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**Decentralization and Development: Emerging Issues  
from Uganda's experience**

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# **Decentralization and Development: Emerging Issues from Uganda's experience**

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## **Abstract**

The current decentralization in Uganda originated in the late 1980s as part of a broader effort to restore state credibility and deepen democracy following several years of political and economic turmoil. Using a detailed legal framework Uganda entrenched political, administrative and fiscal decentralization as a strategy for broad-based growth with poverty reduction. In this paper we review Uganda's decentralization with the objective of highlighting several issues including empowerment of local leaders and residents, experience with local elite capture, improvement of service delivery, promotion of real sector response to improved economic environment, and enhancement of progress towards the MDGs. Our review of the achievements and challenges of Uganda's decentralization illustrates the much discussed issue in the literature that there are levels of decentralization that are consistent with certain levels of economic and democratic development.

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## **Introduction**

Decentralization entails the transfer of planning, decision making and administrative authority from the central to local government. The term can be used to mean a system of government in which power is granted to local authorities or a process by which governance is moved from a centralized to decentralized system (Prud'homme, 2003). The main forms of decentralization discussed in the literature are deconcentration and devolution. Under deconcentration the central government transfers responsibilities and functions to local levels for implementation by representatives or employees of the center. On the other hand, devolution entails the transfer from the centre to local governments of the power to plan, budget, mobilize resources, and implement development programs.

Uganda has experienced decentralization both as a system and process of devolution of power from the central to local authorities. Historically, three main phases of decentralization can be distinguished (MoLG, 2006). In the first phase (1955 to 19964) a strong local administration system was created in the context of a weak center. The second phase (1964 to 1985) featured a recentralization of power and severe weakening of local administration. The third phase (1987 to date) has been characterized by significant devolution of power to local authorities through programs to strengthen local government systems.

Upon ascending to power in 1986 against a background of the political turmoil that had undermined the confidence of citizens in government, the Uganda National Resistance Movement initiated the current system of decentralization as part of a broader strategy to restore state credibility and deepen democracy. The decentralization system emanated from the creation of local councils as instruments for political and economic empowerment through programs to improve service delivery and accountability. Upon sufficient consolidation of central political power by the mid 1990s, the government scaled up the local council system and transformed it into a mechanism for political, administrative and fiscal decentralization.

To date, Uganda's decentralization has been reasonably entrenched as a system and process of local governance. Its contributions to improving service delivery, promoting welfare growth and enhancing overall rural development have been nationally and internationally

recognized. Nevertheless, numerous challenges have emerged, accompanied by questions regarding the extent to which a small country like Uganda may decentralize. To illustrate the role of decentralization in development, we highlight some key background information about Uganda's decentralization, discuss its achievements and challenges, and conclude with a few questions arising from the challenges.

### **Uganda's decentralization**

The legislative foundation of the decentralization system was provided by the Local Government Statute of 1993, which devolved some political and administrative powers to local governments through the local council system. Later, most of the elements of the local council system were incorporated and strengthened as provisions for decentralization in the 1995 Constitution. To operationalize the constitutional requirement for decentralized governance, the Local Government Act of 1997 was passed, devolving several political, administrative and fiscal powers to local governments, which comprise districts (the majority), city councils and municipalities. The main objective of the decentralization was the promotion of good governance through strengthening of local institutions and improvement in service delivery.

#### *Administrative decentralization*

The transfer of authority for planning, administration and financial management was central to Uganda's decentralization process. The central government retained responsibility for security, national planning, immigration, foreign affairs and national projects. All other activities became the responsibility of the local government councils. Basically, the central government line ministries are responsible for issuing regulations, policies and advice, benchmarking standards, and providing supervisory and inspectorate services to local governments.

In terms of division of labor, the Chairman of the Local Government Council is the political head of the jurisdiction and the Chief Administrative Officer is the executive head – the accounting officer. All plans, budgets and action programs are approved by the council to which immediate accountability is also submitted. The eyes and ears of the central government at the local level is the Resident District Commissioner. The Local Government Council conducts business through standing committees such as District Service Commission

for personnel matters, Tender Board for procurement functions, and Local Government Accounts Committee for financial accountability.

### *Fiscal decentralization*

Uganda's decentralization system empowers local governments to access revenues for effective financing of devolved responsibilities. The local governments execute their functions using resources transferred from the center, mobilized locally, and directed received from donors. Resource transfer from the center to local governments takes the form of conditional, unconditional or equalization grant. Conditional grant (about 80% of transfers from the center) largely comprises the Poverty Action Fund (PAF), which is to be spent on centrally determined priorities. Channeling local development grant through the PAF and the protection of the PAF from any emergency budget cuts has enabled resources to reach local levels without much central bureaucratic huddles.

To fulfill its obligation to finance up to 10% of its budget, local governments exercise their powers to raise revenue locally from the cities, municipalities, town councils and rural areas. In rural areas, local government revenue is collected by sub-county officials, who retain 65% of the revenue and remit the rest to their local government headquarters. Regarding donor funds, local governments are limited from contracting excessive donor support by operating within sectoral ceilings in the medium-term expenditure framework.

### *Decentralization implementation support*

Because of the country's history of centralized governance since the mid 1960s, most areas were incapable of operating decentralized governance systems. A District Development Program (DDP) was launched to provide development and capacity building grants for local governance. The DDP was scaled up in 2000 into the Local Government Development Program (LGDP). Basically, the process of establishing and operating decentralization has been via the implementation of the Local Government Development Program (LGDP). The program, which was operated as LGDP I from October 2000 to June 2003 and thereafter as LGDP II, was designed to achieve the medium and long-term goals and objectives of the country's holistic development framework – the Poverty Eradication Action Plan (PEAP).

The LGDP was designed such that the amount of grant resources received depended on the population and land area of the local government jurisdiction, with 85% and 15% as the

respective weights. Besides, access to development grant under the LGDP was conditional on the local government meeting several criteria including the capacity to procure and manage local government programs and the ability to co-finance 10% of the LGDP grant value. Because the LGDP was so characterized by a multiplicity of conditions, in 1999/00, for example, less than 10% of the intended grant was disbursed (Onyach-Olaa, 2003). At this time there were 27 different transfers from the center to local governments, each of which required separate accounts and accountability reports to the center.

The tight fiscal relationships between the two levels of government illustrates that although decentralization is viewed as synonymous with autonomy, it instead embroils local governments into a wider system of inter-governmental relations. In an effort to harness such complex relations, the center could instead be construed by local authorities as interfering in the affairs of local governments. In a newly decentralized system, the problem is further complicated by the rigidity of central authorities to adjust to their new roles as mentors and supervisors of local governments (Onyach-Olaa, 2003).

In Uganda, continuous monitoring and evaluation of decentralization prompted a series of refinements of the LGDP, leading to substantial improvements in local government planning, allocation, investment and management of development resources, particularly through increased transparency in decision making (Onyach-Olaa, 2003).

### **To decentralize or not to decentralize**

As reviewed by Martinez-Vazquez and McNab (2003), the literature recognizes that although decentralization is like a superior good, the demand for which is higher with higher levels of income per capita, there exist some optimal levels of decentralization that are consistent with certain levels of development. Wondering why public expenditure at the subnational level should be more growth-enhancing than the same expenditure at the national level, Martinez-Vazquez and McNab (2003) argue that a critical issue is whether governments at whatever levels are welfare maximizers or self-seeking entities.

Nevertheless, it is generally accepted in the theory and practice of decentralization that, under certain conditions and for certain services, greater allocative and producer efficiencies are realized through decentralized expenditure (Martinez-Vazquez and McNab, 2003). This

is because local governments can better discern local preferences and needs and can produce the same services at lower costs, leading to increased economic efficiency and growth. This is the so-called Oates' Decentralization Theorem (Iimi, 2005).

But must decentralization be the solution to central government failures? If in a centralized system self interest drives public officials to behave to the detriment of social development, then the solution to bad governance and poor service delivery is not the proliferation of government to the lower levels. In such circumstances, decentralization may simply manifest the ripple effects of the central government system. In other words, decentralization could merely transfer and replicate several-fold the points at which development inhibiting factors operate. However, if a country must decentralize, then it should proceed gradually while focusing on other approaches of tackling the priority binding constraints to administrative and fiscal performance instead of lumping them as problems that decentralization must resolve.

When faced with rampant poverty, decentralization could be isolationist, diversionary and counterproductive. For example, economic opportunities outside the local jurisdiction may be much more important than local development programs such that it is the regional rather than local level linkage that is more important for overall development (Romeo, 2003). In a decentralized system, the urge to increase local revenue by collecting levies on movements of goods across jurisdictions yields counterproductive outcomes for integrated development.

Whereas certain fiscal decisions in response to local development demands and priorities may maximize the welfare of local residents, it is not obvious that they can maximize economic growth for sustainable rural development and linkages to global opportunities. In other words, in this era of globalization, the complex forces that govern effective participation in global development processes may be beyond the cognitive reach of local residents and their leaders. In such circumstances, caution must be exercised when deciding to decentralize or when flexing decentralized political powers to make economic choices.

### **Achievements of Uganda's decentralization**

As has been the case with economic reforms, Uganda is considered a forerunner in Africa with respect to decentralization. After successful stabilization of the macroeconomic



environment by the early 1990s, the country embarked on a poverty eradication program that was designed to be delivered through a decentralized system of governance. Although the relationship between decentralization and economic growth remains mixed and controversial (Martinez-Vazquez and McNab, 2003; Iimi, 2005), decentralization has positive impacts on efficient allocation of resources, democratic governance, and enhanced accountability (Martinez-Vazquez and McNab, 2003). To illustrate these relationships, we summarize some of the key achievements of Uganda's decentralization but with greater illumination of the employment effects, particularly in the sectors where outstanding service delivery improvements have occurred.

#### *Institutional strengthening*

Institutionally, Uganda has made significant progress in the implementation of decentralization (MoLG, 2006). First, the legal framework is well defined in the constitution and detailed in the Local Government Act of 1997. Second, the structure of political decentralization is well entrenched and fully operational as evidenced in the several local elections that have been successfully conducted. Third, a functional administrative system at the local level has been established, with 75% of the public service workforce comprised of Local Government employees. Fourth, substantial progress has been made to implement fiscal decentralization, with 38% of the national budget being spent through the Local Government system.

#### *Empowerment and participatory development*

Decentralization has empowered the citizens, heightened their awareness of the different custodians of responsibilities, delivered coordinated services closer to the people, promoted creative local resource mobilization, and increased the responsiveness of public investment to local popular demands (Emorut, 2006). The administrative hierarchy in the decentralized system of governance has promoted the development of channels of communication between the population on the one hand and local and central government leaders on the other. Through the local council system local-level political participation and accountability have been enhanced. In particular, the devolved political powers have enabled citizens to elect local leaders who have come under increasing demands for performance and accountability from the electorates. This is largely attributed to local residents' participation in planning and other decision making processes. In several cases community project committees have played

valuable supervisory roles. The system of contracting private firms to implement local government development programs has enhanced the growth of local-area private sector.

### *Improvements in service delivery*

The focus of local government development grant on primary healthcare, primary education, water and sanitation, feeder and access roads, agricultural extension, street lighting, and market infrastructure was aimed at promoting service delivery both as a means and an end to decentralization. As a result, service delivery greatly improved under the decentralization system, particularly with respect to access to primary education, healthcare, and water and sanitation services.

In the LGDP resource allocation for 2003/2004, the bulk of the development grant financed roads and drainage (37%), education (24%), health (15%), and water and sanitation (12%). The resource allocations correspond to the findings of an assessment survey that the Ministry of Local Government conducted in 2005/2006, which show that 66% of the sampled households were within 2 kilometers from a health facility, 54% were within 2 kilometers from a primary school, and 51% were within half a kilometer from a water source (MoLG, 2006). Under the universal primary education program school enrollment increased from 5.6 million in 1998 to 7.6 million in 2003, and gender differential in schooling has been wiped out although rural-urban enrolment gaps have persisted. Rural water coverage increased from 55 to 60 percent of the population between 2003 and 2004 alone. Access to health services increased when new health centers were constructed and old ones rehabilitated at both the parish and sub-county levels.<sup>1</sup>

### *Employment effects*

The creation of new districts and implementation of the local government political and administrative structures provided several employment opportunities. Numerous jobs were also created in the construction and furnishing of facilities and staff quarters in the health and education sectors, besides, community road construction and maintenance provided important local area job opportunities. The public-private-community partnership in the implementation of decentralized governance generated rapid growth in local non-

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<sup>1</sup> For more detailed statistics on access and quality see World Bank (2005). Lawson (2003) also discusses evidence of poor quality of services, especially in government facilities such as health centers.

governmental organizations and private sector companies, which, in turn, created additional jobs for local residents.

Specifically, the creation of new districts expanded political and administrative jobs from a total number of 6,036 in 1991 to 12,948 in 2006. In the educational sector, the implementation of the Universal Primary Education program necessitated the construction of new primary schools, which generated increased demand for secondary education facilities. As a result, the total number of primary schools doubled to about 14,000 from 1990 to 2004. During the same period, the number of secondary schools increased by more than seven-fold to 3,645. The expansion in the educational facilities culminated in the growth of teaching jobs from about 80,000 in 1990 to about 147,000 in 2004 at the primary school level and correspondingly from about 11,000 to about 37,000 at the secondary school level. Although the rapid growth in primary and secondary school enrollment poses employment challenges, it is, nevertheless, an opportunity to accumulate human capital for future investment, which would eventually lead to further employment creation.

The other sector of improved service delivery under decentralization is health. When user fees were abolished in 2001 in government health facilities (except for private wings in hospitals), the health system was reorganized into a hierarchy similar to the political structure of the country. The system now comprises national and regional referral hospitals, and health centers that are categorized as Health Center IV, Health Center III, Health Center II and Health Center I. The categorization is essentially determined by the extent of the services that are designed to be delivered at a given facility level. The operationalization of this structure required the construction of several new facilities, leading to growth in the number of health facilities, especially at the Health Center II level, which almost tripled in number between 2001 and 2004.

## **Challenges**

Onyach-Olaa (2003) summarizes some of the challenges experienced by Uganda's decentralization, the most notable ones being the local versus national development interests, sector-wide approach versus local government specific approach to national development, and capacity to plan, implement, and account for, development programs that are funded from various government and donor grants.

### *Structural conflicts*

Donor assistance to Uganda has taken the form of general budget support and project aid. General budget support is oftentimes earmarked by donors to finance specific sectoral programs. Where development finance is delivered as project aid, it has been channeled directly to local governments or directly to local communities, bypassing the local government system. This has in many cases fragmented local development structures resulting in the exacerbation of the problem of coordinating and monitoring local development activities. Further, it has undermined the institutional growth of local government systems and weakened community-local government linkages. Another source of institutional weakening is the sector-wide approach to development, which sometimes runs counter to decentralization when it bypasses local government planning processes and competes for resources with decentralization (Romeo, 2003).

In a system of decentralization where deconcentration and devolution coexist, conflicts emerge. A clash between the Resident District Commissioner and the District Chairman is a case in point. These authorities oftentimes belong to opposing political groups, resulting in tension and inefficiency in public sector management and development. This challenge is presumably more pronounced at this time when Uganda is rather underdeveloped democratically. Another dimension of conflict concerns salary disparities, which is hugely in favor of local government politicians relative to what civil servants earn.

### *Capacity constraints*

The capacity to implement decentralized systems is severely limited in the majority of local governments. This has perpetuated the problem of coordination between the central authorities and local governments. In addition, capacity differentials, especially in the initial stages of decentralization has caused and perpetuated inequality in levels of development between districts. The capacity problem is further exacerbated by lack of essential statistical databases for planning and monitoring and evaluation at the local levels.

The magnitude of the capacity problem is usually muffled by the general tendency to overrate the ability of local government and community leaders to prioritize, plan and implement local area development programs. In some cases, poorly implemented,

decentralization has led to degradation of natural resources (Ouedraogo, 2003) as was the case with the overexploitation of forest resources in the early stages of Uganda's decentralization process, a reality that prompted a recentralization of the country's forest management.

The capacity problem is also vividly manifested in the contrast between the ratings of the success of the political versus fiscal decentralization. Whereas systems of local elections have worked reasonable well, inadequate capacity and mechanisms to hold leaders accountable have undermined downward accountability, which is necessarily a fundamental attribute of successful decentralization. Further, the conditionality of central government transfers closes off grass root control, leaving local leaders and residents with limited voice (Francis and James, 2003). The outlook is even grimmer when one considers the fact that the financing of devolved responsibilities and the operation and maintenance of local government investments are increasingly reliant on central government transfers. The reason for this is that locally generated revenue is not only insufficient (less than 10% of total revenue) but has been declining over time, exacerbated by the political decision in 2005 to suspend graduated tax, which constituted 60-70% of locally generated revenue. Reliance on the center and the small amounts of funds under the control of village councils, coupled with weak planning skills at this level, means that lower level political and administrative units command very limited influence on district and sub-county budgets and programs (Francis and James, 2003; Kamanyi, 2004).

In the early phases of Uganda's decentralization, a negative impact of decentralization on service delivery was observed. Using data on the flow of grants to primary schools during 1991 to 1995, Reinikka (2001) finds that in the initial period, decentralization seems to entail significant costs of adjustments in service delivery; schools in decentralized districts received significantly less grants than schools in non-decentralized districts during the first half of the 1990s when decentralization was rolled out by blocks of districts. Subsequent refinements to the system, however, contributed to improvements in service delivery. But Francis and James (2003) argue that the improvements in the delivery of social services are, in fact, attributable to increases in central government conditional grants rather than to the decentralized system of decision making.

### *Emphasis on the easier part*

Comparing the social sector and the productive sector, we observe a stark contrast. According to the assessment survey that was conducted in 2005/2006, whereas the respondents expressed satisfaction with improvements in the proximity and quality of services, they expressed limited awareness of, and satisfaction with, LGDP production projects such as crop and livestock multiplication initiatives. Further, only 36% of the respondents confirmed having participated in LGDP II project planning. From the decentralization perspective, the poor performance of the agricultural sector is attributed to small budgetary allocation for productive sectors, confusion over responsibilities for management and operational funding, limited appropriateness of the advisory services offered to farmers, and the transitional status of agricultural policy pending the full implementation of the Plan for Modernization of Agriculture (Francis and James, 2003). Other economic constraints facing the agricultural sector include lack of skilled labor, poor technology, lack of purchased inputs, low capital, limited access to credit, poor infrastructure, small land holdings, short fallow period, high rates of soil erosion, inconsistency of land tenure systems to agricultural modernization, reliance on natural weather conditions, and limited use of fertilizers (World Bank, 2005). Most of these adverse conditions are not necessarily correctible by decentralization.

Although access to social services has improved significantly in rural areas, improvements in the quality of the services have lagged behind quantitative indicators. For example, primary school dropout rates are still very high (especially due to cost factors), infant and maternal mortality rates have not fallen, and public facility are predominantly utilized by the poor as the better-off people opt for superior privately provided services.

Regarding infrastructure, only limited progress has been made. For example, despite spending over 8% of the budget on roads and works since 1999, access to rural transportation and electrification remain very poor in contrast with the significant improvements realized for health, education, water and communication facilities (World Bank, 2005). According to World Bank databases, the state of Uganda's infrastructure development is very low compared to the Sub-Saharan African average. Only 9% of Ugandan households have access to electricity compared to 27% for the average Sub-Saharan African country. The proportion is 11% compared to 32% for piped water. The telecommunication sector, which has grown

significantly, also lags behind, with 33% of Ugandans subscribing to telephone services compared to the 99% average for Sub-Saharan Africa. It is Uganda's road density that compares well with Sub-Saharan African average, especially national and district roads, not urban and rural roads.

Other glaring mismatches in the outcomes of decentralization are observed with respect to the extent to which service delivery has improved vis-à-vis the capabilities of most local residents to capitalize on the services for welfare improvement. Poverty in Uganda remains a predominantly rural phenomenon; particularly pronounced among crop farmers. In terms of headcount, rural poverty declined from 60% in 1992 to 37% in 2000 before rising to 42% in 2003. The corresponding figures for urban areas are 28, 10 and 12 percent. The disproportionate contribution of rural areas to the national poverty has remained unchanged at about 96%.<sup>2</sup>

#### *Accountability*

Uganda's decentralization has also been characterized by an imbalance between upward and downward accountability. Emphasis has been given to upward accountability with the objective of ensuring that resources released from the center are properly accounted for, but not necessarily deployed properly. In this prioritization context, a strict mechanism for upward accountability was established and has been implemented at the expense of efficiency in resource utilization. Compounded by the fact that local residents are not clear on how to hold leaders accountable<sup>3</sup>, local government authorities find it incentive-compatible to concern themselves with the rate of fiscal absorption rather than with fiscal efficiency and effectiveness. Because of fungibility that allows local governments to spend on alternative services via creative accounting practices (Bardhan and Mookherjee, 2006), designing central transfers as conditional grants does not guarantee efficient and effective revenue utilization at local levels. This could be a consequence of several factors including the reality that about 90% of local government budgets are funded using transfers from the center, and the low literacy rate in the population.

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<sup>2</sup> For in-depth analysis of the growth, poverty and distributional impacts of Uganda's reforms see Okidi *et al.* (2004).

<sup>3</sup> A survey conducted in 2005 and 2006 as part of medium-term review of LGDP II in a sample of local government jurisdictions revealed that respondents knew very little about the procedures for holding leaders accountable.



### *Public-private partnership*

For several services, after development plans and designs are approved by the local government council, the local government tender board embarks on contracting the private sector to implement the service provision. Through downward accountability mechanisms, community members are expected to exercise influence to ensure that there is value for money for every publicly funded development program. But the generation of public-private-community partnership is a complex process that has, in some cases, resulted in parasitic capture of public resources by local private interests and has also led to direct local government involvement in private entrepreneurial activities (Romeo, 2003). In some cases, public-private partnership has weakened institutions of accountability when the people in influential public positions are also the very ones who are active participants on the private sector side of the partnership.

Uganda's local government revenue collection provides interesting lessons for private-public partnership. Other than graduated tax and licenses, local government revenue is collected by private sector contractees. But oftentimes firms have to pay bribes to be awarded contracts. Besides, some private collectors pass on to government only one tenth of what they collect (Francis and James, 2003). Such inherent flaws in public-private partnership for decentralized service delivery in an environment of weak institutional capacity for checks and balances can promote inequality among local firms and among the broader population. Simply put, decentralization can increase corruption unless it limits monopoly power and makes government more accountable to the local constituencies (Martinez-Vazquez and McNab, 2003).

### *Political interests*

In a state of incomplete political development, the structure and process of decentralized may be vulnerable to undue political influence for short-term gains. In the early 2000s as the political leadership that came to power in 1986 was preparing the country for multiparty competitive politics, the decentralization system gradually drifted from being a vehicle for local democracy and efficient service delivery to an instrument for advancing central-level political motives. The creation of several seemingly unviable districts is the main pointer to



this proposition, with administrative job creation and fulfillment of political campaign promises being the major drivers.

By creating so many political districts, Uganda runs the risk of excessive decentralization, which could contribute to lowering local-level economic growth. Basically, allocating budgetary resources to less productive levels of government is harmful to economic efficiency and could curb overall growth (Iimi, 2005). Even though the high transaction and administrative costs implied by centralized systems are eliminated with decentralization (Martinez-Vazquez and McNab, 2003), the downside of excessive political freedom is that it inhibits internalization of economies of scale and externalities in public goods provision (Iimi, 2005).

Increased political freedom and power at the local level have also affected the revenue base of local governments. For example, tax assessments are reported to have come under undue influence of political leaders who have in some instances placed political supporters in lower graduated tax brackets (Bahiigwa, *et al.*, 2004). In response to inefficiency and corruption in tax administration local governments have opted to privatize the collection of certain categories of revenue. However, survey evidence shows that the procedure of awarding tax collection contracts is ridden with the very shortcomings that privatization was intended to circumvent, leading to poor local revenue performance (Bahiigwa, *et al.* 2004). The suspension of graduated tax based on political rather than economic determination of its burden to the citizens has further deteriorated local government's revenue performance. Besides, the fragmentation of districts from a total number of 39 in 1991 to 83 in 2006 is grossly inconsistent with the need to strengthen local governments' revenue, technical capacity, and autonomy.

## **Conclusion**

On the whole, the system of decentralization has been fairly well established in Uganda and has delivered improvements in service delivery and accountability. Numerous jobs were created in the process. However, it is highly conceivable that the achievements could have been much more pronounced both in terms of quantity and quality had the process been sequenced, with capacity building leading the way. Although the previous central

government representatives were integrated into the decentralized government structure, the capacity problems have persisted, partially due to the fact that decentralized governance has promoted excessive emphasis on employing the indigenous residents of local government jurisdictions.

Other than taking a foothold as a system and contributing to improved service delivery, decentralization has fostered participatory planning. It has heightened a sense of local ownership and improved accountability. But because of the daunting challenges that have emerged, the country might have exhausted the main dividends of decentralization under the prevailing political and economic conditions. It might as well be that the remaining binding constraints to Uganda's economic development are beyond the merits and demerits of either centralization or decentralization.

In a nutshell, Uganda's experience with decentralization poses several questions including the following: (i) If central government failures are driven by attitudinal or behavioral factors, then why would we expect individuals from the same population to perform differently at lower levels of government? (ii) Must decentralization be the solution whenever a centralized system does not perform? (iii) Should a small country like Uganda decentralize, and to what extent? (iv) What levels of democratic and economic development and societal enlightenment are consistent with what degree of decentralization? (v) Is there an appropriate pace or sequence of decentralization? These and other questions that may arise from the discussion in this paper provide interesting areas for policy debate and country-specific local area development.

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