REPUBLIC OF UGANDA

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Mid-Term Review of the Third National Development Plan (NDPIII) 2020/21-2024/25

Local Economic Development Report

NPA
National Planning Authority
NATIONAL PLANNING AUTHORITY
PLANNING FOR DEVELOPMENT

Uganda Vision 2040

JANUARY 2023

REPUBLIC OF UGANDA

Mid-Term Review of the Third National Development Plan (NDPIII) 2020/21-2024/25

Local Economic Development Report

National Planning Authority

with Support from

UNDP

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List of Acronyms

ABCC	Area-Based Commodity Clusters
CAO	Chief Administrative Office
CAO	Chief Administrative Office
DAC	Development Assistance Committee
DLC	District Local Council
DRDIP	Development Response to Displacement Impacts Project
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
JAICA	Japan International Corporation Agency

LED	Local Economic Development
LG	Local Governments
LGA	Local Government Act
LGDP	Local Government Development Plan
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MATIP	Markets and Agricultural Trade Improvement Program
MDAs	Ministry Departments and Agencies
MoLG	Ministry of Local Government
MSMEs	Micro-Small-Medium Enterprises
MT	Metric Tone
MTIC	Ministry of Trade, Industry and Cooperatives
MTR	Mid-Term Review
NAADS	National Agricultural Advisory Services
NDP	National Development Plan
NGOs	Non-Government Organizations
NUSAF	Northern Uganda Social Action Fund
O & M	Operation and Maintenance
OECD-DAC	Organization for Economic Co-operation and Development- Development Assistance Committee
OPM	Office of the Prime Minister
OWC	Operation Wealth Creation
PDM)	Parish Development Model
PPP	Public Private Partnership
PRELNOR	Project for the Restoration of Livelihoods in Northern Region
PwD	Persons with Disability
RDC/RCC	Resident District Commissioner/Resident City Commissioner
SACCOS	Savings and Credit Cooperative Societies
SAS	Senior Assistant Secretary
TILED	Trade Industry and Local Economic Development
U$	United States Dollars
UBoS	Uganda Bureau of Statistics
UDC	Uganda Development Corporation
UMI	Uganda Management Institute
UNCDF	United Nations Capital Development Funds
UNDP	United Nations Development Program
USMID	Uganda Support to Municipal Infrastructure Development Program

Executive Summary

The Local Economic Development (LED) report is one of the six thematic reports of Mid-Term Review (MTR) of the National Development Plan (NDPIII). The focus of LED approach is to deliver the results of NDPIII. The objectives of the MTR of LED approach are twofold:

(i) To assess the continued relevance of the interventions under LED, the functionality of the Parish Development Model (PDM) and progress of achieving the objectives of the Area Based Commodity Planning (ABCP) approach and Regional Development Program as major drivers of LED.
(ii) To make actionable, realistic, results-oriented and concrete recommendations on changes required to achieve the NDPIII targets in the remaining period.

LED was introduced to Uganda in 2006 as the sixth objective of Decentralization Policy as decentralization was failing to get the population out of poverty as envisaged during conceptualization in 1993. Attempts were made to implement it but a bold step was made in 2014 with the development of the LED policy. Since 2014, the government has been grappling with

implementation of LED as an approach for poverty reduction. A number of initiatives have been taken to operationalize the LED policy (2014).

LED Policy (2014) defines as "A process through which Local Governments, the private sector and the communities form partnerships to mobilize, manage and invest resources effectively into economic ventures to stimulate development and growth of the locality. LED is a multi-sectoral, multi-level and multi-disciplinary process that requires a systems approach to succeed. LED is a framework for further for deepening fiscal decentralization and this comes to be actualized through the PDM which has been allocate substantial but not adequate amount of resources. The PDM is going to produce economic goods through public financing.

As part of institutions development for LED, a dedicated LED department has been created in MoLG to coordinate national actions to promote LED in the country; a National LED strategy has been developed as an overarching framework to guide MDAs and LGs in formulating their LED strategies and projects. LGs are now fully aware of LED policy and 84.2% reported to have implemented some LED projects in their Local Government since 2014/15 financial year. In 2018, a new department of Trade, Industry and Local Economic Development (TILED) has been created to headed by the District Commercial Officer, to coordinate LED efforts at the LG level. Half of the LG reported LED projects were financed by the Central Government (CG), 25.9% were financed under the PPP arrangement, only 22.4% were financed under private investment.

The LED approach is relevant to poverty eradication agenda and its goals of job creation and increasing household incomes are consistent with the NDPIII goals. It also contributes to the realization of the Uganda's Vision 2040. Promotion of LED is in line with the aspiration of the decentralization policy in Uganda. Its focus on economic strength of each locality as foundations for economic growth which include productive investments, upgrading of existing businesses and creation of new businesses. LED is important to harness local resources and collaboration/relationships in the knowledge based economies of today- learning by value chains actors

Development partners also use LED approach to poverty reduction in their work with communities. About half of the planners (48.2%) reported that they have (1-3) and 11.1% reported (4-5) development partners supporting their Local Governments to promote LED, while 27.8% have none and 13.0% have 6 and above. A good number (63.8%) of LGs reported that development partners harmonize their activities with LG while in the planning and implementation processes. However, these efforts are not adequate as they focus on few local governments, under a short project period and remain largely undocumented. There is need to for NPA and MoLG to document a number of these successful LED initiatives and financing models for others to learn from and adopt.

In terms of effectiveness in implementation, central government efforts to operationalize the LED policy through flagship projects/programs have been inadequate to make LED visible and effective. The few flagship progammes implemented by the Ministry of Local Government (MoLG) in collaboration with other Ministries, Departments and Agencies (MDAs) have focused on the post-war recovery areas of northern and eastern regions. Although they have knowledge of the LED policy, only 32.8% of the planners interviewed always refer to the Policy in the planning and budgeting process. A good number do not. Instead of running flagship project from the centre, MoLG should identify a few proactive LGs to implement pilot LED projects in different sectors from which the rest can learn to adopt.

The 18 LGs under Development Initiative for Northern Uganda (DINU) have been mentored to develop LED strategies. These have the required knowledge and skills to plan, budget and implement LED. This team of resource person can be trained to provide the require technical assistance in the formulation of the LG Strategies.

Despite efforts to implement flagship projects, these have not performed to the expectations. Lack of clear ownership, operations and maintenance of MDA planned and implemented LED flagship projects, if LGs are not directly involved in the implementation. This applies to all project procured from the central government levels, whether in health, education, production, works etc. Government should deliberately prioritize and provide special purpose vehicle to finance LED through budget support that LGs can compete for in terms of viable business investment plan, on their own LGs cannot undertake LED projects

The impact of the flagship projects by CG and LGs has been varied. Half (52.8%) of the locals think LED initiatives have been fairly effective in job creation, slightly over half of the planners (51.9%) think LED initiatives have been fairly effective in increasing household incomes, 25. Almost two thirds of the planners (64.8%) think LED initiatives have been fairly effective in increasing local revenue for the local governments.

A LED strategy (2022) has been developed by the MoLG but has not been widely publicized. This continues to affect the adoption of LED by the LGs since they lack the guidance to do so, a gap the strategy is supposed to fill. The strategy clearly spells out the responsibilities of different stakeholders including LGs. The strategy provides a framework for planning, budgeting and implementing LED by the LG. MoLG needs to popularize the strategy to all LGs. This can start by availing hard and soft copies of the strategy to the LGs.

A number of LGs have non-functional LED implementation structures. Over half of the planners (56.9%) reported that their head of department for TILED are substantively appointed but less than 25% of the TILED departments are fully functional. About four out of every ten of the LG (41.4%) have a fully constituted LED committee and about half of them meet twice a year and 33.3% meet once a year. The need is for MoLG to: (i) empower the department with the required logistics and tools, and (ii) rollout the formation and training of LED Forums to where they have not yet been formed.

Weak institutional arrangement for the LG, the Civil Society and the private sector to interface with each another on LED. The implementation frameworks for LED such as the National LED Steering Committee are not formed close to a decade of LED policy existence. National coordination continues to be weak even with the creation of the Secretariat. It's influence and visibility in supporting the LG has been limited due to inadequate human resources and logistics capacity to mentor LG. t the LGs levels were the LED structures; they are very weak. The implication is limited interface between the LGs and the private sector to effectively understand and meet each other's needs. Implementation of some of flagship projects exhibited lack of capacity to supervise and manage project and programs under 'public–private partnership' framework.

Weak technical and financial capacity of LGs to plan, budget and implement LED. The TILED department in the LGs is largely under-resourced with staff, logistics and operational funds. apart from the Planner and the Commercial Officer, the others heads of LG departments who are supposed to offer technical guidance and supervision of LED initiatives, have little understanding and knowledge of LED. In effect, the Local Government Development Plans (LGDP) have poor analysis weaknesses and potentials of their local economies.

The mindset of LGs is much focused on traditional public service delivery with little attention and no resources to support private sector development as engine of growth the local economy. There is lack of resource mobilization strategy for LED, hence central government is expected to finance everything. In the remaining period of the NDPIII, there is need to undertake comprehensive training of key stakeholders at both MDAs and the local governments to create a competent resource team to undertake effective planning, budgeting, implementation and supervision of LED in the country.

The newly created cities are grappling with transition from Municipalities to real Cities. The newly approved Cities management structure are not fully functioning. Their strategic and physical planning aspects have not been fully undertaken to take advantage of the existing investment opportunities such as industrial parks, transport hubs, real estate development for local and regional economic growth.

Restrictive and contradictory government policies negatively affected local initiatives and efforts. The Public Finance Management Act (2010) which compels the LGs to first remit their local revenue to the consolidated account, before requesting for its use contradicts the provisions of the 1995 Constitution and Local Government Act (193), which give powers to the LGs to levy, collect, budget and use local revenues. Some of the guidelines on the use of the District Development and Equalization Grant (DDEG) are restrictive as they more of directives than guidelines, leaving no room for emerging local needs to be addressed.

Key recommendations to improve the functionality of the LED approach include the following

i. In the remaining period of the NDPIII, the LED department together with NPA should prioritize building capacity of LGs to promote LED across the country. Capacity to undertake diagnosis of the local economy effectively to identify relevant strategies to address the constraints to development.
ii. Deliberate financing of LED from the central government transfers-LED fund
iii. MDA investments such as development and management of industries parks/hubs, agro-industrialization facilities, warehouse receipt systems, etc, should be linked to the LED strategy.
iv. The NDPIII program on Private Sector Development should put special focus on supporting the informal businesses to formalize, survive and also upgrade.
v. Use the PDM strategy as a multi-purpose vehicle to plan, budget and implement a pro-poor LED that is linked to the regional economies.

Parish Development Model (PDM) is a relevant pro-poor development strategy with its strengths of supporting poor communities to participate in the local economy through access to low cost finances for investment, production and productivity, and addressing involvement of subsistence production, hence a call for the activation of all its pillars to provide the envisaged holistic support. Majority of the local governments (96.6%) have a taskforce/committee for rolling out the PDM to the parishes, and 91.4 percent of the taskforces/committees are already oriented, trained, financed to perform their roles.

Regarding PDM implementation, structures at all levels have been established and guidelines issued to provide PDM principles, the describing the 7 Pillars and their delivery mechanisms, stakeholder roles and responsibilities, as well as the results framework. Community mobilization, led by Cabinet, has been widely achieved and orientation of stakeholders conducted at all levels targeting 17,872 local elected and appointed leaders, and SACCOs and enterprise groups formed. Also, household data had been collected under the community information systems from 4,050,988 households to support planning.

The Financial inclusion pillar of the PDM has been rolled out and PDM SACCOs registered under the Cooperative Societies Act at mid-term review was at 78.67 percent, many of them linked and programd to the IFMS. Key of the implementation guidelines is that the Parish Chief should not be a signatory to the SACCO since s/he is not a member of that SACCO.

The approach of PDM entails creating data systems that constantly feed the whole Government with real time information concerning various interventions at the Parish level. The data is necessary to improve understanding of the different and unique characteristics of households across the country and hence provide the basis for the delivery of targeted interventions.

The challenges faced by PDM include the following:

(i) **Misunderstanding of the PDM as mad dash for the money within the community.** Citizens, including those without any productive venture, perceive this as a scramble for the money and PDM if not well sensitized to the communities may become another cash bonanza, causing it to collapse just like other interventions that preceded it.

(ii) Only 2 out of the 7 pillars of the PDM are fully rolled out to parishes.

(iii) **Limited capacity to effectively implement PDM at the parish level**, with most parish chiefs have been recently recruited and deployed but having limited capacity to manage people and programs.

(iv) **The heterogeneity of parishes and their levels of preparedness across may affect implementation of the PDM**. For example, for cities non-agricultural enterprises a different mode of operation is expected for Cities when compared to LGs and yet the guidelines don't spell out these differences.

Under the Parish Development Model, it is recommended that;

(i) **PDM secretariat be empowered with enough human and financial resources** and mandate to be the one to speak for government on the PDM.

(ii) **Parish chiefs still require orientation and training to effectively coordinate the PDM pillars effectively.** The LGs will need to provide continuous capacity building on management of associations, financial literacy for both the parish chiefs, PDCs, SACCOs and enterprise groups, integrating mindset change in business advisory service delivery and extension services to agricultural producers. Encourage horizontal and vertical linkage between parishes and the district respectively. Through the value chain, the producers and activities at the parish levels should be linked to each other to build economies of scale and vertically integrate to the district economy.

(iii) **PDM should envision innovative and case by case development solutions for the parishes.** In this way, we shall have interventions that deal with real issues that are adaptable to local conditions and circumstances. Otherwise, the one size fits all currently being popularized does not offer appropriate solutions to some parishes, especially urban based communities, who are forced to take on urban agriculture when most of the beneficiaries are involved in survival non-farm businesses.

(iv) PDM should improve prioritization of investments through identification of enterprises (71.4%), agro-processing and value addition (70.2%), monitoring and evaluation (69.2%), planning (67.9%) and produce marketing (62.3%).

(v) **Timing of PDM fund released should follow the planting seasons the budgeting cycle**, so that the funds are put to the appropriate use.
(vi) **The goals of PDM to increase rural household incomes should not be at the expense of food security**. Some households that have been perpetually food insecure can achieve sustained food security as a result of participation in PDM, which should be considered a major achievement that intended under PDM.
(vii) Enterprise selection under PDM should be fit for purpose recognizing the difference between the rural, urban, LGs, Municipalities and Cities.

Regarding the performance of the Area-Based Commodity Cluster development, the approach is relevant as its regional scope makes it relevant to capture economies of scale by engaging a collection of producers from the region. The focus on regional value chain enables such chains to be integrated into the national and internal markets, thus having national impact while creating dynamics in the local economy. This scope has been limited by the large information sector dominating the local economies, which contributes little to poverty reduction and LG revenues.

The effectiveness of the ABCC has been demonstrated in the ability to build the capacity of LGs to deliver decentralized services. Nearly half of the respondents (47.2%) reported increased institutional capacity of the LGs to deliver decentralized services, and (39.7%) increased food security as some of the main results registered by the commodity value chains.

However, the program was not able to effectively achieve its intended objectives and targets due to a number of weaknesses.
(i) **The value chain development has not performed very well.** Market linkages continue to be weak partly because NAADS has not effectively carried out agribusiness development activities focusing on the downstream of the value chain. The linkage of farm production with agro-processing and value additions facilities is still very weak or none-existent.
(ii) **Poor quality standards of farm products due to poor post-harvest handling.** There is lack of clear minimum standards for firm products communicated to the farmers and inadequate enforcement for farm products.
(iii) **Crop losses due to impacts of climate change and lack of agricultural insurance to cover these risk.** The farmers decried of crop failures due to vagaries of nature, fire outbreaks and a host of other losses. Such cannot be redeemed. Government should roll out the Uganda Agricultural Insurance Systems (UAIS) launched in 2016/17 as a pilot and build capacity of the smallholders to access them.
(iv) **Inadequate consultation of the beneficiary communities in the planning, budgeting and implementation of value chains development activities.** Almost in all the cases, the communities for which the value addition facilities were established claimed they were not consulted before or during construction of these facilities.

(v) **Lack of clarity on the institutional framework for planning and implementing ABCCs.**

In the case of Regional Development Program (RDP), the design and implementation of the RDP and affirmative action was relevant in addressing the development deficit in the post-war areas and other vulnerable communities. The introduction of District Development and Equalization Grant (DDEG) under the PRDP3 increased development funding to these regions lagging behind. The participating LGs appreciated the initiative but pray that the guidelines should not be so restrictive and directive but support the case by case prioritization of the community needs such as improvements of livelihoods. Secondly, they pray for increased amount of the grant for visible impacts.

In general, effectiveness of the regional development programs has been limited due a number of factors.

a. **Lack of value chain approach to address systemic coordination failures.** This affected the performance of economic programs, particularly those targeting agriculture demonstrated by providing inputs and extension support to increase production and productivity, without linkages to agro-processing.
b. Government should embrace the value chain approach to address systemic coordination failures in the chains. Financing of the economic activities should focus on the entire value chain, not just production or value addition or marketing but all these from input to marketing.
c. **Lack of harmonized regional program implementation.** All the MDAs tend to plan and implement, regional programs with little central coordination. The beneficiary communities and sometime local government are confused with different government programs which are not implemented in harmonized approach.
d. The NDPIV should streamline coordination of the regional development planning, budgeting and implementation will go a long way to eliminate coordination failures, duplication of efforts, resources and activities, and reduce unit cost of implementation.

1. INTRODUCTION

1.1. Background

1 The success of a community today depends upon its ability to adapt to the dynamic local, national and international market economy. Strategically planned, Local Economic Development (LED) is increasingly being used by Local Governments (LGs) and communities to strengthen economic capacity of their localities, improve the investment climate to increase productivity and competitiveness of local businesses, entrepreneurs and workers. The ability of communities to improve the quality of life, create new economic opportunities and fight poverty depends upon them being able to understand their local economy and the processes of LED, and to act strategically to respond to the demands of the increasingly competitive market economy.

2. The Third National Development Plan (NDP III) adopted LED as one of the approaches to accelerate the achievement of its results of increasing jobs, household incomes and wellbeing. This Mid-term Review report on LED is, therefore, part of a broader review of the National Development Plan III (2020/21-2024/25).

1.2. Goals and objectives

3. The overall goal of the Mid-term Review (MTR) is to determine the extent of progress made at the mid-point of the implementation of the NDPIII, including their attendant programs and projects. Specifically, for LED, the objectives of the mid-term review are:
   a) To assess the continued relevance of the interventions under LED and the progress made towards achieving the objectives of the Parish Development Model (PDM); Area Based Commodity Planning Approach and Regional Development Program as major drivers for LED.
   b) To make actionable, realistic, results-oriented and concrete recommendations on changes required to achieve the NDPIII targets in the remaining period.

1.3. Scope of the review

4. Under the LED theme, the mid-term review determines the effectiveness of the LED framework for achieving results of the NDPIII. In particular, it assesses the following:
   a) Governance and financing mechanisms for LED in Uganda and the extent to which LED approach has been adopted by the LGs
   b) Functionality of the Parish Development Model (capacity, readiness for implementation at all levels, sustainability of PDM). The emphasis is on the extent to which the PDM is relevant for deepening decentralization and citizen participation in local development; and the extent to which the PDM has been implemented. It also provides recommendations for better implementation where required.
   c) The extent to which the Area-Based Commodity Planning approach and implementation has influenced the NDPIII results.

d) The extent to which Regional Development Program and regional balance and affirmative programs have influence improvements in the development results of the NDPIII.

1.4. The structure of the report

5. This introduction chapter gives the background, goals and objectives, the scope and structure of the report. The next is chapter two which discusses the approach and methodology used to gather and generate the information for mid-term review. Chapter three presents the situational for the mid-term review, i.e., progress in promotion of LED, implementation of the PDM, ABCC and regional program. In chapter four, the findings are presented according to the different subthemes adopted under the NDPIII LED thematic area. This includes, discussions on the LED framework, the parish development model, the Area-based community cluster development and the regional balance and affirmative program. It ends with a section on financing of LED. Chapter five provides the summary recommendations on each of the subthemes of LED strategy. The concluding remarks are in Chapter Six.

2. APPROACH AND METHODOLOGY

2.1 Approach

6. The mid-term review of LED thematic area adopted a participatory approach, and made it very open and transparent for stakeholders to provide their views. The rationale for participatory evaluation is that, when the people are involved in the evaluation of the development interventions, it is more likely that corrective measures will be implemented in the future. The analysis adopted retrospective review model. The model helps stakeholder to: (i) retain learning from what has happened, (ii) understand why it happened, and (iii) look at what went well, what needs improvement and what lessons should inform future work. The rationale for the use of retrospective review is that it ensures that lessons learned are recorded in an objective way. It also ensures that the information can be made available to others.

2.2 Data collection and analysis

7. The MTR used data collected through desk study and consultations with the national and the local governments. Desk study relied on statistics from Uganda Bureau of Statistics (UBoS), Bank of Uganda (BoU) trade report, annual review reports from Ministry of Local Government (MoLG), Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), Ministry of Trade, Industry and Cooperatives (MTIC), OPM, NAADS, OWC, LED policy and Strategy, Local Government Development Plans and budgets. Reports of reviews undertaken by other agencies and departments, which are relevant to inform the mid-term review were also used. The information obtained from the desk review and key informants'

interviews was then augmented and triangulated through consultations with the local governments between 14th and 19th August 2022.

8. **Sampling:** A 2-stage stratified-purposive sampling was used to the determine the number of LGs to be consulted. In addition, the Local Governments have been purposively chosen based on existing area-based commodity enterprises, along the NDPIII growth corridor triangle, USMID municipalities and refugee host districts. At the district, the team from NPA held focus group discussions with the district executive and the technical planning committee and interacted with parish chiefs and member of the parish development committees. A total of 57 LGs (districts/cities/municipalities) were purposely selected based on their participation in particular interventions under the LED. Priority was given to regions implementing areas-based commodity clusters, regional balance and affirmative programs. Where possible, the team had field visits to LED investment sites to appreciate the process and outcomes to be undertaken.

9. **Sample size:** The Yaro Yamane formula was used to determine the required number of LGs. Given by

$$n = \frac{N}{1 + N(e)^2}$$

- Where n is the sample size, N is the population size (Total number of Local Governments) and e is the level of significance.
- A 10 percent level of significance was used in the formula to have a statistically acceptable sample size due to resource constraints.
- In total, **57 Local Governments** have been sampled.

Table 1: Sample Size and List of respondents

No.	Administrative unit	Population	Sample	Respondents
1	City	10	4	Mayor, City planner
2	District	135	41	CAO, LCV, RDC, Planner, CSO, NGO; Private Sector; cultural institution;
3	Municipal Councils (M/Cs)	41	12	Town Clerk, Mayor, Municipal Planner,
4	Sub-counties	1,671	94	SAS, CDO
5	Town Councils (T/Cs)	425	81	Town Clerk
6	Parishes/wards	10,029	285	Parish Chief
7	Divisions	124	55	Town clerk

Source: NPA computations

10. The data collected from the LG consultations was subjected to both qualitative and quantitative analysis. Categorical variables using appropriate codes upon which chats (graphs and pie charts) were generate to illustrate some of the findings (as part of the quantitative analysis). The qualitative analysis was structured along programmatic themes (sectors): LED implementation framework, Area-based commodity cluster, parish development model and RDP. The analysis focused on the OECD evaluation criteria of relevance, effectiveness, efficiency, impact and sustainability of the investments.

11. The analysis adopted the Organization for Economic Co-operation and Development (OECD-DAC) Network on Development Evaluation (EvalNet) has defined six evaluation criteria – relevance, coherence, effectiveness, efficiency, impact and sustainability – and two principles for their use. These criteria provide a normative framework used to determine the merit or worth of an intervention (policy, strategy, program, project or activity). They serve as the basis upon which evaluative judgements are made.
    a) Relevance: consistency with the policies of the Government of Uganda, with the needs of Local Governments, communities and appropriateness of LED approaches
    b) Coherence: examines the extent to which other interventions (particularly policies) support or undermine the intervention and vice versa.
    c) Effectiveness: effects of LED-strategy design, implementation, monitoring, evaluation and learning on objectives, and its results, including any differential results across groups
    d) Efficiency: The extent to which the LED has delivered, or is likely to deliver, results in an economic and timely way.
    e) Impacts: positive; unintended results- employment, local revenue, etc.
    f) Sustainability: in terms of policy, organizational, institutional, financial and technical sustainability

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12. However, since a MTR looks at the NDPIII midway implementation, its impacts and sustainability may not have been realized and assessing it may be premature. The focus of the report, therefore, is limited to the other four criteria.

3. SITUATION ANALYSIS

3.1 Evolution of LED in Uganda as a development approach

13. Globally, LED was conceived in high income countries in 1980s as a process to empower municipalities to be self-reliant in terms of developing their economies. Its origin is investments in urban development, it was then applied in economic recovery in post-war or post-disaster development programs. However, South Africa was the first country to adopt

LED as a poverty reduction-"pro-poor" strategy. This was due to slow economic growth and poverty reduction, increasing influence of globalization and decentralization and inability of central government to address local need.

14. Blakely (1994) defines LED as the **process** with which local government or community-based organizations engage to stimulate or maintain business activity and/or employment. While Meyer-Stamer (2008) referred to LED as the **ability** of a specific area or locality or even a region to generate increasing income and improve local quality of life for its residents. LED addresses the question of why economic development takes place in some places and not others. LED argues that economic development takes place where there are effective supportive institutions in the local economy; presence of complementary of investment such as hard economic infrastructure: roads, electricity, water, markets, land and soft economic infrastructure: knowledge spill overs effects, network externalities, tax incentives etc. The conditions for a successful LED strategy planning, financing and implementation are (i) high level of interaction among the organizations and actors, (ii) a system of coalition that can be engaged to pool resources and create the critical mass required for economies of scale and (iii) awareness of being involved in a common agenda and sticking to it by all parties involved. The goal of LED is to support local development actors to put in place these success conditions.

15. Local Economic Development (LED) was introduced in Uganda in 2006 as the 6th objective of decentralization to accelerate poverty reduction among the population. Although implementation of the decentralization policy was considered fairly successful, it had given rise to new needs and challenges such as[1]: (i) the absence of strategies to stimulate local and community enterprise development; (ii) inadequate economic infrastructure development which made it difficult for entrepreneurs to access business development services and markets; (iii) low household incomes and savings thus a narrow revenue base and consequently low incomes for the LGs and thus over dependence on Central Government (CG); (iv) continued orientation of LG to serve as instruments of service delivery rather than catalysts of wealth creation and economic development; (v) limited capacity of LGs to attract and retain competent staff and (vi) ineffective participation and coordination of stakeholders in locality development.

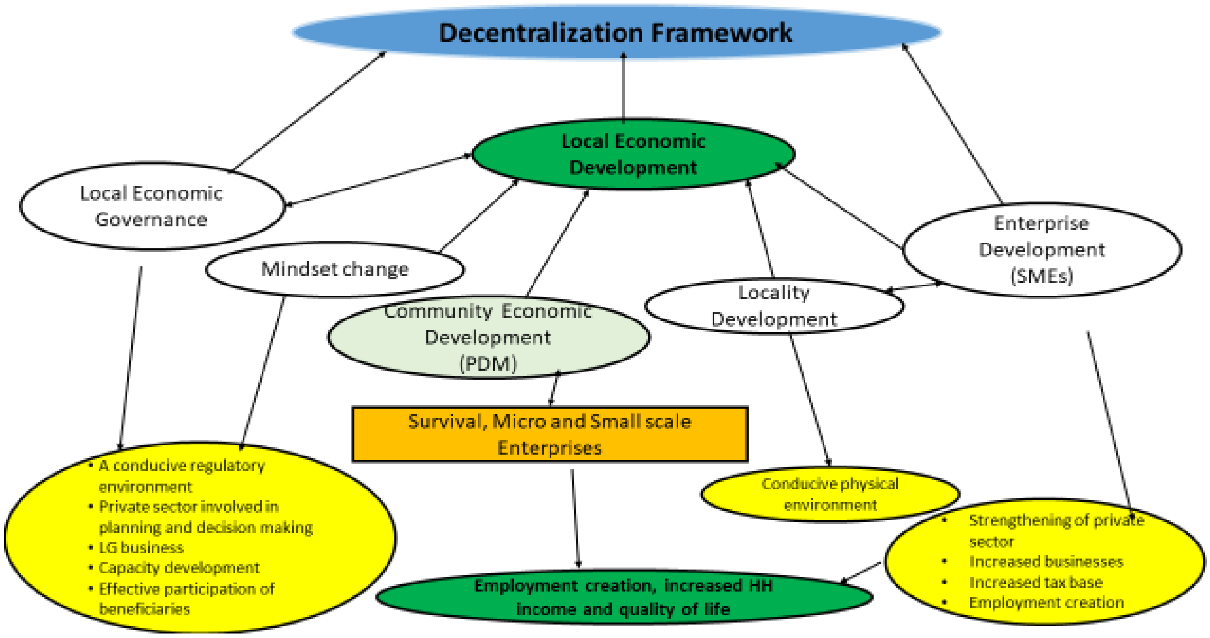
16. In Uganda, reforms in the institutional environment that influenced the adoption of LED included the emerging emphasis on Public Private Partnerships and the need to provide for adequate participation of non-state actors in the planning and budgeting processes; and development of the Uganda Vision 2040 which is *"***A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years".**

[1] National LED Policy (2014)

17. To make LED practical, in 2013, Ministry of Local Government (MoLG) together with United Nations Capital Development Fund (UNCDF) supported some pilot LGs to initiate LED in their localities. This support included orientation on LED, mentoring of LGs in identifying LED interventions and preparing LG investment profiles. This was followed by the development of the Local Economic Development Policy in 20214 to guide the promotion of the LED in Uganda. The aim of the policy is **"To create a local governance mechanism which promotes a conducive economic and political environment for private sector investment, employment in local areas for improved household incomes and service delivery".** This was incorporated in the Decentralization Policy Strategic Framework (DPSF) and the Local Government Sector Strategic Plan 2013-2023.

18. The National LED Policy (2014) defines LED as **"A process through which Local Governments, the private sector and the communities form partnerships to mobilize, manage and invest resources effectively into economic ventures to stimulate development and growth of the locality"** LED is a multi-sectoral, multi-level and multi-disciplinary process that requires a systems approach to succeed. There are three generic pillars of LED: Locality Development, Enterprise Development and Community Economic Development (CED). The LED policy originally provided for three pillars mention in (a-c) below and added pillar (d) later to address negative mindset of the communities towards development. However, the CED pillar was not adopted until when the Parish Development Model (PDM) was developed recently. The relationship between decentralization and LED pillars is shown in the figure below:

Figure 1: Showing LED within the Decentralization policy



Source: Modified from report Mid-term review of NDPII (2019)

a) **Locality Development** which entails making the geographical location attractive for businesses to invest and the humans to settle includes but not limited to investments in economic and social facilities such as roads, water, electricity, good and affordable health care and education, entertainment and physical market infrastructure.
b) **Enterprise development** deals with building capacity of existing businesses to expand while providing support to create and grow new businesses. Strengthening competitiveness, enterprise and business development services to strengthen existing businesses and/or creating news ones. The aim is to expand the commercial activities while maintaining quality of the business management.
c) **Local Economic Governance** provides the institutional framework for coordination and mobilization of actors and resources. Local government almost always provides the support for an LED project because of its regulatory and service roles. The idea of local government leadership (institutional and individual champions) is central to LED because local challenges are best served by local solutions.
d) **Mindset change** was later added, to address the negative attitudes towards self-help initiatives and lack of shared values and trust which provide the bedrock for effective partnerships and economic relations.
e) **Parish Development Model (PDM)** fits well in the LED framework as Community Economic Development (CED) strategy which is a pro-poor LED strategy to support the underprivileged who operate at the margins of the money economy to overcome entry barriers to participate in the money economy.

19. The promotion of LED creates opportunities for LGs to increase private sector investments, employment creation, and increase household incomes, allowing LGs to benefit from this development through taxes and rates collected from the business community.

3.2 Status of LED implementation

20. Flagship projects by MoLG have been implemented to pilot LED in some regions and LGs. A few examples of these flagship programs include agricultural capacity development programs under Project for the Restoration of Livelihoods in Northern Region (PRELNOR), Development Response to Displaced Impacts Project (DRDIP), Uganda Support to Municipal Infrastructure Development Program (USIMID), and recently Agri-LED Rwenzori, etc. which individually and collectively aim to support development of priority value chains. Under Markets and Agricultural Trade Improvement Program (MATIP), government constructed and still continue to construct Modern Urban Markets in selected Urban Councils across the Country. Markets play an important role in the economy by linking producers of Agricultural Products and indeed other Goods and Services to the consumers. A recent effort by CG to support LED has been the establishment of 20 industrial hubs under the Presidential Initiative on Skilling the Youth. Already 9 of these hubs are functional, offering different skills training for the underprivileged boys and girls.

21. In order to create implementation and coordination structure, in 2018, government established the LED department in the MoLG as a Secretariat to spearhead the drive to promote LED in the country. A national LED Steering Committee was formed comprising of relevant MDAs, coordinated by the LED department. However, the steering committee is still nonfunctional.

22. At the LG level, the department of Trade, Industry and Local Economic Development (TILED) headed by the District Commercial Officer, working with at least 3 other technical staff, was created to facilitate the planning, budgeting and implementation of LED. They are also establishing LED operationalisation systems and mechanisms such as LED resource teams that brings together all Heads of Departments under the chair of CAO and Commercial Officer as the Secretary with clearly defined terms of reference.

Adoption of LED as NDPIII approach

23. The Mid-term Review of NDPII (2019) revealed that, despite efforts to invest in poverty reduction, the results were very slow and in some regions poverty levels were increasing. NDPIII then adopted LED as an approch to deliver the results. A national LED strategy has been developed to guide the MDAs and LGs in planning, budgeting and implementing LED under their respective mandates.

24. By its very nature, LED emphasises partnerships between the public sector, private sector and or civil society, faith based organisations and local communities to promote development of a locality through harnessing the locally available resources. Successful implementation of LED is expected to lead to increased economic activity, increased employment, economic empowerment, increased household incomes and thus increased local revenue from these business.

25. Status of the new cities. In 2020, the government elevated the status of 10 municipalities into cities, with the aim of decongesting Kampala which has come under pressure, over concentration of economic activities. It is reported that each city has an economic importance and a tag attached to them: Hoima (as an oil city), Jinja as (Industrial cities), Fort Portal (Tourism city), Moroto (Mining city) while the rest regional cities (Drake Rukundo 2020). The objectives of creating Cities were also to enhance regional development as the cities would be expected to attract investments away from Kampala, provide the rural economies with the required markets for farm products, labour and other social services.

26. Under the USMID program, the new Cities have been facilitated to undertake infrastructure developments in the form of good roads, improved waste management, piped water, street lights, education and health care among others. The cities are also being supported by government to create City Development Forums, which originally, was initiative by the municipalities. This provides a platform for citizen participation, entrepreneurship development, technological innovation transfers and other economic activities to thrive. These investments are beginning to increase opportunities for expansion of economic activities, trade and commerce, thus increasing incomes.

27. Notwithstanding the existence of a legal and policy framework and programs that would aid the implementation and coordination of LED initiatives, there is an overall limited internalization and localization of some of these policies and synergies among programs.
    i. There is also a lack of guidelines for implementing LED policy provisions and inter program coordination, especially at the macro and micro levels. LED is a multi-actor, multi-intervention approach that requires a coordinated effort of all MDAs. Currently, MDAs operate primarily in silo formations which does not allow for synergy in the planning, implementation and monitoring of LED-leaning interventions.
    ii. Whereas the Local Government Act (LGA) and LED policy allows local governments to collect revenues and flexibility in usage to address local needs, local revenues are low. Less than 3% of LG financing is from their revenues, as the central government retains the collection of more lucrative local taxes. There is an inadequate mobilization of the private sector and other non-state actors for LED. Poor mobilization of stakeholders (community, public sector, private sector, and CSO actors) which undermines the

effective implementation of LED. The current threats faced by LGs and low local revenue mobilization at the LGs propel the need to institute a strategy that considers the business environment the private sector faces. This will increase locally generated revenue through direct taxes and LG's revenue generating ventures.

iii. There is also a lack of LED strategy frameworks at the LG level. Very few LGs have to date developed comprehensive LED strategies that propose viable interventions based on an appraisal of their comparative and competitive advantages in terms of economic potentials and motivation and capacity of stakeholders in the LG for enhancing LED promotion. In the absence of LED strategies, initiatives can only be adhoc with no apparent link for impact on the LED.

3.3 Parish Development Model (PDM)

28. The Comprehensive NDP I End Evaluation and NDP II Mid Term Review identified gaps in public service delivery mechanisms from the highest levels to the grassroots. Consequently, the Parish Development Model (PDM) was recommended and adopted, with a parish as the key administrative unit for implementation of Government Programs and as the best suited delivery mechanism for the attainment of NDPIII development goals at the grassroots level. The purpose of the PDM as per its guideline from MoLG (2022) are to:
    (i) improve household incomes and quality of life, as highlighted in the NDPIII;
    (ii) further deepen decentralisation;
    (iii) enable inclusive, sustainable, balanced & equitable socio-economic transformation;
    (iv) increase accountability at all levels.

    Launched in February 2022, the PDM aims to lift 17.5 million Ugandans in 3.5 million households out of poverty through the total transformation of the subsistence households into the money economy.

Updates on PDM Implementation

29. The LG consultations in August 2022 for this midterm evaluation and an assessment undertaken by MoFPED in July 2022 highlighted latest status of implementation of PDM as follows. Firstly, the PDM implementation structures right from the national to the parish level have been established. Secondly, general PDM implementation guidelines have been issued to provide the PDM conceptual framework, PDM principles, the 7 Pillars and their delivery mechanisms, stakeholder roles and responsibilities, and the results framework which were developed. Thirdly, pillar specific operational guidelines have been prepared for Pillars 1, 3, 5, 6 and 7, although they seem not to have been popularized. Fourthly, PDM SACCO Model bye-laws were developed and issued. Fifthly, Parish Chiefs were recruited and Parish Development Committees (PDCs) have formed in over 90% of the parishes. Sixthly, sensitization of political leaders at all levels was done and there is high level of political will to make the PDM work for the poor.

30. Community mobilization has been widely conducted. A team of 63 National Trainers were trained as trainers, who have in turn trained district level officers from all LGs. The district level trainers have also cascaded the training to the sub-counties and parishes. LG officers from all LGs (Sub County Chiefs, CDOs, Extension Staff, OWC Coordinators & Parish Chiefs) were trained. Countrywide district mobilization & sensitization was carried out led by Cabinet to a total of 17,872 local elected and appointed leaders.

31. Community information system and data collection exercise is being undertaken, with exception of a few local governments. All sub-regional ToTs trained on data collection. They in-turn trained 348 of the 352 LG supervisors. The LGs subsequently enrolled and trained 29,000 of the 33,000 data collectors. As at 12/08/22, household data had been collected from 4,050,988 households (41.34% coverage).

32. The Financial Inclusion pillar has been rolled out more than other pillars. The capacity of District Commercial Officers has also been built to support the Financial Inclusion Pillar in 5 regional workshops (Mbarara, Kampala, Gulu, Soroti & Mbale) held on 6th May, 2022. PDM SACCO Establishment countrywide: As at 12th August, 2022, a total of 8,334 PDM SACCOs (78.67%) had been registered under the Cooperative Societies Act in 143 LGs and 9,951 PDM SACCOs were set up on IFMS through which PDM funds will be disbursed direct to the accounts.

33. However, a number of gaps and weaknesses were also identified in the report from MoFPED (2022). Poor sequencing caused by delays in key activities. The parish baseline data collection carried out after formation of SACCOs and enterprise groups and yet, the data should have informed the selection. Notable communication gaps. And failure to roll all the pillars and not knowing how pillars 2 and 4 are going to operate without guidelines. In some LGs newly created parishes have not been gazetted thus affecting disbursements to such parishes. There is also observed Intra & Inter Pillar disharmony creating many and disjointed centers of planning, communication and execution of PDM activities leading to delays and often manifesting as competition rather than collaboration.

3.4 The Area Based Commodity Cluster Approach

34. Area-based Commodity Cluster (ABCC) have been identified according to the ecological zones with each region specializing in production of specific commodities where they have comparative and competitive advantage over others. Under the area-based commodity approaches the following regional value chains have been supported by government under Public Private Partnership (PPP) with financial support through Uganda Development Corporation (UDC). However, this list is not exhaustive. These are discussed below.

35. Dairy value chains in western Uganda: chain development support includes milk coolers, mini-processing facilities, organization and strengthening of farmers, etc. There are 483 milk collection centers countrywide with a total installed capacity of 1,938,522 liters.

36. Atiak sugar value chain development: support under agreement between NAADS, LGs, farmer cooperative and the Company that owns the processing facility. Out of the planned 7,000 acres, 2,500 acres of sugarcane were planted by Amuru Cooperative Society. However, all the 2,500 acres of sugarcane were destroyed by fire. The factory has been temporarily closed.

37. West Nile mango fruit juice value chain development, with value addition facility in Yumbe district. Yumbe mango processing factory, with installed capacity of 6MT/hr, funded by government of Uganda through UDC to a tune of Ugsh 8.9bn, in addition to one in Arua, which was not completed. The processing machine is fully installed and a dry test run was done and passed. The construction of treatment facility for the liquid and solid wastes are complete. The construction of the receiving shade for the raw material and the gate are on-going. According to the site supervisor, the completed work is at 60%. Work is expected to be completed before end of year, 2022.

38. Kayunga pineapple fruit juice value chain development with value addition facility. Kayunga pineapple processing factory, with installed capacity of 12MT/hr. The field team was not able to access the factory to discuss further the details of the operations and associated costs and benefits. Kapeeka fruit process factory, capacity of 2MT/hr processing line. The field team was not able to visit this factory to discuss its operations since Nakaseke district was not in the sample.

3.5 Regional balance and affirmative programs.

39. LED may take a regional scope if the LGs in the region have economic growth constraints that crosscut several LGs in a particular region. Poverty studies had revealed that, the overall national efforts in poverty eradication are being derailed due to some regions dragging the poverty-reduction gains. Poverty reduction targets have been missed as evidenced by poverty reversals in some parts of the country despite enormous and sustained Government efforts. There is imbalance in the development of regional potential. This is due to i) persistent regional income poverty; (ii) limited and underdeveloped regional value chains; (iii) inadequate economic and social infrastructure; (iv) poor local leadership and weak public sector management in the regions.

40. A number of these regions lagging behind are from the conflict affected areas of northern and eastern Uganda, the Rwenzori sub-region, and Luwero triangle. Bunyoro and Busoga sub-regions have been targeted under regional affirmative proramme due to their increasing

poverty levels. Status of implementation of sampled regional development program for affirmative action is presented in the table below. However, it should be noted that a number of these programs started under NDPI and NDPII and are at the stage of completion, while others have gone through mid-term and end line reviews. In the Mid-term review of the NDPIII, those that are still on-going will be subjected to more detailed analysis. The National Development Report (2020/2021) has shown some improvements during the period under review. The production of Maize, Cassava, Banana, Citrus increased across the target sub-regions. This is attributed mainly to distribution of improved seeds by Government and the relatively stable rainfall. However, less focus has been given to Cashew nuts growing in Acholi sub-region. Citrus fruit value chains in West Nile to mention but a few.

Status of regional balance programs under NDP III

41. Northern Uganda Social Action Fund (NUSAF3) from 2016/17 to 2020/21, focusing on (i) Labor Intensive Public Works, (ii) Disaster Risk Financing; and (ii) The Livelihood Investment Support (8 sub-regions and 66 districts).

Key achievement	Challenges
• 25.6 million-person workdays were created and paid for by the project. • 3459 community assets including Roads, Forestry, Environment, nursery beds and water sources. • Vulnerability reduced from 65% to 53% while improving resilience from 35% to 47% • Poverty reduced from 52.7% at baseline to 20.2% at end line • The project increased access to and use of 3,429 community assets • Increased household food security and consumption??	• Inadequate Group Capacity Building • Untimely fund release; • Low capacity of the community; • A vast majority of watershed committees were not functional • behavioral poverty such as alcoholism, cheap labor, charcoal burning remained high • Data collection and use of MIS by districts was still a challenge • Ineffective communication channels with beneficiaries. • high mortality rates of new businesses created

42. Uganda Support to Municipal Infrastructure Development Program (USMID-AF)-2019/20-2023/24. Focuses on institutional strengthening and good governance; planning and financial management; infrastructure provision and local economic development (22 municipalities selected across the country)

Key achievement	Challenges
• 92% performance against a target of 75% in FY 2020/21. • 9.7km of roads, 1 urban transport and beautification project, • 8 signalized junctions and 2,259 solar streetlights. • Ongoing works includes 89.8km of roads and associated infrastructure, • 4.5km of stand-alone storm water drainages, • 556 standalone streetlights and 2 signalized junctions. • 2 urban transport and beautification projects. • A number of policy documents and guidelines were reviewed • Support to development of taxi park in Arua, Entebbe, Tororo, bus/lorry pack in Moroto, children's pack in Lira,	• Inadequate capacity of local institutions to manage the interventions • Poor planning and financial management • Mindset change still a major issue given that performance for results [principle are not business as usual, • Project readiness and good project management on the part of the Local Governments is still a challenge • Lack of proper planning for O&M, investment after-care. • Limited supervision for implementation of infrastructure. • Lack of documentation of achievements

43. Markets and Agricultural Trade Improvement Program Project-2 (MATIP2

Key achievement	Challenges
• Nine (9) out of the planned 12 markets have been completed and 8 of these are fully operational. • construction of shelters, installation, testing running and commissioning of high-level value addition facilities for Arua and Busia Markets. • Civil works on construction of the shelter to house the high-level value addition facility in Soroti Market. Progress is at 90%. • Procurement of 12 garbage trucks for 12 beneficiary urban councils	• The information on constraints was not fully processed.

44. Development Response to Displacement Impact Project (DRDIP) addresses impacts of refugees on host communities, address social, economic, and environmental needs of the host communities (15 refugee hosting districts[2])

[2] Adjumani, Arua, Hoima, Isingiro, Kamwenge, Kikuube, Kiryandongo, Koboko, Kyegegwa, Lamwo, Madi-Okollo, Moyo, Obongi, Terego and Yumbe

Key achievement	Challenges
• Increased access to basic services of participants by 52.3%. • Improved Pupil-Classroom Ratio (PCR) from 114 to 71; Pupil to Stance Ratio (PSR) from 75 to 38, and the Pupil to Desk Ratio (PDR) from 6 to 4. • Increased number of inpatients by 35% (from 18,440 to 24,969); and attendance of OPD by 59% • Boosted local economies and improved livelihoods due to the diverse income generating opportunities • Increased mean incomes (from UGX 222,617 to UGX 234,446) of beneficiary households and saving levels from 50,000UGX to 200,000UGX	• the needs for service delivery are so enormous that the resources are often not enough to meet them • large informal survival enterprises with variety of enterprises, making targeting difficult

45. Project for the Restoration of Livelihoods in the Northern Region (PRELNOR) 2015/16-2021/22 Rural Livelihoods: Market Linkages and Infrastructure and Project Management and Coordination

Key achievement	Challenges
• Trained 1,800 farmer group on action planning (100% of the project target); • Trained 500 volunteers on planning Mentored 10,000 households and 1,226 farmer groups • Constructed 4,000 domestic cookstoves for vulnerable households • Provided extension service for 1,800 farmer groups • 137Km of roads and 2 satellite Markets are under construction.	• Delayed interventions including inputs, mechanisation largely attributed to the protracted procurement processes among others • On-off training for farmers does not make them retain knowledge • inadequate supply of foundation seed for almost all PRELNOR project supported crops. • Many beneficiaries were “too vulnerable to increase their incomes” they sold their inputs • lack of product differentiation in the markets between seed and grain (in many cases farmers sold quality seed as grain, fetching low prices). • low level of collective action led to reduce common voice to negotiate and increased chances of manipulation.

46. In summary, the NDPIII adopted LED as a development approach to accelerate poverty reduction in Uganda. Even before the integration of LED in NDPPIII there were flagship programs and projects and a number of LED initiatives were already being implemented. Although the LED policy put in place implementation structure from national to local government levels, these structures have largely remained non-functional. The

implementation of the LED has been very slow. Since 2014, the LED propagation team has not been made functional, a number of districts (19 LGs) did not have integrated LGDPIII.

4. KEY FINDINGS

4.1 LED approach to NDPIII

Relevance of the LED approach to deliver NDPIII results

47. **The LED goals and objectives are consistent with the NDPIII goals**. The LED policy objectives include (a) increasing household incomes and promoting equity (with special attention to intra-household relations); (b) enhancing the availability and quality of gainful employment; (c) improving economic infrastructure (at the local government level) and (d) increased independence of LGs (realization of full and meaningful decentralization). When achieved, these objectives will contribute towards job creation and increasing households.

48. LED contributes towards the achievement of the Uganda Vision 2040 which is *"to industrialize and transform the structure of the economy by 2040"*. Under Public Private Partnership (PPP) LGs can rally resources from the private sector to transform the local economy. The establishment of agro-industrial parks such as in Kasese and Kabarole are part of this strategy.

49. The LED approach hitches a great deal on the need for adequate participation of non-state actors in the planning and budgeting processes. The MTR reveals that 100% of the 57 selected LGs involve the private sector in planning, 91.8% in budgeting and 91.2% in implementation of LG activities. About three quarters (75.4%) reported to be involving the private sector in reporting. However, the capacities to make these engagements transparent and effective is still something to improve on by local government.

Effectiveness of LED Implementation

50. The MTR sought to find out the effectiveness of implementation of the LED policy by the LGs. Since its inception, under different programs, a number of flagship projects have been initiated by MoLG, OPM and other line ministries to promote LED. Most of these were largely targeted to the post-war local economic recovery in northern and eastern Uganda. a few of them were implemented across the country. Programs such as Development Initiative for Northern Uganda (DINU), PRELNOR, DRDIP, NUSAF, MATIP, youth livelihood project, women empowerment program and Emyooga etc., were all aimed at improving the economic environment for micro and small enterprises to survive and grow.

51. The MTR also looked at the level of knowledge and use of the LED policy (2014) by LGs in the course of planning, budgeting and implementation of their development plans. The majority of the planners (60.3%) sometimes, 32.8% always, while 6.9% never refer to the LED policy (2014) during the course of planning, budgeting and implementation of their development plans. This alludes to the inadequate knowledge and practice of LED by the LGs, the private sector and the communities.

52. In readiness of LED adoption in LG, LED structures at the local government levels were established, with the creation of the TILED department, formation of Local Economic Forums where private sector can participate in discussions on the local economy. Over half of the planners (56.9%) reported that the TILED department had substantive Head of Department. However, the TILED departments have not been resourced adequately with personnel, logistics and finances to perform their functions effectively. Structurally, the functions and responsibilities of the new department have not changed to reflect the new mandate. The department still focuses on trade and commerce, with no attention on industry.

53. About four out of every ten of the LGs (41.4%) have a fully constituted LED committee. The MTR sought to find whether or not the LGs were satisfied with the functionality of the LED committee in terms of frequency of meetings, decisions and actions of the LED resource team. For local governments that had a fully constituted LED committee, about three out of every ten of the planners (28.1%) of the 57 District Planner interviewed were poorly satisfied with the functionality of the LED resource team, only 25% were fairly satisfied. This means the resource committees are still weak and require technical support. In relation to the frequency of their meeting, about two thirds of the planners (66.7%) reported they met as and when need arises, 12.5% reported that they met quarterly, 12.5% reported that they met monthly, while the rest 4.2% reported that they met weekly

54. Despite the fact that only less than half of the 57 LGs consulted had fully constituted LED forums, a number of them were not functional. A LED forum is a space the LGs create to dialogue with the private sector and the communities on their local economic needs and how to support each other to leverage the investment opportunities available to the local businesses. About a quarter of the LGs (25.9%) consulted have a functional LED forum where the LG, the community and the business sector converge to strategize on how to grow the local economy. About half of the LED forums (46.7%) of the selected LGs meet twice a year, 33.3% meet once a year, 13.3% meet more than thrice a year, while the rest (6.7%) meet thrice a year. The data reveals that, majority of the forums have no structured engagement and financing to meet regularly.

55. Development partners such as United Nations Capital Development Fund (UNCDF), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), World Food Program

(WFP), United States Agency for International Development (USAID), Development Finance for International Development (DFID), Japan International Corporation Agency (JAICA) etc., have initiated LED in a few LGs. Through either LG off-budget and NGO, development support has had considerable contribution in building capacity of the LGs, local private sector and communities to engage each other to analyze and understand the local economy and put in place strategies to address some of the constraints to development of the local economy. However, these initiatives have remained undocumented. About half of the planners (48.2%) reported that they have (1-3) and 11.1% reported (4-5) development partners supporting their Local Governments to promote LED, while 27.8% have none and 13.0% have 6 and above.

56. Meanwhile 63.8% of local governments reported that development partners harmonize their activities with their districts while in the planning and implementation processes. However, these efforts are not adequate as they focus on few local governments, under a short project period and remain largely undocumented and yet a lot can be learned from the experiences. There is need for NPA and MoLG to document a number of existing LED initiatives and financing models for others to learn from and adopt.

57. Therefore, when asked to do a self-reflection of their own performance in promotion of LED, the level of satisfaction with integration of LED in the LG development, the responses are as follows. Only 29.3% of the planners are satisfied with their incorporation of LED in LG plans and budgets, while 56.9% were fairly satisfied. Majority of the planners (84.2%) reported to have implemented some LED projects in their localities since 2014/15 financial year. However, they also meet bottlenecks to effectively implement LED. Some of the bottlenecks are discussed in the next section. The MTR also reveals that, there are still huge opportunities to tape to enhance economic growth in a number of LGs.

58. The MTR also sought to identify areas of untapped potentials of each local government. the results are summarized in Table 4 below which shows that the main areas of untapped potential as identified by the planners are: tourism and hotels (87.9%), mining, minerals and natural resource exploitation (67.2%), and agro-industry (55.2%). This means LG are not innovative enough and lack the capacity to tape into these opportunities. For example, investments in tourism and mining cannot be undertaken without the support from the MDAs since some of these services are not fully decentralized and tourism has more economies of scale if the entire value chain is well coordinated across region or sub-regions.

Table 2: Areas of untapped Economic Potential

Area of Untapped Potential	Number	Percent
Agriculture Production	27	46.6
Construction	17	29.3
Agro-industry	32	55.2
Tourism and hotels	51	87.9
Micro-small and medium scale (MSMEs) enterprises	20	34.5
Transport sector	26	44.8
Trade	12	20.7
Mining, Minerals, and natural resource exploitation	39	67.2

Source: Survey data

59. One of the concerns of the MTR was effectiveness of addressing the development needs of the communities through the bottom up planning, budgeting, implementation and reporting process and integration of LGs and MDAs. About 75.9%, of the planners reported that they were always involved in the planning, while the rest (24.1%) reported that they were sometimes involved in the planning. A good number 84.5% reported that they were always involved in budgeting, 12.7% were sometimes involved in the budgeting. For involvement in implementation and report, 63.8% and 50,9% are always involved respectively. About seven out of every ten of the planners (69.4%) reported that they were always involved in reporting, 24.5% reported that they were sometimes involved in reporting, 6.1% reported that they were never involved in reporting.

60. Whereas the LGs were reported to be well involved by MDAs in the budgeting process, they are less involved in the planning. This then means the budgets have not been adequately informed by needs of the communities, which is supposed to filter through the engagements of the LG with the communities and the MDAs.

Impact of LED interventions

61. The impact of these flagship projects by CG and LGs has been varied. Half (52.8%) of the locals think LED initiatives have been fairly effective in job creation, slightly over half of the planners (51.9%) think LED initiatives have been fairly effective in increasing household incomes, while 64.8% think LED initiatives have been fairly effective in increasing revenue for the LGs.

Bottlenecks in promotion of LED as a development approach

62. **Limited capacity of LGs to promote LED.** First of all, awareness and knowledge on LED have been limited to LGs where some flagship projects were implemented. In these LGs some level of capacity has been built but elsewhere the LGs and the business community

have very scanty information about the LED concept. Furthermore, there are challenges of lack of reliable data for planning and assessment of performance. A lot could have been achieved by the efforts so far made but because it is difficult to get credible data on results, justifications for resource use are difficult. It makes attribution of results to specific interventions difficult. Generally LED has not been integrated into the LG planning and budgeting systems. In most LGs, there is no budgetary allocation towards deliberate promotion of LED. The existing allocations are conditional, based on the central government allocation for productive sector such as production, water and sanitation, roads and bridges and market infrastructure development.

63. Challenges related to weak institutional capacity at the local government levels. The TILED department is weak; the LED forums are either weak or in most case nonexistent. Integrating LED in the local government development processes is therefore limited.

64. **Private sector is reluctant to participate in LGDP processes, as they do not see support from the LGs towards improving business enabling environment for them to grow and become sustainable source of local revenue in return.** The LGs would like to get maximum revenue from the private sector without supporting them to grow. The mindset of LG leaders is still on delivering traditional public services, with little attention to investing in private sector capacity development to create new businesses and expand existing ones to expand their economy. Local Governments generally still looks at private sector as profit maximizers and sources of revenue but not as partners in development. The capacity to diagnose the local economy to identify critical growth opportunities and impediments to growth is very limited.

65. **The LG planning guide stresses the importance of local economic analysis but does not provide the tools to enable LG to effectively undertake the analysis and identify strategies to grow the local economy.** The need for LGs to collaborate with each other to build bigger economies at regional levels is increasing. But there is no institutionalized coordinated approach to across LGs within a region and vertically with MDAs. At the LG levels the planning and budgeting is still sectoral, including the resource allocation from the central government. What form the program based planning and budgeting should take, is not clear to most LGs.

66. **LG plans feed directly to the NDP without harmonization with the MDAs to ensure the programs/project funded from the MDA budgets also address the development needs of the communities.** The planning guide (2020) provides both top-down and bottom-up processes integrate community priorities in to the LG and MDA plans and budgets. However, in practice this arrangement is not effective. By the time a number of LGs come up with their priorities from the bottom-up processes, which albeit does not actually take place, MDA priorities would have been finalized and even integrated in the NDP.

67. **Delays in implementation of and non-functionality of agricultural value addition and bulking facilities which are not serving the purpose for which they were put in place.** These include markets constructed in both Cities and rural localities, agro-processing factories, some industrial hubs and parks which are well established and resourced with facilities but not being used. There are also many uncompleted investments with no clear reasons and directions on how they will be completed to serve the communities. A lot of LED investments take place outside the LG budgets, financed and managed directly from and by the central government or the development partners. The LGs do not have the incentives to offer the required supervision and oversight role as the resources to do so are often not provided.

68. Challenges related to management of the newly created cities. **All cities do not have an integrated City Development Plan; demonstrable capacity to generate sufficient revenue to sustain its operations; and infrastructural facilities, including but not limited to roads, street lighting, markets, fire stations, and adequate capacity for disaster management**. Lack of Minimum Standards for the Cities. The new cities do not have any existing minimum standards for their operations including nature of infrastructure, social services, industries etc.

Emerging issues

69. **LED was conceived in the NDPIII as an end to a development process but not as a process.** Therefore, NDPIII does not provide an elaborate direction for its planning and budgeting at the LGs. The LG planning guide made some attempts to ensure LGs plan and budget for LED, but how that can [practically done is missing. The National LED strategy developed by the MoLG has not been seen by most of the LGs consulted.

70. **Local governments understand LED more as local revenue enhancing strategy than development process.** While LED can lead to increased local revenue for the local governments, the enterprises that pay tax and non-tax revenues need to be deliberately supported to grow their businesses to create more jobs and household incomes and increase the revenues. Sometimes it is more logical to have tax holidays for new businesses as incentive to growth.

71. **Over 70% of the local businesses operate in the informal sector, including some that are not so small.** Due to the informal status, many of them are not in the banking systems and they do not have access to credit facilities that the government offers through the commercial banks. However, LGs get revenue from them, despite their status and this makes them feel recognized.

72. **The presence and support of the private sector organizations** such as Uganda Chamber of Commerce (UCC), Uganda Manufacturers Association (UMA), Private Sector Foundation Uganda (PSFU) **are not felt by the local business sector, yet they are critical in building capacity of the business sector at all levels**.

4.2 Financing of LED in Uganda

73. One of the strategic bottlenecks to effective promotion of LED is inadequate financial resources. The table 6 below presents the different source of LED financing. Table 5 shows that half of the LGs implemented some LED projects which were financed by the Central Government, those who reported to have implemented projects under PPP were 25.9% while 22.4% were financed under private investment. Local revenue accounted for only 24.2% of the LED project resources. However, at least 24.2% of the selected LGs LED projects were funded under PPP. Going forward this should be enhanced. This means the capacity of the LGs to drive the LED process independently is grossly lacking.

Table 3: Mode of Financing of LED projects in the Local Government

Mode of Financing	Number	Percent
Local revenue	14	24.2
PPP arrangement	15	25.9
Central Government	29	50.0
Donor funds	12	20.7
Private investment	13	22.4
NGO initiative	6	10.3
Community initiative	7	12.1

Source: Survey data

74. Over the last two decades, the share of the national budget allocated to LGs has been dwindling. In 2003/04 it was 25%, 2019/2020 was 11% and 2022/23 it was 10.6% of the national budget allocated to LGs to finance decentralized services. This undermines decentralization process and service delivery. In terms of functionality, the bulk of the central government transfers is for recurrent expenditures, with only 15% for development, largely in the traditional sectors of education, health, agriculture, water, roads and sanitation. There is no allocation for enhancing the capacity of the business sector to support enterprise development and grow the economy. The decreasing share of allocations to LGs for development expenditure by the sectors is partly due to the fact that sectors have over time been recentralizing decentralized services. Where there is no capacity at the LG level to deliver, instead of building that capacity, the tendency is to deliver such services from the centre.

Locally generated revenue:

75. The Constitution of the Republic of Uganda (amended 1995), under Articles 176 (2) d, provides for each LG unit to establish a sound financial base with reliable sources of revenue: LG shall have the power to levy, charge, collect and appropriate fees and taxes in accordance with any law enacted by parliament. The constitution also provides for taxes that may be collected by a LG on behalf of the central government for payment into the consolidated fund and for a LG to retain a specific portion of the revenues collected on behalf of the CG for the purpose of its functions and services. These provisions have been backed by the Local Government Act 1997 (amended severally) and other laws. This provision for inter-government fiscal transfers has never worked and is always a source of tension in the relations between LGs and CG.

76. The Local Government Finance commission (LGFC) has been supporting LGs to enhance their local revenue in a number of ways. These initiatives have led to local governments rehabilitating and/or constructing economic infrastructures such as warehouses, lorry and taxi parks, industrial parks, bulking centers, processing facilities, and extending power and water supply to make it possible for LGs to realize an increase in investments across a range of sub-sectors. This creates opportunities for LGs to generate local revenue from among others, local service tax, local hotel tax, property tax, business /trade licences, royalities, loading and offloading fees; and rental fees from lease of property owned by the local council.

77. However, most LGs, still depend on CG transfers and donors to deliver decentralized services, including LED. On average local revenue accounts for less than 3% of the LG budget, for which they have discretionary powers to finance council business. The local revenue base is not only narrow but also shallow. Despite this narrow base, revenue performance (the yields from the different sources) have not been good. A lot of these challenges are associated with gaps and constraints to effective revenue management, such as poor methods of revenue collection, dominance of the informal economy, high unit cost of revenue collection and political interference.

78. One of the local revenue sources that most LG have not utilized is municipal bonds. The LGA (1997) allows for a LG to borrow funds from financial institutions to invest in business or service delivery. However, no LG has attempted to use this source. The LGs do not have the capacity to borrow, invest and pay back like private businesses do. It is assumed government is not a good business manager. Secondly, apart from capacity challenges, there is also the restrictions of the legal provision. LGs do not have the autonomy to use this provision; they have got to get authorization from the central government before such arrangement. This undermines the very essence of decentralization.

79. ***Other source of LED financing includes:***

a) Donor funds, which are direct grants from development partners to local government and NGOs. It can also include grants for specific activities or sectors or beneficiaries;

b) Private sector funding that can be mobilized from private businesses or corporations in terms of direct investment fund by the private business or through a corporate social responsibility within the principles of responsible business, or under public private partnerships arrangement.

c) SACCOS: This is also a form of private sector funding but mobilized from clubs, cooperatives and organized groups for and through members.

Financing Models

80. ***Budget support to LGs.*** Central government transfers under the conditional and discretional development grants fall under this model. This is a grant dependent focus which is based on the principle of direct transfer to LGs to meet recurring and project expenses. Every year, local governments prepare both development and recurrent budgets, some of which have been used for financing LED projects. These LED initiatives have fallen under conditional and discretionary development budget. Some donors also prefer to route their development support through directly financing the budgets of local governments. A number of LED investments have also been financed directly by donor financing which also goes to the budget support for the LGs mainly for development and/or capacity development.

81. ***Off-budget support.*** This is direct project support over and above the budget allocations to LGs. It is often treated and managed as a stand-alone project, with clear and separate financing agreement and accountability requirements. This has been the case most of the flagship projects such as MATIP, PRELNOR, LEGS, DINU, etc. planned and implemented by the MoLG and OPM. Such funds are often ring-fenced for the particular investments. Local government are encouraged to develop special projects that may not directly fit in the public service implementation or is too large to be financed through the budget. Resource for such projects/programs can be channeled through a special project account, with unique implementation framework outside the government budgeting modalities as a project fund.

82. ***Use of Public Private Partnerships (PPP).*** The use of PPPs to finance LED comes in two forms. First, is routing public and private funds to beneficiaries through financial institutions, rather than using government structures. This is done to make the systems more effective as it is often believed, government is poor in business management. In 2009 government put in place a facility to address financial barrier to entry in the value chain and upgrading along the value chain for small, medium and large scale enterprises. Since its inception in 2009, government has already invested a total of Ugs178.56 billion through a number of Participating Financial Institutions (PFIs), which accounts for 50% of the total, while 50% came from the PFI. Cumulative disbursements over the year stands at

Ugs589.48billion for 1,179 projects across the country. To benefit the micro-small and medium enterprise, a special block grant was earmarked for the subsistence farmers at special collateral. A total of 300 individual benefited from the block grant. The impact has been 24,548 new jobs were created and 209,482 rural farmers integrated into the value chain through grower schemes.

Box 1: Arua Hill Stadium and Business Centre

This is typical PPP investment between Arua City Council (ACC) and Development Infrastructure (DI). Arua city provided land worth Ughs 2.5billion. DI came with a business concept a stadium and business centre and mobilized resources to development the land. This project was conceived to meet the need of for those venders who missed to get trading space in the Arua Main Market which was developed under MATIP2.

The investment was funded by the community which includes market venders who were allocated spaces (35Mm2) at Ugs 98million to be paid in 10 years. Each tenant financed each phase of the contraction from foundation to completion. The same principle was applied to finance the residential apartments, restaurants, medical centre, bar, hotel and others. The beauty is, DI and the tenants have never borrowed any funds from the bank or financial institutions. All is savings from the individuals, after all the construction work has been in phases. The smallest room costs Ughs 9 million which is funded by boda boda business man. This attest to the fact that, development financing can be mobilized from the communities, without external support. This is more sustainable as local solutions address local challenges.

Expected benefits

- The tenants have prime location to do business. There are going to be cluster of business that compete and/or support each other. Targeting the business community here with business development services and other support becomes easy and less costly. There is learning from each other because of proximity and continuous interaction between businesses.
- Increased household incomes: The spaces in the centre are fully owned by the businesses, which they can rent out if they are not interested. This makes them land lords for the next 49years. So the centre will increase household incomes for those participating individuals
- Creation of new jobs: in security, hotels, bars, medical centre, management of the stadium and business management.
- Increase revenue to the city: (i) the city is poised to collect more revenue through trading license, property rates, hotel tax etc. (ii) 40% of the proceeds from the stadium from any paid events (such as games, wedding parties, crusades, trade shows etc) goes to the City

83. **Secondly, attracting private resources through joint investments**, where both the government and private sector make complementary contributions. These joint investments also take various forms. A number of LGs have attempted to attached private funding through PPP arrangement. These include but are not limited to: (i) Land provision by Wakiso district to develop a market under public private partnership (ii) The case of Arua City of Arua Hill Stadium and Business Centre (**Box 1 above**) funded by the local community without the help of any banks, standout out as a typical LED investment LGs can emulate; (iii) Gulu District having partnership with Toyota Uganda and UMI to develop idle buildings for commercial purposes and getting revenue from the two interventions and (iv) Mbale District converting pool houses into office space to rent to NGOs and private sector, thus earning revenue from the initiative.

84. **Financing through Cooperatives and Groups-** These days, a number of development support is being routed to community projects through groups and cooperatives. This is because the groups act as collateral for accessing financial services. It is the responsibility of the group to compel their members to repay the loan. The poor are using collective savings as social safety nets to cushion them against financial risks. The reason is that, most survival and micro enterprises require financial inputs, which are at the micro level of funding. Savings and credit unions and clubs are an important mechanism to boost the stability of local economies and sustainable human development. Sharing of technology and resources, be it tractors or fabricators, fit into the concept of collective action. Local economies can be stimulated through such initiatives and, thereby, support innovation and agility in the economy.

Constraints to LED Financing in Uganda

85. **Contradictory legal regimes**. While the LGA 1997 provides for the LGs to collect and expend locally generated revenue, the Public Finance and Management Act (2010) contracts it by compelling the local government to first remit their revenues to the consolidated account and request for it later. According to the experience of the LGs, this has complicated the access to such funds and delayed service delivery. Beyond the delays are also difficulties to access any revenue collected over and above the budgeted already captured in the IFMIS. This discourages LG from putting efforts to raise revenue beyond the budget.

86. **Rigidity of the Public Private Partnership Act (2014) which restricts LGs from innovating to attract financing from the private sector.** The Arua City experience has shown that some of the innovative financing modalities for LED through private sector collaboration with LGs do not fit in the PPP provisions. This initiative came directly from an innovative private development firm, who could not be subjected to competition in financing and management of the assets. In essence, the law does not provide room for

innovations. Therefore, the PPP act should provide for flexibility in finding the right financing model for public infrastructure.

Emerging Issues

87. Experience from Uganda and around the world clearly indicates that a wide-range of instruments is being applied to support and fund LED programs and projects. Key issues that emerge from the overview include: (i) the issue of whether support should take the form of direct grants or rather loans; (ii) whether support should be provided on a competitive bidding process which targets the most economically viable schemes or whether it should be rather made available to the areas which are most in need of assistance; (iii) whether LED support should be channeled through multiple, possibly overlapping programs, or whether a single channel LED support instrument is the ideal; (iv) how to ensure the effective participation of the private and community sectors to achieve both economic growth and poverty relief redistribution objectives; and (v) the extensive use of LG procurement budgets in stimulating LED.

4.3 Functionality of the Parish Development Model

149. The MTR looked at the functionality of the Parish Development Model (capacity; readiness for implementation at all levels; sustainability). The emphasis is on the extent to which the PDM is relevant for deepening decentralization and citizen participation in local development; and the extent to which the PDM has been implemented.

Relevance of PDM to poverty reduction

150. PDM concept falls under pro-poor economic development policy domain. Both concepts of "pro-poor" and "pro-growth" are addressed as an integrated strategy under which PDM ably.

Table 4: Strengths of the PDM in supporting poor to participate in the local economy

Strength of PDM	Number	Percent
Access to low cost finances for investment	51	87.9
Emphasis on production and productivity	45	77.6
Planning and budgeting at parish level	40	69.0
Youth attracted and engaged in productive activities	32	55.2
Involvement of the subsistence producers	44	75.9
Collective marketing to eliminate middlemen	33	56.9
Others	5	8.6

Source: Survey data

A "pro-poor" policy aims at poverty alleviation through job creation and social-welfare safety nets which PDM stands to achieve. The following are the views of the local government on the relevance of the PDM in local development planning and management. This is summaries in Table 6 above, which shows that 87.9% of the selected LGs identified increasing access to low cost financing as the main strength of the PDM, 77.6% identified emphasis on production and productivity which was also identified by the Parish Chiefs and 75.9% involvement of subsistence producers. This means that all the pillars of the PDM should be activated to provide holistic support as envisaged.

150. The PDM is relevant in bridging the existing gaps in development planning, budgeting and implementation between the LGs and the communities. In a focus group discussion with ULGA it was observed that community participation in development planning and implementation has been very poor. In effect most of their needs were not prioritized by the LGs during planning. Financing of community development priorities has never been consistent. In effect, a number of parish level generated project remained unfunded.

151. Under the PDM, the PDCs and the communities are not only identifying their pressing social and economic needs but they will allocate and manage resources at the parish level without interference from the sub-county or higher levels. This is deepening decentralization as real power is devolved further to the communities in line with the principles of subsidiarity.

Effectiveness of implementation: what has worked

152. LG Taskforce for rolling out PDM. The overwhelming majority of the LGs (96.6%) have a taskforce/committee for rolling out the PDM to the parishes. Nine out of every ten (91.4%) of the taskforces/committees are equipped (oriented, trained, financed) to perform their roles. All the PDM SACCOS have been formed with 25.9% reported to have adopted existing SACCOS prior to PDM. So not all SACCOs are new. Table 8 below shows the scope of preliminary activities that have been carried out to prepare for full implementation of PDM across the country. This is shown in table 7 below, which shows that most activities had been undertaken by the majority of the local governments. However, many of these structures and enterprises were formed hurriedly with little time for critical analysis. In Packwach and Arua districts, for example, they reported they were given two days to the provide list of SACCOs and enterprise groups. Given time, some interest groups have reported to be rethinking their enterprises, to reflect their current petty trade.

Table 5: The extent of implementing planned activities

What has been done	Number	Percent
Orientation of the local government elected and appointed leaders	54	93.1

Creation and facilitation of a HLG team to rollout PDM to parishes	48	82.8
Recruitment and deployment of Parish Chiefs (PC)/Town Agents (TA) in all the Parishes/Wards	52	89.7
Training of Parish Chief/Town Agents	54	93.1
Formation of Parish/Ward development committees (PDCs)	52	89.7
Training of PDCs/WDCs	43	74.1
Formation of PDM SACCOS in the parishes/wards	53	91.4
Formation of agricultural enterprise groups	47	81.0

Source: Survey data

154 The MTR established that, some parishes came up with over 10 enterprises since it became too difficult to arrive at a consensus on few. This reflects, lack of understanding of the guidance on enterprise selection but also on the inadequacy of the guidelines to take care of heterogeneity of community interests. Secondly, nearly half of the SACCOs have not had any meetings while 53.5% meet monthly. Thirdly, almost all SACCOs (96.1%) had bank accounts with the Chairperson as the principle signatory. The others being the secretary and treasurer. Fourthly, 66.5% of the SACCOs have received funds from government under the PDM. However, 85.5% of the of the SACCOs that had received funds have not yet used it. They are waiting for instructions from the LG on how to utilize the funds., while 11.6% had not used because the funds were inadequate. About 1.4% had not utilized because they had not yet selected enterprises.

153.The MTR also assessed the extent to which the pillars have been rolled out. Table 8 shows the experience report by the local government on their assessment. Table shows that the main pillars of the PDM that have so far been rolled out to Parishes/Wards are: community mobilization and mind-set change (84.5%), Financial Inclusion (82.8%) and Parish-Based Management Information System (77.6%). This leaves governance and administration which is the foundation of effective implementation poorly implemented. The focus of the PDM is on increasing production and productivity, which has not been fully rolled out.

Table 6: Pillars of PDM so far being rolled out to the Parishes/wards

Pillars of PDM so far rolled out to Parishes/Wards	Number	Percent
Agricultural Value Chain Development (Production, Storage, Processing and Marketing)	28	48.3
Infrastructure and Economic Services	9	15.8
Financial Inclusion	48	82.8
Social Services	13	22.4

Community Mobilization and Mind-set change	49	84.5
Parish-Based Management Information System	45	77.6
Governance and Administration	24	41.4

Source: Survey data

154. The main enterprise chosen to be developed under the PDM are: piggery/poultry which accounts for 75.5%, coffee (34.2%) and fish farming (29.9%). About seven out of ten (69.9%) of the parish chiefs were satisfied with the selection of the enterprise section under PDM, while the rest were not satisfied. Their reservations were on the one size fits all nature of the enterprises, where even in urban areas where the beneficiaries do not have adequate land for farming, they will be left out.

Lessons that the PDM financial inclusion pillar can pick from the Emyooga activities

155. First of all, there is need for close and continuous capacity building and business advisory services which involves training the associations to gain financial literacy skills and frugal loan management. The PDM can learn from the Emyooga program and inbuilt in the financial system Client Relationship Advisors (CRA) Emyooga deployed to continuously provide business development services and Local Community-Based Trainers (LCBT) were trained to provide hands-on technical support to Emyooga SACCOs countrywide.

156. Secondly, PDM should put in place a mechanism for continuous monitoring of the program through regular visits to beneficiary SACCOs, develop and deploy electronic Parish Based Management Information System (PBMIS) to support data collection and reporting, and client relationship advisors who interact on a regular basis with the SACCOs and Associations.

157. Thirdly, parish operations should look out for LG officials who extort, connive and mismanage PDM funds, especially accused of defrauding the Parish SACCOs and enterprise specific associations.

158. Fourthly, while majority of the communities can be responsive to such a program, others pay little attention to the opportunities that have been offered by the government with a view that the revolving fund is meant to thank them for supporting the NRM government. Such opinions should not derail the program.

Constraints to implementation

159. The constraints to effective implementation of the PDM as reported by the LG, MDA and from literature review are summarized in the table 9 below. The total number of respondents were 57 and their responses are presented in the table.

Table 7: Impediments in rolling out PDM in the Local Government

Impediments in rolling out PDM in the Local Government	Number	Percent
Lack of harmonized understanding of PDM by all relevant stakeholders	43	74.1
Delays in remittances of the PDM funds to the beneficiaries	41	73.2
Lack of enough time to prepare for implementation	39	67.2
Limited capacity of the parish chiefs, PDCs and SACCO leaders to manage the activities of PDM	34	59.7
Lack of funds for the operations of the Parish Development Committee and the Parish Chief	49	84.5
All documents are in English and thus some people cannot read or understand	25	43.1
Some names of parishes in the PDM list are different from the community LG has	5	8.6
Number of parishes are not the same as in the PDM	8	13.8
Inadequate number of Extension Workers to support the enterprise development	29	50.0

Source: Survey data

Table 7 shows that the main impediments in rolling out PDM in the LGs are: lack of funds for operations of the Parish Development Committee and the Parish Chief (84.5%), lack of harmonized understanding of the PDM by all relevant stakeholders (74.1%) and delays in remittances of the PDM funds to the beneficiaries (73.2%). The functionality of the PDM is dependent on the functionality of the parish. Most of the parish chiefs have bee recruited very recently and up to now they have not had intensive training to build their capacity to undertake public management. Many of them have completed Senior Six and enquire some professional knowledge to effective handle the PDM.

160. It's clear from the above responses that, PDM is one of the most extensively published and yet most misunderstood development strategies. Different layers of awareness have been created country wide by the PDM secretariat, the Ministers, district officials, using various communication channels. There is a high level of political will to support the PDM and it is a household name. However, information on the PDM to the public is so much distorted and guidelines keep changing too frequently, confusing the LG leaders, community leaders and targeted beneficiaries. The PDM secretariat will need to be empowered with enough human and financial resources and mandate to be the one to speak for government on the PDM. All other communications from the MDAs on the PDM should be coordinated by the secretariat to avoid inconsistence of messages to the public.

161. Limited pillars of the PDM being rolled out. So far, it's only financial inclusion, mindset change and parish based management information systems that are being rolled out. The pillar on governance and administration, which is critical in ensuring coordinated and consistent implementation, has not been activated. The PDM's cardinal focus should be on the first pillar which is facilitated by the rest.

162. The roles of the LGs especially the sub-county and other sectors is not clear to the local stakeholders. The master guideline of the PDM attempts to highlight the roles of the different stakeholders including the LGs and MDAs in the PDM but many LGs still do not understand how they should support the implementation of PDM. This is more pronounced at the sub-county level, where they were by-passed during recent parish data collection exercise. The national secretariat should continuously create awareness to stakeholders about their roles. The component of mindset change should not only be directed to beneficiaries, it should actually start with the local governments and MDAs.

163. Limited capacity to effectively implement PDM at the parish level. Most parish chiefs have been recently recruited and deployed. A number of them have limited capacity to manage people and programs. They require serious orientation and training to effectively coordinate the PDM pillars effectively. The LGs will need to provide continuous capacity building on management of associations, financial literacy for both the parish chiefs, PDCs, SACCOs and enterprise groups, integrating mindset change in business advisory service delivery and extension services to agricultural producers. Encourage horizontal and vertical linkage between parishes and the district respectively. Through the value chain, the producers and activities at the parish levels should be linked to each other to build economies of scale and vertically integrate to the district economy.

164. One of the least understood aspects of the PDM by the LGs is where and how to obtain operational funds to support the PDM. This is more critical at the parish level, where traditionally, there is no resources allocated for operations of the Parish Chief (PC) and Parish Development Communities (PDCs). One gets to hear statements like *"we used our 'own' money to implement a planned strategy"* from LG staff, in reference to using allocations to the department for other activities, other than PDM to facilitate formation of PDM SACCOs and PDCs.

165. How the operational cost of PDM SACCOS will be met? SACCOs incur high operational costs in terms of payment of staff for those that have recruit staff, bank charges, facilitation of board members, transport to and from the banks, among others. Before, different SACCOs begin to find their own ways of facilitating the SACCOs, some of which may be against the guidelines, the financial inclusion pillar should provide guidance on how to meet operational costs, to avoid confusion and for consistence of messages. Financial inclusion

should follow a simple business plan and be accompanied with business development and financial literacy training. Otherwise, the funds may not be put to good use.

166. Corruption may undermine the success of the PDM implementation. There is fear that some SACCOs are already infiltrated by elites in the community who are not the targeted beneficiaries but are in leadership positions in the SACCOs. Extortion, connivance and mismanagement of funds by some of the district officials, inefficiencies arising from unequipped district commercial office, all create real fears. There is need for close supervision of the SACCOS by the district leadership, such as the Resident District or City Commissioners, the chairman's office and the internal auditors. The planner's office should be equipped for data storage and processing and the system be automated and harmonized with other programs and information updated on regular basis.

167. Parishes are not homogeneous. One of the key observations of the MTR is that, parishes/wards are *not homogeneous*, but are complex with peculiar development concerns and challenges. For this reason, their levels of preparedness are different as well. The PDM should envision innovative and case by case development solutions for the parishes. In this way, we shall have interventions that deal with real issues that are adaptable to local conditions and circumstances. Otherwise, the 'one size fits all' strategy currently being adopted by PDM guidelines do not offer appropriate solutions to some parishes/ward, especially urban based communities, who are forced to take on urban agriculture when most of the beneficiaries are involved in survival non-farm agribusinesses businesses.

168. Limited supervision from the centre. The PDM secretariat is not adequately resourced with the required number of personnel and logistics to undertake effective backstopping at the local government level. Effective supervision of the PDM will need to be undertaken from the LG.

Emerging Issues

169. The goals of increasing rural household incomes and food security should be pursued concurrently to avoid one taking centre stage and the other not being achieved. The communities would not go for incomes at the expense of food security. Programs should employ multi-pronged approaches such as group action planning, group capacity development, production of selected enterprises for food and others for income, income planning and financial literacy, creation of market linkages, increased access to better markets, reduced post-harvest losses etc. All these approaches are complimentary to increase food availability for the home and a surplus for the market.

170. A good number of the targeted 39% in the subsistence economy are the elderly, persons with disability, terminally ill and handicapped, may be unable to participate in the PDM

model as producers, traders or laborers. They require other forms of support. The baseline data on should also capture them so they may be targeted with special support within the PDM.

171. Before the PDM, there were already PDCs who were helping in bottom-up planning and budgeting. In the PDC, all the chairpersons of the villages were members, resourceful members such as school head-teachers, religious leaders. The village chairpersons were more relevant in day-to-day data collection and updates, supervision of communal work, enforcement of the bye-laws etc. however, for the PDM-PDC, representation is by office and the number limited 7 members which is not adequate. Secondly, the former PDC members were trained to perform their work. If only they were examined and those deemed fit should have been reappointed for continuity purposes. There is need for the government to pronounce itself on the redundant PDCs, because they were created by the same government.

172. The optional formula-based method of allocating money to parishes under PDM is not recommended, because it is complicated. The intention is not to meet per-capita needs, but rather to avail a minimum investment funds per parish. This is a minimum investable funds allocation but not intended to meet all parish investment needs nor to achieve equity in access.

4.4 Area-Based Commodity Clusters

Relevance of the Area-Based Commodity Clusters

173. The mid-term review sought to ascertain the relevance of the Area-based commodity Cluster (ABCC) approach to agro-industrialization. The commodity clusters focus on developing value chain of strategic enterprises in line with the NDP III results of job creation and increasing household incomes. NAADS annual report (2021)[3] shows that the interventions during the FY 2020/21 focused on the key agro-industrialization objectives to increase agricultural production and productivity; improve post-harvest handling and storage; and improve agro-processing and value addition.

174. ABCC approach supports development of a regional value chain for priority enterprises selected according to the ecological conditions of the region. The approach is very relevant to poverty reduction and food security. An ABCC is by design a tool to improve the economic dynamics of a given territory (Village, Sub-county, District, Region). The identified commodities under the ABBC approach focus on agriculture value chains where the majority of poor are economically engaged. This directly contributes to creation of jobs and wealth for participating households and have potentials for exports.

[3] NAADS (2021) Brief Annual Physical Performance Report (July, 2020 – June 2021)

175. Its regional scope makes it more relevant to capture economies of scale as production volumes are higher from a number of districts. The focus on regional value chain enables such chains to be integrated into the national and international markets, thus having national impact while creating dynamics in the local economy.

176. The adoption of the value chain approach addresses systemic failures along the chain. It focuses on developing the whole value chain from input supply to processed product. Therefore, investments build capacity of both farm producers and agro-processors in order to build the competitiveness of the chain. It also ensures sustainable value chain development and market linkages through establishment of agro-processing /value addition facilities in line with the Government's strategic direction for agro-industrialization.

Effectiveness of the organization and governance of commodity clusters

177. The literature review and informant interviews reveal that due to support from NADDS and OWC, production and productivity at the farm level increased over the years under NDPII. Its continuity under NDPIII has not been clearly documented but is believed to increase the oversight role played by NAADS and OWC.

178. One of the effectiveness of ABCC is the involvement LG in the planning and management of programs. The LGs were asked to provide their experience of being engaged in ABBC. Their responses were that, about half of the planners (51.2%) reported they were sometimes involved in the identification of enterprises, 41.9% were always involved, while the rest (7.0%) reported that they were never involved in the identification of enterprises. The responses are that they were always more involved in planning (53.2%), budgeting (46.8%) and monitoring (47.9%) and less always involved in distribution of inputs (31.1%), value addition (23.3), commodity marketing (20.5). It can be noted that this high level of involvement in planning and budgeting is not specific to cluster development but the general involvement of LGs in the budgeting process.

179. The MTR also sought to assess the involvement of the beneficiary communities in planning, budgeting, implementation monitoring and reporting in the value chains projects. The results show poor involvement along the chain. The proportion who responded that they were always involved in identification of enterprises (41.7), 31.9% were always involved in the planning, 27.7% were always involved in the budgeting, 39.1% reported that they were always involved in distribution, 17.0% reported that they were always involved in value addition, 23.9% reported that they were always involved in commodity marketing and 26.3% reported that they were always involved in monitoring. These were all below average.

Extent of achieving of results

180. The first objective of the Commodity clusters development is increasing production and productivity. The interventions under NDPII which continued to NDPIII contributed to increased production of the selected commodities in the respective regions. Report from NAADS shows that maize production increased by 33%, cassava 131%, tea by 19% (NAADS 2021). The NAADS interventions on provision of quality agricultural inputs have also stimulated need to establish processing facilities in different production zones to enhance value addition and agro processing.

181. The above findings were corroborated with the views of the LGs, who were asked to mention some of the results (outputs, outcomes and impacts) registered by the ABCC in their district. Table 8 shows their responses.

Table 8: Results registered by the area-based commodity value chains

Results	Number	Percent
Increased food security (HH are able to have 2-3 meals a day)	23	39.7
Increased institutional capacity of the LGs to deliver decentralized services	25	47.2
Increased number of new jobs	18	31.0
Increased number of micro-small-medium scale enterprises	20	35.1
Increased level of local revenue from these enterprises	20	35.1

Source: Survey data

Table 8 shows that the main results registered by the area-based commodity value chains in the local governments are: increased institutional capacity of the local government to deliver decentralized services (47.2%), and increased food security (39.7%). It can be noted that more of the intended results such as increased number of new jobs, increased number of small enterprises in the local economy, performed poorly except increased food security. Incidentally, increased capacity of the local government to deliver services is most frequently mentioned but was not the intention of the ABCC.

Constrains in implementation

182. The MTR also identified the major constraints to effective implementation of the regional cluster development and realization of the results. The responses from the local government consultations is summarized on the table 11 below.

Table 9: Constraints in planning, budgeting, implementation and monitoring of RDP

Constraints	Number	Percent
Inadequate funds	21	36.2
Lack of coordinated activities	13	22.4

Late release of funds for implementation	9	15.5
High cost of investment	3	5.2
Mindset change	3	5.2
Non-involvement of key stakeholders and beneficiaries	4	6.9
Inability of the Local Government to take over projects	7	12.1
Community largely do not own the projects which affects sustainability	5	8.6

Source: Survey data

Table 9 shows that the main constraints faced in planning, budgeting, implementation and monitoring the ABCC development are: inadequate funds (36.2%), inadequate of coordination (22.4%) and late release of funds for implementation (15.5%). Inadequate coordination stems from the lack of involvement of the LGs, who are by nature the governors of the chain.

183. The lack of ownership of the investments by the community can be attributed to the poor involvement in the value chain processes. The communities for which the facilities were established reported they were not consulted before or during construction of these facilities. Therefore, instead of local communities supplying raw materials to the factories, the communities are not benefiting from the value addition centers. An example given was Kayunga Pineapple processing factory, whose location is being contested by a section of the LG as they claim they were not consulted. They would have preferred the factory to be located in the sub-county that leads in pineapple growing in the district (Monitor Newspaper Aug. 14, 2020). MTR reveals that, most of the pineapple growers sell their produce to middlemen from Kenya and other regions of Uganda. this defeats the purpose of locating the factory in Kayunga.

184. The value chain development has performed very poorly. Market linkages continue to be weak partly because NAADS has not effectively carried out agribusiness development activities focusing on the upper end of the value chain. The linkage of farm production with agro-processing and value additions facilities is still very weak or non-existent. With exception of Atiak Sugar factory with Amuru Sugarcane Growers' Association, where clear contractual agreement between the cooperatives and the processor, the others were not operational. Yumbe Mango factory is incomplete, while two processing facilities in Arua City are nonfunctional, two years after been commissioned by the President. The operations of the facilities seem economic and financially unprofitable. To avoid such 'white elephants', future investments in value addition facilities should follow a thorough feasibility studies to identify the systemic constraints to the development of value chain program, apart from being based on ecological conditions.

185. The chairperson of Amuru Cooperative identified two critical challenges they face as farmers. (i) lack of capacity for quality control and quality assurance of farm products, leading to poor quality and low value farm products which do not fetch premium price in the market. Whereas, Uganda National Bureau of Standards (UNBS) has developed and is enforcing compliance to standards for industrially processed products, there is no clear standards for farm products. Government should assist farmers to improve the quality of their products. (ii) Lack of agricultural insurance: at the moment Uganda does not have agricultural insurance policy, yet farmers go through a lot of risks against which they can be insured. Government should expedite the process of putting in place agricultural insurance policy to address the high risks to which farm production is exposed.

186. Lack of clarity on the institutional framework for planning and implementation. There are many players in the cluster development process, some who duplicate roles and responsibilities. The roles and mandates of MDAs, LGs and communities in the operations of the value chains is weak. In purely government financed value addition facilities such as Yumbe Fruit factory, about four private sector players are involved, all taking part of the resources. The supplier of the technology, the contractor of the buildings, one who will run the facility when completed. But there is one who is reported to have 41% share in the factory, without investing any resources and yet the firm was contracted as a consultant to supervise the entire process of establishing the facility.

Emerging issues

187. The ABCC seems to focus more on the development of smallholder farmers, who are majority of the poor. However, efforts to support large scale commercial farmers need to be looked into as well. The large farmers can act as lead producers to provide direction to the small farmers. The findings show that on average 16.8% of the farmers are commercial farmers. The challenges that commercial farmers face in expanding and sustaining their businesses are high costs of farm production, reliance on unpredictable rain patterns and limited access to mechanization facilities.

188. Climate change impacts are affecting the production and productivity of farm production. Consultations with the LGs show that on average their natural environment is degraded up to 23.6%. The main nature of degradation is encroachment on wetlands, cutting of trees for wood fuel and clearing the tress to prepare land for farming. LGs have put some efforts to reduce degradation and mitigate the negative impacts. This has been demonstrated through sensitizing communities on the dangers of climate change and how we contribute to its mitigation, creating awareness of climate change and supporting the community to re-afforestation of degraded land, encouraging the sustainable utilization of wetlands and enforcing regulations related to environment. Some have put in place bye laws which have largely remained unenforced due to interference from local politicians.

4.5 Regional Development Program

Relevance of Regional Development Programs

189. **Relevance of the design which is consistency with the objectives of the NDPIII:** All the regional balance programs and project were/are consistent with the aspiration and the strategic objectives of the NDPIII and the goal of addressing household poverty and creation wealth. The interventions largely target development needs of the poor in the rural and urbans areas, such as poor community infrastructure, limited employment, limited access to social services, environmental degradation, conflict resolution in some places.

190. **Consistency with the development needs of the communities:** Since the local economy of these targeted LGs and regions is dependent on agriculture, most of the programs have agriculture components, emphasizing increasing agricultural production and productivity of priority commodities including vegetables. Considering the nature of outcomes, projectsunder the regional program are highly relevant to the achieving improved access to agricultural markets and value addition through supporting farmer groups in formulating and implementing technical, managerial and marketing strategies and developing feasible business plans in a way that suits the socio-economic circumstances of the target beneficiaries, while providing effective extension services and related capacities.

191. **The programs in the post war areas and refugee hosting communities aim to improve access to basic social services** (health, education, water and sanitation)**,** expansion of economic opportunities and enhancing frugal environmental management for refugee host districts, communities and settlements. The projects address the social economic and detrimental environmental impacts of protracted refugee presence in the host communities and refugee settlements. The programs have also consolidated stability in Northern Uganda, eradicate food insecurity and under-nutrition and strengthened the foundations for sustainable and inclusive socio-economic development.

192. **Consistency with the needs of the local governments:** the capacity building components have also benefited LG staff whose exposure to new ideas and technology are reflected in their positive mind-set changes, strengthened capacity, gender-responsiveness, good governance (core mandate and general broad mandate) and the rule of law at the level of local government authorities and empowered communities to participate in service delivery.

193. **Relevance of the implementation approach**. Programs like NUSAF3 implementation took a watershed approach to encourage systematic and sustainable natural resource management and development targeting households with similar characteristics and natural resource challenges. Development Initiative for Northern Uganda (DINU) took holistic approach of addressing both economic, social and community approach.

Effectiveness of affirmative programs

194. End term review of project reports indicates that NUSAF, DINU and DRDIP were more successful in achieving their objectives than other interventions but still to a limited extent. In northern Uganda, for example, it was found that the interventions led to "increase in trade of commodities within the region, within the country and with neighboring countries through the improvement of transport infrastructure, increased production and political stability. This was attributed to the involvement of the beneficiary communities in the planning, budgeting and implementation of the sub-project under these programs. They were inclusive in that they had different project scopes and interventions for different categories and needs of the communities, including vulnerable categories of the population.

195. LGs were asked whether they were satisfied that the regional balance and affirmative action programs meet the development needs of the communities they target to serve. The responses show that just about half of the planners (48.6%) were satisfied that the interventions meet the development needs of the communities they target to serve, 25.7% were fairly satisfied, 17.1% were well satisfied, 5.7% were never satisfied, while the rest (2.9%) were poorly satisfied. This means close involvement of the communities and local governments is required to target the real needs of the communities and creating ownership of the programs.

Constraints to effective implementation of regional development approach

196. Lack of harmonized approach to different government programs confuses beneficiaries and affects results. An end of term evaluation of PRDP3 by OPM (2020a) observes that, different interventions take different forms in the same community which resulted in duplication and capture by the elite in the communities. They would position themselves as the resourceful persons to be used for every program that is initiated in the community. The beneficiaries are made to believe without these elites nothing would succeed. The reports also reveal that there are limited multi-sectoral linkages at planning and implementations levels. In addition, there is limited multi-disciplinary focus and hence failure to address key pressing issues such as mindset change. There are also limited cross project/intervention linkages and various organizations and MDA are still planning and implementing is isolation. As a result, there are concentration and duplication of interventions in some districts/regions while others do not have any interventions at all. This perpetuates the imbalances the programs are meant to address.

197. Lack of M&E funds for the LGs. The programs are planned and budgeted by the MDA. They do not take care of the monitoring requirements of the LGs and the technical supervision cost. The experience with the PRDP was different, in that there was 5-10% allocation to cater for the LG monitoring. This LGs give their close monitoring of the projects under PRDP as the reason for their good performance and ownership by the communities and LGs

198. Limited contextualization of interventions due to limited consultations and involvement of the beneficiary communities by most of the programs. This has led to miss-targeting of interventions in terms of the needs and location of some of the projects. This was reported prominently in Karamoja where NUSAF investment targeting household income enhancement targeted households which did not have the initial basic resources such as land to make use of the agricultural inputs supplied. Such inputs ended up in the markets, because the households were not prepared to utilize them. Thus, the intended purpose of the intervention could not be achieved.

199. Limited public awareness and sensitization of the communities about the different programs targeting them. This leaves negative mindset and behavioral issues unattended to because they have not been the focus of these programs and yet they have huge influences on participation and realization of success.

200. Agriculture in Uganda is largely rain-fed and should you fail to plant within the season or drought sets in before harvest, then you lose the entire crop. Timing is important when providing farm production support. The MTR revealed that distribution of farm inputs was frequently delayed; leading crop failures or animal diseases. A specific case is where heifers were brought to the household when they had not prepared themselves to receive and manage the cows in terms of feeds and medication. Many animals could not survive the transition, because it takes time to adjust to another environment.

Emerging issues

201. **Lack of attention by government to have special program for the ex-returnees who were victims of abductions by the LRA**. Much as the returnees were given amnesty and some resettlement package, their long term needs have remained unmet. This is particularly crucial for the girl child who has been rejected by the communities and have nowhere to settle. Their long term need may be land to settle and look after her children.

202. **The nodding disease syndrome is still one of the leading causes of poverty in Acholi sub region.** It was reported that, there are close to 4,000 children effected and parents and caretakers do not have time to engage in economic activities. These children require close attention, otherwise they can be insecurity to others and themselves as the disease can suddenly make then violent. The region requests government to (i) place the children under care and treatment in a home with medical facility to release the mothers to engage in economic activities to support the households, (ii) Medical research should be undertaken to find the root causes of the syndrome and find appropriate remedies for it and (iii) Support prayer efforts by churches and other NGOs

203. The MTR has also observed that despite the huge investments in northern Uganda and Karamoja sub-region over the decades, poverty levels have remained high and at some instances increasing. Where is the missing gap? Have government got the fundamental wrong?

5. RECOMMENDATIONS

5.1 Functionality of LED as NDPIII Approach

203. LED is very relevant for poverty reduction agenda and needs to be given more prominence across the relevant programs under NDPIII. In the remaining period of NDPIII, strategic actions that require government attention and deliberate resource allocation are:

(i) Train the LG heads of departments on the concept and practice of LED, starting with training of trainers at the national level to create a pool of resource teams.

(ii) By end of 2023/2024 financial year, all Higher Local Governments (HLGs) should have LED strategies, developed from parish and linked to the PDM. LED requires innovative thinking and doing things unusual.

(iii) The Central government-initiated LED projects need to have extensive consultations with the LGs and communities before commencement to avoid future conflicts over land or ownership and responsibilities of operations and maintenance.

(iv) Provide the newly created TILED departments with the required staff, logistics and financial resources to coordinate LED planning, budgeting implementation and monitoring; and review the job descriptions of the department to include LED and industrial development on top of trade and commerce.

204. LED secretariat should provide technical support to LG to utilize their existing assets to enter into partnerships with Private Sector Actors for commercial investments. These investments once operational and running profitably provide opportunities for LGs to realize revenue in the form of dividends from their investments. The rehabilitation of LG idle buildings and other assets including markets and making them available for premium rent also create opportunities for realization of revenue from user-rental fees.

205. The local government development planning should be informed by thorough political and economic analysis of the local economy and the expected economic returns and benefits accruing from such investment. This means LED should be better conceptualized as a development approach in the NDP4 by the LGs and MDAs. How LED can leverage achievement of results of a number of NDP4 programs should be clearly articulated and guided to get the maximum value added from it. LED strategies such as Value Chain Development, Cluster Developments, Locality Development, Enterprise Development and Community Economic Development can be implemented under different programs. These

programs should adopt the LED approach to invest more in local processes involving the poor and local businesses to accelerate achievement of their results.

206. The newly created Cities cannot be effectively run if they still operate as LGs under the Local Government Act. Government should put in place legal framework for the cities to operate autonomously so they can frugally raise their own resource from legal sources to sustain their operations. The management of the cities should follow the new management principles of running government like a business to deliver to the expectation of the population they serve. The role of central government should be to set and enforce minimum standards to ensure consistency with the national development agenda.

5.2 Improving Financing of Local Economic Development

207. Ministry of Local Government should undertake a study to establish the minimum cost of decentralized service delivery so that central government transfers reflect the actual or near actual cost of service delivery. For how long will government continue to lament the poor state of service delivery without providing the requite resources. Government should go back to where Uganda started decentralization, with over 25% of the national budget allocated to LGs as compared to 10.6% in 2022/2023. The MoFPED should provide separate medium term financing plan for LGs service delivery along with the national medium term expenditure plan and to submit them to Parliament for approval ensure consistency, autonomy, predictability and adequacy to meet the minimum costs of service delivery by LGs.

208. Local government should innovate to not only diversify their revenue sources but also increase the yield from the current sources. The LGFC is already supporting the LGs to enhance their revenues. However, the local revenue enhancement plans of most LGs have remained unimplemented. Rather than using coercive method of enforcement of compliance, the LGs should opt for continuous engagement of the private sector, through public-private forums on importance of business registration, payment of taxes and complying with revenue regulations. Engaging them in government planning and budgeting processes will enable them understand the role local revenues play in supporting their businesses.

209. Ministry of Finance, Planning and Economic Development (MFPED) should free LGs from the restrictions in the management of local revenue that has been imposed by the PFMA. This enhances the management of local revenue as provided for in the Local Government Act, in the spirit of subsidiarity.

210. Government should implement the provision of LED Fund from national government to the local government as a special purpose vehicle that is used to mobilize resources from the

different sources. LGs can then compete for these funds to finance their LED projects. However, this may require a statutory instrument to operationalize. A competitive bidding approach which requires local government and/or partnerships to apply for program/project specific funding from central sources. Funds are allocated on the basis of project viability and sustainability and principles such as the ability to leverage in other funds also play a role. Funding can either take the form of loans or grants. This financing mechanism is based on the principles of competition and collaboration with multiple partners.

211. Capacity of LG leaders should be developed to harness their economic potential through partnering with the private sector. This requires leaders who are ready to run the LGs like a business. Initiatives that are geared towards improving the business environment for MSMEs to operate will increase the level of private sector activity through industrialization and other economic activities of medium to large scale enterprises. Expansion of enterprises will most likely come along with an increase in employment opportunities for local employees. This creates opportunities for LGs to raise revenue through trade licenses, property tax, and local service tax among others.

212. Government needs to deal with the contradistinctions between the Constitution (1995) and LGA (1997) on one hand which give powers for the LG to collect, and use their local revenue and on the other hand the Public Finance Management Act (2010) that compels the LG to first remit their revenues to the consolidated fund before it is utilized. This stifles service delivery.

213. Another intervention required from ministry of public service is deliberate allocation from the central government to support the LGs fill vacant positions in the revenue and financial management and other key departments with competent person

5.3 Improving effectiveness of Parish Development Model

214. The MTR sought the opinion of the LGs on how the PDM planning and implementation can be improved. The key recommendations from the LGs on how PDM can succeed have been ranked as follows: Proper planning and timely release of funds (37.9%), issuing proper guidelines about PDM (32.8%), improvement of community involvement/sensitization (25.9%) and involvement of all stakeholders who should work as a team (25.9%). A number of the suggestions above were alluded to by key informant interviews with MDAs and literature review of reports of other studies.

215. Since the parish does not have political powers to receive and account for public funds, it should be heavily supported by the district/city/municipality or division/sub-county with oversight roles and ownership. If then the resources are sent direct to the parish SACCOs, under whose jurisdictions will the funds be accounted. The position of government to

disburse the PDM funds directly to the parishes needs to be revisited. The sub-county should be empowered to be a back for the parish, should the parish have capacity and other challenges to coordinate the activities of the PDM very well. The tendency seems to be the central government taking charge in times of trouble, in disregard of the district/city/ municipality and lover local government constitutional mandate.

216. In the remaining NDPIII period, all MDAs and LGs with service delivery responsibilities under the PDM should coordinate their next planning, budgeting and implementation based on the relevant pillars of the PDM, involving the parish stakeholders. Unless this gap is closed, the value added from the PDM will not be realized and government will continue to invest in poverty reduction initiatives with little or no positive results since the investments are addressing the real needs of the real poor. This calls for coordinated planning process which should start early so that the process is rushed.

217. The PDM Secretariat should plan and budget for continuous capacity building of parish leadership and stakeholders through mentorship and close supervision to have sufficient capacity to support the entire implementation of PDM at the community level, with little supervision from the PDM Secretariat and LGs, in order for PDM as a pro-poor development approach for economic and community development to be more effective. The Secretariat is so lean that, it will not effectively provide the required trouble shooting from the centre.

218. Government should refrain from solving deeply rooted structural economic problems by throwing money to the problem, instead focus on analyzing local economic sectors, existing and potential market failures, stimulate entrepreneurship and business development, maximize existing local resources such as finance, natural resources, and human skills by the utilization of mentors, identify and implement “quick wins” projects

219. In order for PDM to move subsistence producers and survival enterprises into the money economy, the parish level economic activities, such as primary production, primary processing and produce aggregation must be vertically linked to the regional value chains, which are often governed by the agro-processors who should be deliberately attached to locate at the regional industrial parks/hubs. The PDM does not operate in a vacuum but within organized systems of regional value chain development according to the ecological zones, as illustrated in Box 2.

220. SACCOs should be equipped with financial literacy, business development and group management skills before releasing funds to their accounts. This can be done case by case, so that those who are ready can access their funds as the others get ready. Preparation should include simple business development plan with plans to repay the revolving fund to the

group. The beneficiaries should organize and show interest to access the PDM finances through the enterprise specific producer groups/associations/cooperatives who play critical role upstream in the selected value chain.

Box 2: Prayers from MoFPED (August 2022)

1) MoFPED to release funds only to ready SACCOs
2) All pillars to fully deploy in districts where data collection is complete
3) Facilitate completion of baseline data collection. North Bukedi districts to be prioritized
4) Activate all Pillars to support PDM (Pillar 2 & 4 need to be actively engaged)
5) Embrace and commit to a one-government approach - engender more collaboration than competition across and within Pillars
7) PDM Secretariat to issue an effective Communication Strategy.
8) PDM Secretariat to coordinate MoLG, MAAIF and MTIC to take stock and draw up a plan for leveraging existing public investments for PDM.
9) Pillar1 to give a status report on national readiness with respect to viable enterprises by region, certification of inputs, confirmation of quantities, storage and processing capacity plus potential markets.
10) Review, rationalize and repurpose budgets for all PDM MDAs to ensure alignment of funds to PDM activities. Specifically, the following need mention;
  a) Budgets under UBOS & MoICT should prioritize the completion of data collection.
  b) Production & Extension Grants under MAAIF towards focused enterprise selection, extension services, certification of input providers, traceability, provision of basic training for PDM enterprise groups on Good Agricultural & Agribusiness Practices.
  c) Budgets under PROFIRA, Enterprise Uganda and Microfinance Support Centre to focus on training for PDM SACCOs and Enterprise Groups on Governance, Loan Management, Business Planning and Record Keeping.
11) Better Planning & Budgeting for FY 2023/24. MFPED & PDM Secretariat to ensure prioritization and alignment of all budgets to PDM activities.

221. A thorough pre-investment value chain analysis for the selected enterprises should be undertaken with the view of appreciating the entry barriers to value chain by the poor producers. At the farm level, the PDM funds may finance acquisition of inputs (such as improved seeds, pesticides, herbicides, fertilizers, equipment); farming technologies (such as tractors, ox-ploughs); extension and advisory services including business development services and financial literacy; and irrigations services. The producer and/or marketing groups should be encouraged to procure these services from local private sector, where the capacity exists. This will in turn create new jobs for the young professionals in these fields.

222. MoFPED should work with the PDM Secretariat to earmark funds specifically to run the office of the parish chief and SACCOS if the parish SACCO is to be supervised by the PCs. The PDM concept had envisaged that each parish would have modest and equipped office buildings, transport and operational funds. As a matter of necessity and importance, the

operation funds need to be provided for effective coordination, supervision, monitoring and reporting on PDM activities. Less, it becomes fertile ground for fraud.

223. The current emphasis on finances and consequently on PDM SACCOs should instead be directed to pillars, which provide the cutting edge of the model, new jobs and increased household incomes. Instead of promoting SACCOS, PDM should focus on supporting Producer and Marketing Cooperative for agri-value chains. These cooperatives can as well provide financial services to their members for production. Secondly, with the capacity and scale of production at the parish level, what the producer associations at the parish level can ably collectively do is to increase production and productivity so the poor households are food secure and have excess to output market. They will not specialize in commercial production alone with the view of getting food securing through the market.

224. PDM should revise the scope of enterprises to include non-agricultural enterprises which are more relevant in urban areas, for the urban poor. This category of the poor lacks spaces even to practice urban farming like poultry, piggery, zero grazing as most of them live in conjected slums and rented spaces. This underscores the importance of Pillar 1 of the PDM which should be inclusive of non-agricultural enterprise development, while the rest provide supporting for it to succeed. That is not their nature. Get the parish to specialize in only 2-3 priority enterprise where the parish has competitive advantage to link horizontally with other parishes and vertically to the sub county.

225. The subject matter specialists in the LGs such as the agricultural officer, the veterinary officer, the commercial officer, the community development officer etc, should develop simple generic project templates, containing planning and budgeting, technical implementation and farm business management guides for different categories of projects such poultry, piggery, goat rearing, dairy cattle project, different crop agronomic practices which farmers can use as self-help for trouble shooting. This can be made available to the SACCOs at no cost to guide them.

5.4 Area-Based Commodity Clusters

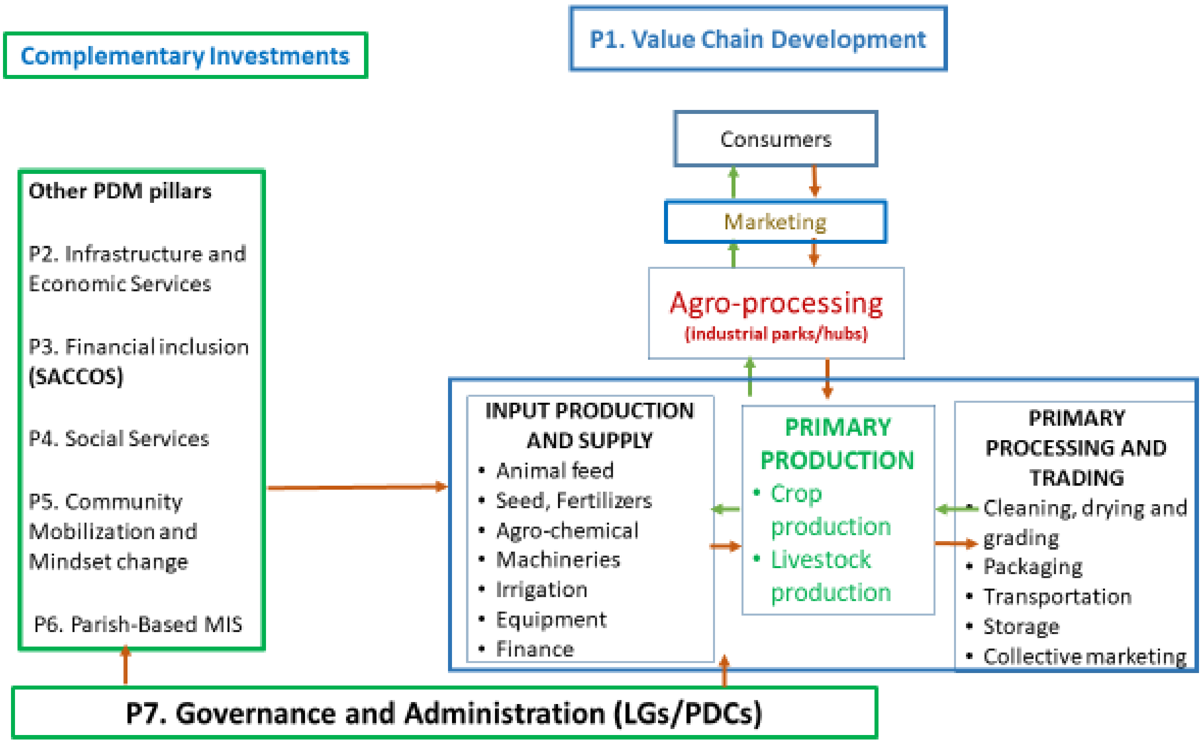
226. The design and implementation of interventions need to be evidence-based and demand driven to create impact. Value chain projects need to be well guided with clearly defined indicators for funds disbursements and performance in order to speed up reform processes. Design additional performance tools to verify performance, annually, at all levels of Program implementation.

227. A thorough and transparent reinvestment value chain analysis and feasibilities should precede all value chain development interventions. Ministry of Finance should review the

roles and contributions of the private sector in the value chains. otherwise, there is suspicion of free ride by the private sector where they could be reaping where they have not sown.

228.Commodity cluster development should be aligned to the PDM. This should not be new to NAADS that has been using parish based farmer organizations. According to the LGs, the key areas where PDM can be leveraged to improve prioritization of investments is through identification of enterprises (71.4%), agro-processing and value addition (70.2%), monitoring and evaluation (69.2%), planning (67.9%) and produce marketing (62.3%). This link has been illustrated in the diagram below (Figure 2).

Figure 2: Linking the PDM to the Area-Based Commodity Cluster Development



Source: Author

229.Since resources are limited, to get maximum result, concentrate resources on strategic and priority enterprises. Special emphasis should continue to be put on analyzing and strengthening value chains for selected specific commodities. Inputs distribution alone does not create wealth. The interventions should adopt a value chain development approach where strengthening integration of input provision and distribution with other required agricultural support services including research /technology development, agricultural extension services, affordable financial/agricultural credit services, access to market and market information; irrigation and value addition is desirable.

230. Use community procurement for simple items that can be obtained locally like farm inputs to reduce time and costs. Once planned and implemented effectively and in a participatory way, use of community procurements can empower the communities by giving a chance to members to supply the much-needed inputs e.g., seedlings, seeds etc., where incomes remain in the community economy which may have large poverty alleviation impacts. Figure 2 summarises the suggestion of the local government on the recommendations to address the constraints above.

5.5 Regional development

231. Adopt a whole-of-government approach aided by a single regional development structure and institutional arrangement. Therefore, NDPIV should streamline institutional arrangements and processes to transfer resources to the beneficiaries and link the program to the PDM for effective prioritization and implementation. The NPA, OPM and MoLG will need to harmonize their mandates and contributions, so that what can best be done by OPM is transferred there and where OPM is coordination program at the region and district, level, such could be better coordinated by MoLG.

232. To achieve the above, government should make use of the regional blocks being created by LGs across the country to address their common development needs. This should be enhanced through each region planning and implementing region specific development plans supported by government. This can be piloted in the remaining period of NDPIII in sub-regions such as northern Uganda, West Nile, Lango, Busoga etc, and fully adopted in the NDPIV if successful.

233. Embracing the value chain development approach. Targeting different segments of the value chain without paying attention to the whole chain affects effectiveness of the interventions does not necessarily make the chain competitive. For instance, a OWC/NAADS would supply planting material and inputs to increase productivity. When the farm production increases as planned and there is no market for the product, how do you support these farmers so they do not lose all they have worked for all their lives. The best is to address the problem along the entire value chain, since the value chain works as a system.

6. CONCLUSIONS

234. In order to succeed, there is need for mind-set change at both the local and national levels. If that can be achieved, then the adherence to the principles of subsidiarity as espoused in the decentralization policy becomes easy. Subsidiarity is the process of bringing the level of government decision making down to a level were the people to be influenced by that

decision can be involved in the way it is made and influence its direction. By nature, LED is conceived and implemented at the local levels and the fulcrum of LED activities are at the localities, thus, involvement and more so, coordination of activities should be at the local levels. This also has impacts on good intergovernmental relations that promoted vertical networks collaborations to achieve the objectives of LED in the different localities where initiatives have been implemented.

235. The challenge is to build the requisite capability both at local, sub-regional and national government level to guide the mobilization and application of funding in local economies in an effective manner. Funding should also follow strategy and be based upon the shared understanding across government of the economic outcomes envisaged in the differentiated local spaces of the country.

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Annex 1: Local Economic Development Evaluation Questions

	LOCAL ECONOMIC DEVELOPMENT IMPLEMENTATION PERFORMANCE
LED1	**What is the extent to which LED has been implemented by the local governments?** What are the current efforts and initiatives to promote LED in LGs? What support has the local private sector got from the LGs in enabling enterprise development and jobs creation?
LED2	**How effective have the LED strategies been in creating jobs, increasing incomes of the communities and increasing LR for the LGs?** How do these initiatives feed into the national development agenda and NDPIII programmes?

LED3	**What are the past and current innovative funding mechanisms for LED and how effective are they?** Where efforts have not been sustained in promoting LED, what are the constraints and how can they be addressed? How has decentralization policy performance promoted or inhibited the promotion of LED in Uganda?
LED4	**How can LED as a poverty reduction approach be better planned, financed and implemented?** What are the key lessons learnt that can inform reforms in LED planning and implementation? What key changes would you recommend to improve LED Planning, financing and implementation in Uganda
	PARISH DEVELOPMENT MODEL
LED5	**To what extent is the implementation of PDM on course?** What is the level of implementation of the different pillars of the PDM in terms of Capacity building (community mobilization, recruitment of Parish Chiefs, Training of LGs to support the PDM), Establishment of PDCs and their functionality, Formation of SACCOS, identification and development of enterprises under the PDM both agriculture and non-agriculture, Disbursement of funding and other pillars? Are all the all the pillars of the PDM relevant to increasing production, productivity, value addition and marketing?
LED6	How is the implementation of the PDM coordinated between the national and local governments? What are the constraints to effective implementation of PDM?
LED7	How best can the PDM be implemented to enable local communities to transform from substance to money economy?
	AREA BASED COMMODITY CLUSTER
LED8	**What is the extent to which the Area-Based Commodity Cluster approach has been relevant to address poverty?** How the communities have been integrated in the different commodity value chains in the different sub-regions (Palm Oil in Kalanga, Tea in Southern and Western Uganda, Diary in Western Uganda, Fruit going in Eastern and West Nile and Tourism in Karamoja Sub-regions
LED9	**What is the extent to which the Area-based Commodity Clusters has been effective in delivering the expected results?** How inclusive are Area-based Commodity Cluster development in terms of gender, disability and age? To what extent are the beneficiaries involved? How has the commodity value chain been effective in achieving planned outputs?
LED10	**What is the extent to which the expected results of the Area-based Commodity Clusters approach have been achieved?** What are the changes in production and productivity of the various commodities mentioned above? What are the impacts on wealth creation and poverty reduction? - increased household income and new jobs created?
LED11	**To what extent are the commodity value chain projects sustainable in terms of ownership by the beneficiaries, financing modality and the results?** What has been the funding mechanism for the different commodity chains? What have been the unit cost of production
LED12	What are the constraints to effective implementation of the Area-Based Commodity Cluster approach?
LED13	How best can the commodity cluster interventions be planned, financed and implemented?
	REGIONAL DEVELOPMENT PROGRAMME
LED14	**To what extent is the RDP implementation relevant in addressing poverty?** How relevant is the RDP in harnessing the regional development potentials and competitiveness with other

	regions? To what extent are the investment in the regional plans meeting the identified local needs and priorities? To what extent where the LGs involved in the design, planning and budgeting of the RDP
LED15	What are the constraints to effective implementation of regional development approach?
LED16	What institutional frameworks can best be suited for the regional development planning and implementation?

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