

Capacity Development BRIEFS

SHARING KNOWLEDGE AND LESSONS LEARNED

A MARKET-BASED APPROACH TO CAPACITY DEVELOPMENT: HOW UGANDA'S LOCAL GOVERNMENTS ARE BREAKING NEW GROUND

By Mark Nelson, World Bank Institute

For many developing countries, capacity development means donor-sponsored training programs and outside experts. But a noteworthy example in Uganda shows that capacity development may work better and be more sustainable when local market forces are unleashed to provide for local capacity needs. The Uganda case spotlights an approach supported by the World Bank and other partners that has focused on improving the capacities of Uganda's local governments, which since the 1990s have been part of one of Africa's most ambitious decentralization processes. In that program, Uganda's Ministry of Local Government has used World Bank and other donor financing to create a set of incentives aimed at improving the performance of the country's local governments. Part of the approach was not only a system to reward high-performing local governments, but actions aimed at stimulating both supply and demand for capacity development at the local level.

WAKISO, Uganda—Over the past few years, local government in this growing district of one million people has started to show results.

The district authorities have taken on new responsibilities for health, public safety, and education. They raise taxes and fees, and manage their budgets. Officials have been trained on computer applications, accounting, budget management, and personnel management. And the local economy has begun to attract a new type of entrepreneur that until recently was pretty rare outside the big capitals of Africa: service providers, training companies, and management consultants.

“There’s a new dynamism in the economy,” says George Ntulume, Chief Administrative Officer of the Wakiso District Council. “The capacity-building approach has helped the economy, the roads, the schools, the nurses—everything. We see actual improvement in service delivery.”

Getting the Incentives Right

How did Wakiso and other local governments in Uganda succeed? “In part by an approach to capacity development that unleashed local capabilities and relied on local markets to supply the needed services,” says Lance Morrell, the team leader of the World Bank supported Local Government Development Project (LGDP), which is a program implemented by the Ugandan Ministry of Local Government. Under the LGDP, the ministry focused on getting the incentives right, setting minimum standards, and monitoring progress in open, published reports.

“We didn’t deliver training programs,” says Barjor Mehta from the World Bank Institute, who works on the Local Government Development Project (LGDP), a multi-donor program that supports deepening of decentralization and has been operating for the last decade. “We helped create conditions where local pro-



viders came in and helped communities get the training services they needed from local providers.”

Wakiso is among the many local governments across Uganda that have been the subject of one of the most ambitious decentralization experiments in Africa. After 15 years of sometimes frustrating work, a growing number of the country’s local governments have begun to see quality service delivery as their main mission. And while the country still has plenty of work to do, a growing number of people here say that the local governments have become more responsive to their needs.

One reason for more responsive local governments is the development of a flourishing market for capacity development services, from computer training centers to management consultants, spread around the country and offering their expertise and training to district and municipal governments. The demand for better capacity at the local level has given rise to small- and medium-sized companies that started off as donor-dependent entities and later found a healthy market in the services trade in towns and cities.

Tuhaise Prosper is one of the growing band of entrepreneurs that profited from this process of devolution. A Senior Account Executive for Techno Brain Uganda, he was recently in Wakiso District to sell his company’s computer training services to the local government offices. “These services have been in demand all over Uganda,” he says. “You can’t just be based in Kampala any more.”

The results have also been positive for Uganda’s local governments. The Ministry of Local Government has been able to identify a number of areas where local governments have made measurable improvements in their abilities to perform critical functions, from revenue management to administration of local services like health, education, and sanitation.

Setting Standards

“We set the overall standards and monitor the outcomes,” says Monika Kalemba of the Ministry of Local Government. “But the local governments do all the work.”

How did a multi-donor capacity development program contribute to this happening on the ground? It is a story of working closely with Ugandan and other partners to develop a country-led approach. The approach relies on local demand and strong ownership of a wide variety of stakeholders, starting with the central government but extending all the way down to the users of services at the local level. The market-based approach also helped the government make

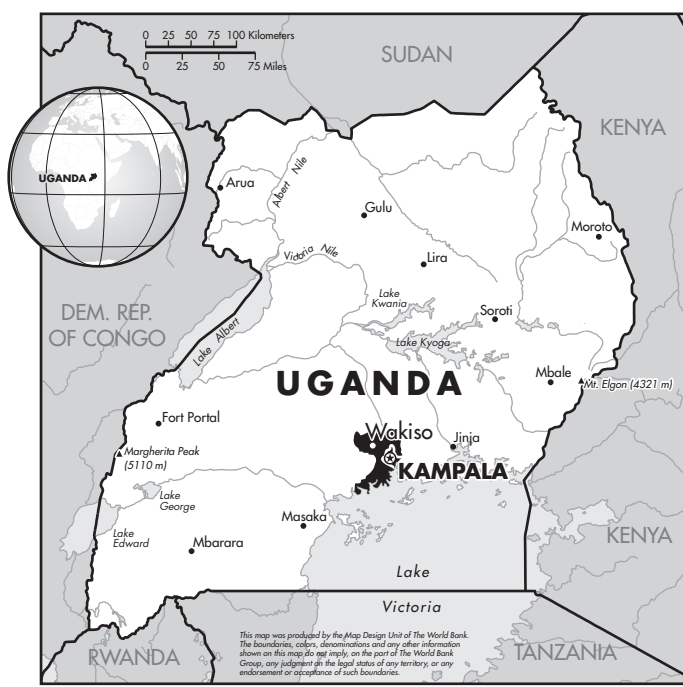
sure it was getting its policies right.

“We never waited to perfect the process,” says Asumpta Tibamwenda of the Ministry of Local Government. “We learned the basics and moved it quickly into the market. It was the market that helped us improve. And when you create a critical mass of people with professional qualifications, the whole sector improves.”

The process of devolving powers to the local level could have gone very badly. Uganda lost much of its local infrastructure and capacity during the brutal regimes and

civil wars of the 1970s and early 1980s. By the early 1990s, as Uganda passed key powers and spending controls from the center to the districts and municipalities, the lack of local capacities to plan, budget, and deliver services was all too obvious.

To be sure, Uganda still has work to do. While some local governments have thrived under the new approach, others have languished. In the most recent assessment of progress, about 14 percent of district governments and 22 percent of municipalities failed to meet the minimum performance conditions set by the



Using Incentives and Market Forces to Get Results

Uganda's Ministry of Local Governments took the lead in setting the standards and incentives that drove capacity development at the local level. Among the key features were the following:

- Established service standards for key government functions
- Developed generic training materials to reinforce service standards
- Encouraged local governments to prepare their own capacity development assessments
- Conducted public annual review of each local government's performance
- Conducted quality and performance reviews of training providers
- Compared local governments' performances and published results
- Encouraged use of local training providers, but set strict national standards

ministry. And the northern part of the country, struggling to overcome years of conflict, has not yet begun to participate in the process.

Bridging the Capacity Gap

Uganda handled this challenge better than many other countries. The country quickly recognized that replacing the lost capacity would require more than just supply-driven training programs. It would mean a host of policy changes and incentive systems that were developed to stimulate stronger institutional structures. (See box to the left).

The program has created a market for capacity development using an annual "capacity building grant" to local governments, which is used to procure the services of training providers that have to compete for business. The training providers are short-listed annually based on their competencies and past performance as determined by the Capacity Building Unit of the Ministry of Local Government.

The grant has been a major instrument for stimulating demand for capacity building services as well as creating incentives for private sector training providers to venture into new markets and the far-flung districts of the country.

Uganda's decision to introduce competition into the process may be one of the main reasons for its success. "Not only are service providers competing for business, but local governments are competing with each other to show the most impressive results," says Mr. J. J. Ssonko of the Ministry of Local Government. The program started by defining a set of minimum

Short-Term Results at the Local Level: Some Examples

Before	After
10 local governments produced final accounts	69 local governments keeping complete books
10 professional accountants and 120 accountant technicians worked at the local level	15 professional accountants, 180 accounts technicians working at the local level
Budgets were not followed	Better adherence to budgets, better information access, better records
Ad-hoc training with unclear goals and poor monitoring and evaluation	Adopted standardized training programs, staff certification system, and M&E tool
Planning and budget processes were centralized and top-down	More participatory planning and budgetary process in place
Annual assessments were centralized, ad-hoc, and poorly disseminated	New performance indicators in place, reports published and widely shared

Source: Uganda Ministry of Local Government: *Annual Assessment of Minimum Conditions and Performance Measures for Local Governments (February 2006)*

requirements for local governments and the services they were to provide. These were published and explained through public meetings and publications.

In addition, the program included annual surveys of local government in which their performance was measured and publicly disclosed. (See box at bottom of previous page). Well-performing governments were not only recognized, they received budgetary bonuses that allowed them to do even more. Poor performers got the opposite: a poor grade in the annual review and penalties. The strong pressures created by the annual reviews, matched by strong demand from citizens, helped keep those improvements on track.

“I feel the demands of the citizenry every day, from the moment I wake up,” says Mr. Ntulume in Wakiso. “This has been the main motivator for our improvements.”

Peer Reviewer

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The World Bank Institute (WBI) helps countries share and apply global and local knowledge to meet development challenges. WBI's capacity development programs are designed to build skills among groups of individuals involved in performing tasks, and also to strengthen the organizations in which they work, and the sociopolitical environment in which they operate.

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