regard to facilitating empowerment, the assumed contribution of decentralisation is through increased participation of the population in public decision-making. In highly centralised government systems, influence on political processes is generally restricted to small political and economic elites, while wide sections of the population and particularly the poor are excluded from public decision-making processes. In this light, decentralisation can bring about increased opportunities for broad-based participation, as it entails an element of immediacy (Crook and Manor, 1998; Blair, 2000; Crook and Sverrisson, 2001; Goetz and Gaventa, 2001). It can become easier for local people to see the direct links between priority setting, planning and the actual implementation of policies; and barriers to mobilise, get involved and make demands can be substantially reduced. Whereas such factors as distance, social exclusion and resource scarcity represent serious constraints for (poor) people to access the political arena at the central government level, they weigh much less at the local level. By way of decentralisation, people are therefore given the chance to have a greater stake in decisions on the pace, form and content of the policy-making agenda through either representation or direct involvement.<sup>4</sup> To the extent that decentralisation leads to increased participation of the poor, this in itself represents a form of poverty alleviation as it reduces poverty in its political dimension.

As far as the role of decentralisation for the promotion of opportunities is concerned, it is of crucial importance that decentralisation involves the transfer of decision-making power for the provision of certain services to local government units. Compared to the central government, local authorities are assumed to have an informational advantage with regard to local conditions and preferences. They should therefore be able to achieve an improved correspondence between the demand for and the supply with publicly provided services, which in turn would represent a gain in efficiency (World Bank, 2001; von Braun and Grote, 2002; Asante, 2003; Jütting *et al.*, 2005). Basic social and economic services as well as basic infrastructure (e.g. primary education, primary health care, drinking water, sanitation, feeder roads, electricity or business support services) are sectors, for which responsibility is often devolved to the local government level.<sup>5</sup> To the extent that decentralisation leads to a more efficient provision of such publicly provided services, there is a scope to achieve poverty reduction, as these services enable poor people to improve their material situation of life. In fact, increasing poor people's access to and use of these services implies an eradication of poverty in the human dimension. This in turn can have an impact on people's opportunities to engage in productive activities and hence on poverty in the economic dimension, though this might take effect only in the medium to long run. Reducing the human and economic dimensions can also reduce people's vulnerability to economic shocks and hence the protective dimension of poverty. Since it cannot be taken for granted that local governments possess perfect information over local conditions and preferences, participation plays a crucial role for achieving efficiency, as it paves the way for integrating people's needs in public decision-making.

It is not sufficient to transfer the responsibility for publicly provided services and hence expenditures to the local level; it is also necessary to provide the corresponding revenues. Whatever local governments are made responsible for; they must possess the financial resources to fulfil these responsibilities. Otherwise, services will be severely underprovided if provided at all. The assignment of revenues to local governments is a complex undertaking. Generally, decentralisation involves the transfer of revenue-raising power to the local level, the establishment of an intergovernmental transfer system, the design of revenue-sharing arrangements or a combination of these options (Musgrave, 1983; Musgrave and Musgrave, 1989; Bahl and Linn, 1994; Norregaard, 1997; Bird, 1999; Bird and Vaillancourt, 1999; Bahl, 2002; Bird and Smart, 2002).<sup>6</sup> Whatever the design, the first and foremost implication for poverty of changes in the fiscal structure is that local revenues make the necessary resources for the local provision

<sup>4</sup>In this sense, decentralisation is often regarded to contribute to democratisation (Crook and Manor, 1998; Agrawal, 1999; Blair, 2000).

<sup>5</sup>Specific local knowledge about climatic and environmental conditions, such as rainfall and soil patterns, can be a sufficient justification to also involve local governments in natural resource and disaster management.

<sup>6</sup>It is also possible to allow for borrowing mechanisms but these generally play a minor role for local governments in developing countries.

of services available and thus represent an input into responsive and efficient service delivery. They thereby indirectly affect the human dimension of poverty. Second, if revenue-raising power is granted to local governments, decentralisation can lead to improved resource mobilisation due to the better ability of local authorities to identify taxable households and enterprises (Bahl and Linn, 1994) or due to higher motivation of the population to pay revenues. Such higher motivation may come about for different reasons. People may be more willing to commit to the common good at the local level than at the central level because it is easier for them to see the link between revenues and expenditures locally, because they are here more likely to participate in local decision-making and demand responsive service delivery, or simply because they perceive local officials to be more responsive than central officials to their needs (Livingstone and Charlton, 1998; Smoke, 2003; Fjeldstad, 2004). And finally, if equity concerns are taken into account in the design of the local revenue system, revenues may correct for an unequal distribution of market incomes. Yet, there is evidence that the potential of taxes to address equity concerns is rather limited (Tanzi, 1974; Harberger, 1998), making the link from local taxation to an equitable distribution of income rather weak.

With regard to its contribution to enhancing security, decentralisation has the potential to affect poverty in two distinct ways. The first is that decentralisation can be an institutional mechanism to foster political stability and national unity, as it allows for autonomy for potential conflict groups and brings them into a formal, rule-bound process (Litvack and Seddon, 1999; World Bank, 2000; Crook and Sverrisson, 2001). This is particularly important in countries that are divided along geographic and/or ethnic lines and that are characterised by secessionist tendencies. However, there are concerns about the political enforceability of decentralisation in countries with a continuing threat of social upheaval, as the governments of such countries may tend to grant less discretionary power to the local level (Bahl and Linn, 1994). The second way consists in that decentralisation often involves the transfer of judicial or adjudicatory power to the local level, through which local bodies are entitled to resolve neighbourhood and communal conflicts, including disputes over natural resources (Olowu and Wunsch, 2004). Such bodies, which often take the form of customary courts, tend to be popular, inexpensive, accessible and effective instruments for reconciliation matters (Tidemand, 1995; Dia, 1996). Through both these ways, decentralisation provides the means to reduce the protective dimension of poverty by decreasing people's vulnerability to political instability and local-level conflicts.<sup>7</sup>

#### THE DECENTRALISATION-POVERTY FRAMEWORK IN THE CASE OF UGANDA<sup>8</sup>

As has been well documented elsewhere (Villadsen and Lubanga, 1996; Nsibambi, 1998; Obwona *et al.*, 2000; Saito, 2003; Steffensen *et al.*, 2004; Steiner, 2006), strong political commitment to decentralisation has paved the way for an exemplary form of devolution in Uganda with transfer of far-reaching responsibilities for decision-making, planning and budgeting, finance and service provision to five tiers of local governments. However, despite the exceptional reform efforts there is a gulf between principles and practice. Even though the reform offers much potential for an impact on poverty through facilitating empowerment and promoting opportunities, this potential has not yet been fully tapped.<sup>9</sup> As is explained in this section, decentralisation has not

<sup>7</sup>This impact channel has played only a marginal role in the debate about decentralisation and poverty compared with the other two channels, which is reflected in the almost inexistent theoretical and empirical treatment of the subject. In the following investigation of the relationship between decentralisation and poverty in Uganda, this channel is not investigated either but it promises much value added from further research.

<sup>8</sup>The following analysis of the relationship between decentralisation and poverty in Uganda is based on insights from two field research periods, which took place from May to July 2004 and from May to June 2005, and on a review of various primary and secondary sources. During the field research time, about 30 unstructured expert interviews were conducted and one example district was visited. Interviews were held with representatives from several local governments, the Ministry of Local Government (MoLG), the Local Government Finance Commission (LGFC), the Decentralisation Secretariat, the Uganda Local Governments Association (ULGA), the Inspectorate General of Government (IGG), the Danish International Development Agency (DANIDA), the Department for International Development (DFID), the World Bank, the United Nations Capital Development Fund (UNCDF), the German Development Service, the Centre for Basic Research (CBR), the Economic Policy Research Centre (EPRC), Makerere University, and Cornell University.

<sup>9</sup>As noted above, the security channel of the relationship between decentralisation and poverty does not play an explicit role here. This channel is therefore also omitted in Figure 2.

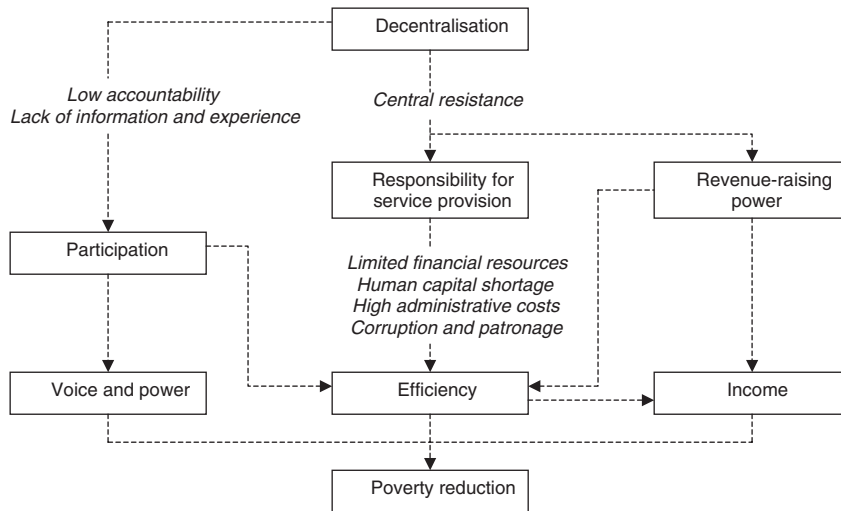


Figure 2. Links between decentralisation and poverty: the case of Uganda.

brought about increased voice and power for local citizens, responsive policy-making and efficient service provision to the extent intended. This is due to a number of serious challenges, which inhibit the proper implementation of decentralisation. These challenges are explained in the following and summarised in Figure 2, where they have been incorporated into the conceptual framework from above. This updated version of the framework represents much more the real world, at least the real world of decentralisation in Uganda, than the optimal scenario in Figure 1 that supposes rational behaviour. The broken lines indicate that none of the linkages between decentralisation and poverty are definite.

First, the intended increase in popular participation has only been achieved to a limited extent, especially as far as non-electoral forms of participation are concerned. Local officials generally do not provide sufficient space for citizens to get involved in decision-making, and citizens often prove to be ignorant about the opportunities offered by decentralisation. Even though it is envisioned by the decentralisation reform, there is hardly any consultation between local governments and citizens when work plans are prepared and budgets formulated (MFPED, 2002). The planning cycle for local governments envisions the integration of lower level development plans into higher level development plans and thus provides for a consecutive elaboration of plans starting at the lowest level so that the plan of each level can be integrated into the plan of the next higher level. But it appears that if lower level plans reach higher local governments, they are rarely considered (Francis and James, 2003).<sup>10</sup> One reason for this is that there is generally mistrust in the capacity of lower government levels and hence disrespect for their identified priorities and elaborated plans. Another reason is ignorance of procedures among officials in charge many of whom have not clearly understood the rules of the game. Due to low levels of education and experience with local government affairs, local officials are frequently not fully informed about the instructions and procedures related with decentralisation. And yet another reason is that delays in the submission of plans from lower levels naturally lead to a considerably reduced probability of their consideration. In any case, downward accountability, that is

<sup>10</sup>Such a situation was observed in the sample district. At the beginning of July 2004, none of the three sub-counties visited had submitted their plan to the district even though the new fiscal year had already started. Planning had reportedly started late because of a lack of resources for the transport to villages, the organisation of meetings, article, etc. The district development plan in turn had already been drafted; needless to further elaborate on the extent of integration of these lower level plans. In the sub-counties, the picture with regard to the incorporation of village plans was mixed. In one sub-county, village plans were supposed to be ready but could not be found. In another, the council headquarters were abandoned and nobody could be found to provide information about village plans. The last sub-county, however, represented a very positive example. The council chairman was present and able to show orderly village plans (including priorities and respective units of responsibility) for all 37 villages in the sub-county.

accountability of higher levels to lower levels of local government as well as to the populace, is far from being realised.

Besides, citizens' attendance at council meetings, in particular at lower government levels, is not high due to high opportunity costs of attending meetings in the form of foregone income, an overload of meetings, the fact that discussed matters appear too technical, the limited resources at stake, or the perception that local government decisions are the prerogative of elected representatives (Francis and James, 2003). But more often than not does a lack of information among citizens play a major role. Many people do not know what decentralisation is about and what their rights and duties are. Given Ugandan history, it is not surprising that no participatory culture has yet developed. The long phase of radical centralisation from 1966 to 1992, experience of brutal dictatorship, and deprivation over many years as well as strict hierarchical social and political relations had resulted in people's apathy and cynicism towards public affairs. Understandably, people have not been immediately eager and able to participate in politics to influence the way they are governed (Golooba-Mutebi, 2005). It was obviously an extreme shift from the government deciding what is best for the people to the people telling the government what is best for them. In order to allow for a participatory political culture to evolve, time is an inevitable factor.

Second, local governments do not dispose of full autonomy in local decision-making. Although the responsibility for the majority of publicly provided services was transferred from the centre to local governments, the centre and especially the line ministries still exert considerable influence on local service provision and the use of financial transfers. On one hand, line ministries determine national objectives and priorities, especially within the Poverty Eradication Action Plan (PEAP) and different sectoral plans operationalising it, to which local governments have to adhere even if they would set their priorities differently. On the other hand, most of the financial resources available to local governments (i.e. approximately 80 per cent) are conditional grants from the centre and thus predetermined for a particular use. Local governments are constrained in the flexible allocation of these funds, cannot re-allocate them according to local preferences and hence basically only administer them.<sup>11</sup> This implies that despite the fundamental assumption in the decentralisation debate about the informational advantage of local governments, the central government ultimately decides how much money is transferred to and used at the local level and what for.

Reasons for this extensive reliance on conditional grants appear to be manifold. The introduction of the Poverty Action Fund (PAF) in 1998/99, which is a protected part of the public budget mainly used for so-called poverty priority areas (primary education, primary health care, rural road rehabilitation and maintenance, agricultural extension and rural water and sanitation) and channelled through local governments, resulted in an extensive conditioning of intergovernmental grants to ensure that these grants are spent on the intended purposes (Republic of Uganda, 2002). Yet, if poverty was reduced as a result of these resources channelled towards poverty priority areas, it would not be the decision-making at the local level but central policy-making that was behind it. Besides, the use of conditional grants has been deemed necessary by central authorities because of presumably weak financial management and accountability mechanisms at the local level as well as concerns about local capacity and willingness to make decisions in line with national priorities.<sup>12</sup> This tendency to rely on conditional grants for the achievement of national standards is further underlined by the use of sector-wide approaches, which privilege centralised decision-making, including the earmarking of funds (Land and Hauck, 2003). However, empirical evidence has shown that local decisions made under the discretionary Local Government Development Programme match national objectives to a great extent (Onyach-Olaa, 2003). Local misuse and contradicting decision-making might therefore be no more than the official reasons to justify the high share of conditional grants; the real reason might be that line ministries hang on to power.

Third, the level of financial resources and human capital is by and large restricted in local governments; a fact that inhibits local officials to fulfil their assigned functions effectively and efficiently. Approximately 30 per cent of

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<sup>11</sup>This is to be changed with the recently initiated Fiscal Decentralisation Strategy.

<sup>12</sup>But even if local governments were capable and willing to take decisions in line with national priorities, this would not always be feasible since there is lacking continuity in national priority-setting. Focus has repeatedly been taken away from a particular policy goal and re-directed to another, the reason for which may lie in the changing orientation at the different Millennium Development Goals.

the total budget are today transferred to local governments as intergovernmental grants and about 27 per cent of total public expenditures are spent at the local level. These proportions are very high in regional and even interregional comparisons but they must be seen in the light of expenditure assignments. Since most service delivery functions have been decentralised, local-level financial requirements are high. Yet, fiscal decentralisation was pursued without a systematic costing of decentralised services in the initial stage of the process, and devolving new functions was done without adequate compensation of the costs of these (LGFC, 2000). Local governments in Uganda were not provided with much power to raise revenues locally and instead rely extensively on intergovernmental transfers, including conditional, unconditional and equalisation grants. In addition to the limited local revenue-raising power, collection of local taxes and fees amounts to only about 10 per cent of the total revenue available to local governments on average, which is estimated to be one third to one half below the potential (LGFC, 2000). There are several reasons for this underperformance, among them the politicisation of local taxes (including the recent abolition of the nominally important Graduated Personal Tax ahead of the 2006 Presidential election), wide reluctance among the population to pay tax due to arbitrary, regressive and sometimes forceful collection practices, lack of awareness of taxpayers about the connection between services and taxes, collusion between tax collectors and taxpayers and lack of administrative capacity at the local level (Livingstone and Charlton, 1998; LGFC, 2000; MFPEd, 2000; Ellis and Bahiigwa, 2003; Francis and James, 2003; Bahiigwa *et al.*, 2004; Kasimbazi, 2004). The high transfers from the central government may represent an additional disincentive for collection of own local revenue (Republic of Uganda, 2002; Land and Hauck, 2003). In consequence, locally collected revenue does not allow for many productive and sometimes not even for petty investments and is instead just sufficient to cover councillors' salaries, emoluments and allowances. Even though the level of intergovernmental transfers has increased incrementally from Ush 224,900 in 1997/98 to Ush 741,467 in 2003/04 in nominal terms, this has again happened without proper consideration of the costs of local functions; and funds are still not commensurate with service delivery requirements today (MoLG, 2004). Therefore, local governments do not dispose of the means to provide services efficiently, which seriously jeopardises the potential of decentralisation to contribute to poverty alleviation.

In addition to the shortage of financial resources, local governments also struggle with a shortage of educated and experienced manpower. Both politicians and civil servants are often inadequately trained for the functions they have been assigned, which is not surprising given the prevailing low level of education in Uganda on one hand and the fast growth in responsibilities, functions and funds that now have to be handled at the local level on the other hand. With regard to the administrative and service provision structures, there is a general lack of civil servants, such as accountants, planners, engineers, teachers and health workers, and remote areas face particular difficulties to recruit and maintain educated personnel.<sup>13</sup> Staffing structures and levels are partly inadequate, as they also have not been co-aligned with the devolution of functions and responsibilities.<sup>14</sup> In consequence, unrealistic planning and budgeting, failures in accounting, delays in submitting reports and poor service delivery inhibit the smooth functioning of decentralisation. A further constraint is the fact that some local governments appoint staff on the basis of ethnicity or residence rather than merit (MFPEd, 2002; Francis and James, 2003; Murembe *et al.*, 2005), which also has adverse effects on the quality of administration and service provision. Prevalent corruption further aggravates the situation (Watt *et al.*, 1999; Deininger and Mpuga, 2005).

As far as different local government levels are concerned, the stock of human capital is generally lower in lower levels. Very often, this makes higher levels hesitant to transfer resources downwards, as they do not trust in the ability of lower levels to use their resources efficiently and account for the funds they receive (Francis and James, 2003). Districts, which coordinate intergovernmental grants, do not necessarily share these with lower government levels as provided for by law. And sub-counties, which are supposed to transfer a particular share of locally collected revenue to the village and parish levels, do not always do so either. This in turn jeopardises an efficient service delivery at the respective lower levels, even though the mistrust in them is not necessarily justified. There might in fact be a trade-off between capacity and accountability: While lower government levels might face bigger

<sup>13</sup>For a detailed report on challenges in human resource deployment in the social sectors, see Price Waterhouse Coopers (2003).

<sup>14</sup>A restructuring of local governments is thus under way (MoPS, 2003).

capacity constraints than higher levels, they might be more accountable because of their higher proximity to citizens.

Fourth, the administrative costs of decentralisation have been steadily increasing, as the number of districts rose significantly over the last years. While 39 districts existed at the beginning of the decentralisation reform in 1992, 6 additional districts were created in 1997 and 11 more in 2000/01, summing up to 56. In 2005, Parliament approved the creation of 22 new districts in 2005/06 and 2006/07. The number of districts will thus increase to 78, which is a doubling in no more than 15 years. This has controversial implications. On one hand, smaller districts promise a higher proximity between the government and the population, and this might lead to an increased participation, more efficient service delivery and hence poverty reduction. On the other hand, however, it is questionable that all local governments can be equipped with adequately trained personnel in order to truly achieve this, given the limited human capital stock in the country. In addition, the high administrative costs related with maintaining a large number of districts is problematic in the sense that they distort scarce resources from poverty relevant expenditures. The daily newspaper *New Vision* reported on 8 August 2005, that the formation and maintenance of the 22 new districts would require about 50 billion Ugandan Shillings (about US\$ 28 million) annually, which includes payment of district council and municipal executives, district bureaucrats, resident district commissioners, councils' sitting allowances, new women members of parliament, new structures, vehicles and office equipment. Since this amount is not merely a shift from expenditure being made at the centre to being made at the local level but a supplementary resource requirement of about 1.5 per cent of total public expenditure, the decision to create new districts has enormous financial implications, and doubts arise about whether economic affordability has been sufficiently taken into account.

Furthermore, there are indications that the creation of districts symbolises an increasing politicisation of decentralisation and a growing incidence of patronage politics. Hickey (2003) argues that the central government has been unable to resist pressures from local elites for increased local autonomy and has therefore formed districts that by and large correspond to areas of relative ethnic unity. The same argument, that is the continuous formation of districts is to be seen in response to demands for political status, recognition and resources made by different ethnic groups, is brought forward by others as well (Brett, 1994; Golola, 2001; Goetz, 2002; Crook, 2003). Saito (2003) confirms that the splitting created more ethnic homogeneity in each district. Some go as far to draw the conclusion that this marks the 'return to the ethnic-territorial basis of governance that the [NRM] claimed to reform' (Hickey, 2003: 36) and that it represents the NRM's failure to install local units of governance free from patronage and exclusive forms of ethnic citizenship. In addition to these arguments, the recent phase of sub-dividing districts may have been driven by a hidden agenda related to the presidential elections in March 2006. It is not unlikely that demands for the creation of new districts were conceded at this particular point in time, that is few months ahead of the elections, in order to secure votes for President Yoweri Kaguta Museveni. Since there had been plans to form only five to seven new districts few months before the parliamentary approval, some sub-district groups must have posed a credible threat to Museveni in the sense that they would oppose him if they were not granted an own district. The implication of this politicisation of decentralisation for poverty is not straightforward but it suggests that decisions are not taken on grounds of efficiency.

## CONCLUSION

In this article, the relationship between decentralisation and poverty is identified to be complex and multilayered. A conceptual framework is introduced that takes the form of an optimal scenario type model indicating the potential links between decentralisation and different dimensions of poverty. From a purely theoretical point of view, decentralisation can affect the political dimension of poverty, as it provides opportunities for previously excluded people, especially the poor, to get involved in public decision-making. Furthermore, decentralisation can influence the human dimension of poverty through efficiency gains in the provision of local public services to the population in general and the poor in particular. Local governments are assumed to have an informational advantage over the central government with regard to local needs and preferences, for which reason they are to achieve a better correspondence between the demand for and supply of services. More responsive and efficient supply with services



can in turn enable poor people to better engage in productive activities, which can lead to a reduction in the economic dimension of poverty. Finally, decentralisation can impact on the protective dimension of poverty, as it involves the opportunity to grant autonomy to geographically separable conflict groups and/or to entitle local bodies to resolve local-level conflicts. It thus reduces the vulnerability of people, which is of greater importance for the poor than for other people because the poor generally lack the means to mitigate the consequences of conflict.

Based on the experience with decentralisation in Uganda, the practical relevance of this conceptual framework is investigated. The Ugandan government initiated an ambitious decentralisation reform in 1992, which represents an example of full-fledged devolution with the transfer of extensive power and responsibilities to the local level. In the way it is designed, the reform has large potential for reducing poverty in its different dimensions through increasing popular participation, achieving efficiency gains in the delivery of services and ultimately improving the living conditions of the poor population. However, it is found that several factors constrain the proper implementation of decentralisation, ultimately jeopardising an impact on poverty. On one hand, the level of popular participation is still limited due to an apparent lack of communication between local officials and citizens resulting from wide-spread ignorance about the opportunities for active involvement in public decision-making offered by decentralisation. On the other hand, the realisation of efficiency gains in service delivery turns out to be incomplete due to several reasons. Without popular participation, local officials are unlikely to be perfectly informed about the needs and preferences in their respective jurisdictions. Therefore, they cannot be expected to have the informational advantage widely assumed in the decentralisation debate and hence to be able to supply services responsively and in accordance with demand. Even ignoring the fact of imperfect information, low levels of capacity, especially in the form of human capital and financial resources, inhibit local governments from providing services efficiently. One of the main challenges in the implementation of decentralisation consists in the fact that staffing structures and financial resources at the local level have not been co-aligned with responsibilities for service provision. Besides, the central government remains with substantial power over local policy-making and service delivery, thereby strongly restricting local governments in their ability to respond to local demand. And finally, there are indications that corruption and patronage are prevalent in local governments, which implies that decisions are often taken on other than efficiency grounds.

Taken together, it appears that the potential of decentralisation to affect the different dimensions of poverty is not yet fully tapped in Uganda. Considering that the decentralisation reform is much more elaborate in this country than in most other developing countries, this indicates that the conceptual framework introduced above is far from being put into practice at present. The principal message that this teaches for policy-making independently of the Ugandan case is that one must be realistic about the benefits and costs of decentralisation. Proponents as well as opponents of decentralisation should recognise that decentralisation can have an impact on several dimensions of poverty in theory but that this impact is rather hard to achieve in practice. Therefore, it cannot be sufficient to be in favour or against decentralisation; it is necessary to evaluate the poverty reduction potential of decentralisation in the specific country context before adopting decentralisation reforms. The same reform efforts are unlikely to lead to the same poverty outcomes in different countries, mainly due to the varying incidence of constraints, such as lacking political commitment, corruption, patronage, inadequate capacity, etc. Some countries appear to be in a better position to realise the potential benefits of decentralisation than others. It is therefore pointless to invariably support or oppose decentralisation. It is equally pointless to impose decentralisation reforms on countries, for example through aid conditionality, as the benefits are then even less likely to take effect. Successful decentralisation requires the support from politicians, administrators and citizens, which is unlikely to be existent if decentralisation is not implemented by design.

In general, decentralisation should not be regarded to be the most decisive measure for poverty reduction. On one hand, other factors, such as pro-poor growth and political stability, are likely to be much more conducive for the alleviation of poverty. Hence, measures to promote these should be of greater priority than decentralisation whose impact on poverty has not yet been fully realised in practice. On the other hand, decentralisation is a highly complex reform process, which requires time to be implemented and to take effect. It is thus an inadequate measure to obtain quick results. Besides, for decentralisation to substantially contribute to poverty reduction, several crucial preconditions must be in place. If these preconditions were found to be missing, policy-makers should take the

facilitation of these very serious. In other words, they should concentrate on the elimination of the most pressing constraints that hamper the proper implementation of decentralisation and hence an impact on poverty. Having warned about the limited potential of decentralisation to alleviate poverty, this is not meant to say that decentralisation is generally an ineffective and undesirable reform. It merely seems to be much less effective for poverty reduction than many policy-makers appear to believe. Nevertheless, decentralisation can be of great relevance and benefit in order to achieve several other objectives.

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