



REPUBLIC OF UGANDA

MINISTRY OF LOCAL GOVERNMENT

LOCAL ECONOMIC DEVELOPMENT POLICY



Ministry of Local Government
P.O.Box 7037
Kampala
Uganda

February 2014

Table of Contents

List of Acronyms	i
Foreword	iv
Executive Summary.....	v
1.0 INTRODUCTION.....	1
1.1 Background.....	1
1.2 MEANING and purpose of the Local Economic Development Concept.....	2
1.2.1 DEFINITION of Local Economic Development	2
1.2.2 Purpose of Local Economic DEVELOPMENT (LED).....	2
1.3 LED in the National and International context.....	2
1.4 THE LOCAL GOVERNANCE CONTEXT OF LED.....	3
2.0 THE POLICY AND LEGAL CONTEXT OF LED.....	3
2.2 The NATIONAL Economic Context.....	4
2.2.1 Fiscal Performance.....	5
2.2.2 Financial Sector Performance.....	6
2.3 The Demographic Context.....	7
2.4 Employment and Labour Productivity.....	7
2.5 The Infrastructure DEVELOPMENT.....	8
2.5.1 Information and Communications Technology.....	8
2.5.2 Energy and Power	9
2.5.3 Transport	9
2.6 LOCAL Governance	9
2.7 The Private Sector.....	10
3.0 THE NATIONAL LOCAL ECONOMIC DEVELOPMENT POLICY.....	11
3.1 Vision.....	11
3.2 Mission.....	11
3.3 Goal.....	11
3.4 Guiding Principles of the National LED Policy	11
3.5 PURPOSE OF THE UGANDA LED POLICY	12
3.5.1 POLICY OBJECTIVES AND STRATEGIC INTERVENTIONS.....	12
4.0 INSTITUTIONAL FRAMEWORK FOR POLICY IMPLEMENTATION and coordination	17
4.1 National Level.....	18
4.1.1 The National LED Propagation Team	19
4.1.2 The National LED Secretariat.....	19
4.2 Local Government Level.....	20

5.0 MONITORING AND EVALUATION	21
6.0 FINANCING THE NATIONAL LED POLICY	22
6.1 LOCAL GOVERNMENT GENERATED REVENUE	22
6.2 Central Governments Transfers.....	22
6.3 Local Finance Initiative (LFI)	22
6.4 Public-Private Partnership (ppp) Modality.....	23
6.5 Development funding from development partners.....	23
6.6 Contributions by the Local Communities.....	23
6.7 FINANCIAL INSTITUTIONS	23
6.8 CORPORATE SOCIAL RESPONSIBILITY	23
7.0 CoNCLUSIONS.....	24

LIST OF FIGURES

FIGURE 1: FUNCTIONAL LINKAGES BETWEEN THE VARIOUS COORDINATION STRUCTURES AND THE FUNCTIONS THEY PERFORM AT EACH LEVEL	17
--	----

LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
CBOs	Community Based Organizations
CSO	Civil Society Organization
DDP III	Third District Development Programme
DLG	District Local Government
DLSP	District Livelihoods Support Programme
EIA	Environment Impact Assessment
ERA	Electricity Regulatory Authority
GDP	Gross Domestic Product
GoU	Government of Uganda
HIV	Human Immune Virus
ICT	Information Communication Technology
JARD	Joint Annual Review of Decentralization
LED	Local Economic Development
LFI	Local Finance Initiative
LDO	Local Development Outlook
LG	Local Government
LGFC	Local Government Finance Commission
LGSSP	Local Government Sector Strategic Plan
LLG	Lower Local Government
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MoEMD	Ministry of Energy and Mineral Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoICT	Ministry of Information and Communications Technology

MoLHUD	Ministry of Lands, Housing and Urban Development
MoLG	Ministry of Local Government
MSMEs	Micro, Small and Medium Enterprises
MTEF	Medium Term Expenditure Framework
MTIC	Ministry of Trade, Industry and Cooperatives
MoWE	Ministry of Water and Environment
MWT	Ministry of Works and Transport
NAADS	National Agriculture Advisory Services
NARO	National Agricultural Research Organization
NCDC	National Curriculum Development Center
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NPA	National Planning Authority
NTR	Non-Tax Revenue
PACA	Participatory Appraisal of Comparative Advantage
PEAP	Poverty Eradication Action Plan
PIRT	Presidential Investment Roundtable
PPP	Public-Private Partnership
PSD	Private Sector Development
PSM-SIP	Public Sector Management – Strategic Investment Plan
PST	Programme Support Team (Ministry of Local Government)
RDS	Rural Development Strategy
SACCOs	Savings and Credit Cooperative Organizations
SMEs	Small and Medium Enterprises
UAAU	Urban Authorities Association of Uganda
UJAS	Uganda Joint Assistance Strategy
ULGA	Uganda Local Government Association
UNBS	Uganda National Bureau of Standards

UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
URA	Uganda Revenue Authority
USSIA	Uganda Small-Scale Industries Association

UGANDA NATIONAL LOCAL ECONOMIC DEVELOPMENT (LED) POLICY

FOREWORD

The Government of Uganda, in collaboration with stakeholders, has formulated this National Local Economic Development (LED) Policy to provide a framework for partnerships in local economic development and to serve as a vehicle for promoting and implementing LED initiatives at local government level in Uganda. It is intended to further deepen the decentralization process, eradicate poverty and ensure inclusive, sustainable and equitable economic growth at locality level. To affirm its commitment, Government adopted LED as the sixth pillar of the Decentralization Policy and Strategic Framework (DPSF) and the Local Government Strategic Investment Plan (LGSSP).

It should be noted that LED supports the country's strategy of implementing private sector-led economic interventions; tackle unemployment and enable Local Governments generate their own revenue in order to deliver delegated services to our people. For this reason the Vision of the Policy is to build "A vibrant and competitive private sector-led local economy for poverty reduction, wealth creation and prosperity" in Uganda. ". With the theme of "Stimulating Partnerships for Sustainable Equitable Local Development", the vision contributes to the national Vision of a "Transformed Ugandan Society from A Peasant to A Modern and Prosperous Country within 30 Years".

The Uganda National LED Policy sets the foundation for implementing the National LED Strategy and serves as a framework for resource mobilization and capacity development for the Local Governments and municipal authorities. It is also intended to build community (both rural and urban) capacity to demand for services and accountability.

Finally, competitiveness is a crucial requirement in LED and is singled out as a major factor in implementing the National Development Plan. To be able to improve on its export earnings, Uganda needs to address issues of competitiveness, as it drives growth, increases employment and improves livelihoods. The Government is committed to providing the necessary supportive environment for individuals and firms to compete favorably in the national, regional and international markets.

Various actors have been identified with mandates and roles in implementing the Policy through the Strategic Plan. These include the Central Government, the Local Governments, the business fraternity and the society, the media and the communities. By extension every one is a player and it is incumbent upon everybody to play assigned roles with dedication and diligence. Together Uganda shall succeed in transforming itself into a middle income country within 30 years.



Adolf Mwesige

Minster of Local Government

EXECUTIVE SUMMARY

Uganda's Decentralization Policy was introduced by the Government in 1992 in order to enable citizens to have more voice in determining and managing their affairs (democratic governance) and to improve on the provision of services (social and economic welfare). Although the decentralization policy is acclaimed to be popular, most especially with its best practices, a number of challenges and inconsistencies in service delivery and program management approaches remain daunting. The challenges include, but not limited to, low levels of local development amidst significant increases in central government transfers to Local Governments; dwindling local revenue generation, narrow revenue and tax bases for Local Governments, low savings at household and individual levels, which translates into 12.7% of GDP nationwide, limited local and community enterprise development due to lack or absence of relevant infrastructure and continued mindset of local government that their role is service delivery than the broader orientation of facilitating wealth creation for economic development.

In view of the above constraints, the Government through the ministry of Local Government decided to promote a shift from delivery of public goods and services to the more proactive intervention model that entails tackling real household poverty challenges. To this end, in 2006, a 6th objective of decentralization was created namely; 'To **promote Local Economic Development in order to enhance people's incomes**'. This has been incorporated in the Decentralization Policy Strategic Framework (DPSF) and the Local Government Sector Strategic Plan Strategic Plan 2013-2023(LGSSP), the Uganda Local Development Outlook (LDO) 2014 and subsequently addressed in a chapter on sub-national and rural development within the National Development Plan (NDP).

The primary aims of LED are to:

- i. Increase in business support by encouraging local investment centers;
- ii. Enhance growth of the private sector investment in LGs; and
- iii. Increase in locally generated revenue in form of direct taxes and LG own revenue generating ventures.

LED is defined as a process or development model whereby the tri-partite partnerships between LG, the private sector and the community are jointly and collectively engaged in identification, mobilization, management and initialization of resources at the local level. It is thus intended to create a conducive environment for investment, increased household incomes and higher revenues for Local Governments, which ultimately translate into improved livelihoods for the people.

The Uganda National LED Policy is intended to provide a framework for partnerships and promotion of accelerated mobilization and galvanization of social and economic actors to effectively address the economic development challenges in their territorial localities.

The LED Policy has been formulated taking into account existing policies and legal instruments to craft its relevance and consistency to the national development aspirations. These include the Constitution (1995), the Local Government Act (1997) and the Local Government Financial Institutions Act (1994) and Micro Deposit-Taking Institutions Act (2003); The National Trade

Policy and the Land Policy; the National Environment Management Authority Policy (NEMA) and the National Gender Policy, among others.

The Uganda National LED policy has also been informed by an analysis of the national and local economic contexts, the fiscal performance of the country, the human development situation, employment and labour productivity as well as infrastructural development and other constraints facing Local Government and the private sector actors.

The Vision for this policy is: **“A vibrant and competitive private sector-led local economy for poverty reduction, wealth creation and prosperity”.**

The Mission for this 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".**

The Overall Goal of this policy is **“A transformed local government system that facilitates effective business oriented locality development with a focus on poverty reduction and sustainable wealth creation”.**

Based on the above Vision, Mission and Goal, the policy presents several objectives and strategic interventions as well as monitoring and evaluation indicators.

The policy is based on a number of principles; namely the public-private partnerships, consistency, competitiveness enhancement, gender equity and equality as well as inclusiveness. It further identifies the possible funding sources for its implementation which include but not limited to Central Government Transfers; the Local Financing Initiative; the Public-Private Partnership agreements; locally generated revenues; partnerships with financial institutions; and contributions from corporate bodies and individuals. I

In terms of institutional framework for implementation and coordination, structures will be established at National and Local Government levels as follows:

- National LED Steering Committee
- National LED Propagation Team – this is the technical arm of the National LED Steering Committee
- National Secretariat
- Institutional/Sectoral LED Technical Committees
- Local Government LED Technical Working Group (Forum)
- Sub-County LED Technical Working Group

1.0 INTRODUCTION

1.1 BACKGROUND

Since 1992, the Government of Uganda has been implementing decentralization as a framework for service delivery to local communities. Chapter 11 of the Constitution of the Republic of Uganda (1995) provides for the principles, structures and responsibilities of Local Government. There upon the Government enacted the Local Governments Act CAP 243 (LGA) of 1997 to operationalize and implement the Constitutional provisions. The LGA devolved, political, administrative and financial decision-making powers to Local Governments and administrative units. This was aimed at improving local democracy, accountability, efficiency, effectiveness, equity and sustainability in the provision of devolved social services country-wide.

The implementation of the decentralization programme has met the following challenges:

1. The absence of strategies to stimulate local and community enterprise development.
2. Inadequate infrastructure development, which makes it difficult for entrepreneurs to access business development services and markets.
3. Low household incomes and savings. A narrow revenue base leading to low incomes for the Local Governments and over dependence.
4. Continued orientation of Local Government structures to serve as instruments of service delivery rather than catalysts of wealth creation and economic development.
5. Limited capacity of LGs to attract and retain competent staff.
6. Ineffective participation and coordination of stakeholders in locality development.

In order to address these challenges, a number of national, sectoral and district programs have been instituted and implemented. These include the following: the Poverty Eradication Action Plan (PEAP), the National Development Plan (NDP), the Decentralization Policy Strategic Framework (DPSF) and the Local Government Sector Strategic Plan (LGSSP).

As a result of implementing the above supportive programs, the LGs have recorded significant successes in the delivery of public goods and services to the population in the following priority areas at the locality level: enhanced local governance through participatory democracy, primary healthcare, primary and secondary education, rural water services, fiscal decentralization, agricultural extension and maintenance of physical infrastructure such as rural feeder and municipal roads, bridges, markets and landing sites, etc.

In 2008, the Uganda Government consolidated all policy issues relating to decentralization into a Decentralization Policy Strategic Framework (DPSF) which culminated into formulation of a Ten-Year Local Government Sector Strategic Plan (LGSSP). The LGSSP was intended to coordinate and harmonize investment at the LGs levels. The LGSSP and DPSF introduced Local Economic Development (LED) as the sixth objective of decentralization with the aim of stimulating local economic development for increased business promotion and poverty eradication. This is intended to promote the establishment of local investment centers, enhanced private sector investments in LGs and increased locally-generated revenue.

The role of local economic development has been anchored into the National Development Plan (2010/2011 – 2014/2015) and is therefore expected to contribute to the realization of Uganda's national development agenda. Furthermore it is expected to contribute to the realization of the Millennium Development Goals (MDGs) especially MDG 1, 3, 4, 5 and 8¹. Government has therefore formulated this National Local Economic Development (LED) Policy to create an enabling environment for vibrant business growth and investment at the local level. This Policy is therefore intended to stimulate investments and business opportunities and, subsequently, promote sustainable economic growth within the designated territorial local communities. Ultimately, this will result in improved household incomes, broaden the economic and tax base of different localities, reduce gender-based inequalities and improve service delivery by the Local Governments (LGs)..

1.2 MEANING AND PURPOSE OF THE LOCAL ECONOMIC DEVELOPMENT CONCEPT

1.2.1 DEFINITION OF LOCAL ECONOMIC DEVELOPMENT

For purposes of this policy, Local Economic Development (LED) means 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 thus a process by which national and local stakeholders collaborate to assess the local economy, possible opportunities as well as challenges and obstacles, formulating and implementing practical action plans to realize opportunities and resolve impediments. In effect, LED is an intrinsic core component of private sector development (PSD), advancing the country's global competitiveness, developing needed infrastructure, achieving supply chains, and meeting overall economic development objectives

1.2.2 PURPOSE OF LOCAL ECONOMIC DEVELOPMENT (LED)

The purpose of LED is to enhance and stimulate investments and opportunities that promote sustainable economic growth within the territorial Local Governments as well as to increase household incomes. The ultimate aim of LED is to reduce poverty, improve people's incomes and livelihoods and enhance improved service delivery through increased local government revenues. In addition, LED introduces a paradigm shift in the management of local government affairs from over emphasizing administrative governance to facilitating investment and wealth creation. At the same time, LED also aims at empowering the citizenry to demand better services from their local government institutions.

1.3 LED IN THE NATIONAL AND INTERNATIONAL CONTEXT

¹ MDG 1: Eradicate extreme poverty and hunger; MDG 3: Promote gender equality and empower women; MDG 4: Reduce child mortality; MDG 5 : Improve maternal health and MDG 8: Develop global partnerships for development. Source: Ministry of Finance Planning and Economic Development, MDG Report for Uganda 2010, September 2010

This policy provides a strategic framework for stakeholders to attain coordinated economic development that complements national and international programmes, which are geared towards poverty reduction; food security; gender equality and equity; and creating gainful employment opportunities for the growing labour force of both genders.

The LED policy is consistent with Government of Uganda (GOU) planning frameworks especially the National Development Plan (NDP), the Rural Development strategy (RDS) and Prosperity for All (PFA) Programmes, the Decentralization Policy Strategic Framework (DPSF), and Local Government Sector Strategic Plan (LGSSP).

By introducing and implementing LED, Uganda will be in line with the East African Community (EAC) Industrialization Policy and Strategy which covers, among other things, business diversification; value addition; strengthening institutions for policy design implementation and management; strengthening research and development; technology and innovation.

The policy further complements and conforms to the global and regional protocols such as the Millennium Development Goals (MDGs) especially goal number one (poverty reduction and food security) and goal number 3 (gender equality); the New Partnership for Africa's Development (NEPAD), especially decentralization, governance and growth and the Protocol on Economic Rights; the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) Treaty (2000), Inter-Governmental Authority on Drought And Desertification (IGAD), and The Convention on The Elimination of All Forms of Discrimination Against Women (CEDAW).

1.4 THE LOCAL GOVERNANCE CONTEXT OF LED

The National LED Policy has been formulated to mobilize and galvanize the efforts of stakeholders to effectively and efficiently address the development challenges facing Uganda. The policy enables Local Governments to improve the business environment and the private sector to play its role in economic growth and job creation. It is expected that households will earn more, enterprises will be more vibrant, ultimately ensuring that Local Governments generate more revenue and deliver better services in the communities. Local Economic Development presents an opportunity for Uganda to realize its objective of transforming itself from a low to a middle-income country.

2.0 THE POLICY AND LEGAL CONTEXT OF LED

The Government of Uganda has enacted legislation and sectoral policies to facilitate the implementation of Local Economic Development as outlined below:

The Uganda National Local Economic Development (LED) Policy has been formulated in line with The Constitution of Uganda which, among others, provides for the establishment of a sound financial base with reliable sources of revenue by Local Governments. The Constitution entrenches decentralization as a governance system that brings services closer to the population for the efficient and effective delivery of services.

The NDP is Uganda's medium-term planning framework for poverty eradication, wealth creation and prosperity. The primary objective of NDP is to promote rapid, broad based and sustainable development. Its overarching goal is to transform the country into middle income status in the medium-term. The specific national objectives under the NDP include among others:

- a) To uplift household standards of living;
- b) To promote increased private sector investment as the engine of economic growth;
- c) To enhance the quality and availability of gainful employment;
- d) To improve social, economic and trade infrastructure nationwide;
- e) To develop efficient, innovative and internationally competitive industries;
- f) To develop and optimally exploit the national resource base and ensure environmental and economic stability; and
- g) To strengthen good governance, improve human security and gender equality.

The National LED Policy has also been formulated in tandem with other national policies, laws and strategies which among others include: The Local Governments Act; The Local Government Financial And Accounting Regulations (LGFAR); Financial Institutions Act And Micro Deposit-Taking Institutions Act; The National Trade Policy; The National Land Policy; The National Local Capacity Building Policy; The National Environment And Management (NEMA) Policy; The National Gender Policy; The National Industrial Policy; The National Industrial Park Policy; The Micro, Small and Medium Enterprises (MSMEs) Policy; National Tourism Policy; The National Cooperative Policy; The National ICT Policy; The National Agricultural Investment Strategy; The Rural Development Strategy; The National Policy on Energy; and The Draft Public Private Partnership (PPP) Policy.

2.2 THE NATIONAL ECONOMIC CONTEXT

Uganda's economy recorded impressive and strong growth rates. The economy achieved an impressive recovery in growth to 6.7% at market prices during FY2010/11 against 5.9% in the previous financial year. Growth in output was largely driven by strong growth in the mining, construction and telecommunication sectors. In addition, there was a rebound in trade activities during the year following a dismal performance the previous fiscal year (MFPED, Annual Performance Report 2010/2011). At sector level, Uganda registered substantial growth in the critical sectors of the economy as follows; Agriculture grew at 0.7%, Industry and Services were at 7.9% and 8.4 % respectively in 2010/2011. The services sector increased its share of GDP by 49% during FY 2010/2011 while industry and agriculture accounted for 27% and 24% of GDP respectively (MFPED, Annual Performance Report 2010/2011). Over the same period, the number of Ugandans in the middle class increased from 1.8 million to 10.0 million, approximately 32.6% compared to 10.2% recorded in 1992/3. While this is commendable, still about 13.2 million Ugandans (42.9%) are falling between absolute poverty and middle class and therefore are highly vulnerable to falling back into poverty due to volatile incomes.

Government has also been pursuing a policy on liberalization of the economy. As a result, Uganda's export trade has registered tremendous improvements for both formal and informal activities by taking advantage of opportunities in the East African regional markets. Trade activities (wholesale and retail) grew by 4.3% during FY2010/2011. Unfortunately, the

significant potential for women to contribute to Uganda's economic growth through their participation in higher levels of trade and industry value chain has not been adequately harnessed.

In spite of the government's efforts to promote economic development and reduce poverty, the country still continues to face challenges in sustaining economic growth and development. These include:

- a) Lack of policy and institutional framework for a coherent and comprehensive LED Strategy;
- b) Lack of coordination between national, sectoral and locality based approaches;
- c) Poor state of infrastructure, especially transport, communications and energy infrastructure, which limits business development in both rural and urban areas;
- d) Uganda is still an economy dominated by subsistence- based rural economic activities; and
- e) The absence of a common understanding of what LED means and the respective roles of the different economic actors;
- f) The lack of capacity at local level reflected in the failure to provide adequate infrastructure and services to facilitate local economic activity;
- g) Limited involvement of the private sector and community's in existing public participation mechanisms; and
- h) Lack of constructive and effective dialogue among stakeholders on common economic challenges, marred by ineffective mechanisms for the private sector and community to fully participate in the planning process, especially at the local government level.

2.2.1 FISCAL PERFORMANCE

According to MFPED², the fiscal strategy in FY2010/11 focused on strengthening investments aimed at reducing infrastructure gaps which are a key constraint to economic growth and productivity enhancement and which would make it difficult for LED initiatives to be effectively implemented. Government sought to reduce the fiscal deficit to 6.2% of GDP from the 7.3 % of GDP recorded in 2009/10.

The expansionary stance of government spending resulted in a fiscal deficit (excluding grants and oil revenues) of 9.6% of GDP compared to the programmed level of 6.2%. Including grants and oil revenue, the deficit was 4.3% of GDP, which is within the 5% medium-term target for fiscal prudence. It is noted that the favorable impact of oil revenues on the fiscal deficit shows their potential contribution to financing the National Development Plan 2010/11-2014/15.

The revenue target for FY2010/11 was US\$ 5,034.4bn, representing a 20% growth in revenues and a tax to GDP ratio of 12.18% which is an expansion of 0.8 percentage points³. For non-tax revenue (NTR), consisting of revenues collected by Ministries, Departments and Agencies (MDAs) as fees for services, the amount is expected to be UGX 90.3 bn. According to the annual budget performance report FY2010/11, the amount of NTR spent at source was Shs.180.35bn.

² MFPED, Annual Economic Performance Report 2011

³ Bank Of Uganda Annual Report, 2011

2.2.2 FINANCIAL SECTOR PERFORMANCE

Uganda's financial infrastructure and services have evolved over the years and are largely dominated by commercial banks which account for 83% of the financial sector assets (NDP, 2010-2014). The other institutions include: Credit Institutions; Foreign Exchange Bureaus and Money Remittance Companies; Micro-Finance Deposit-taking Institutions (MDIs), savings clubs and cooperative organizations, pension funds (NSSF), insurance companies and foreign exchange bureaus.

The Banking Supervision Report published by the Bank of Uganda (31 December 2011) indicates that significant strides were taken by the sector to "widen representation and service provision" demonstrated by the following:

- a) Branches and ATMs continued to grow from 455 and 637 respectively as at 31st December 2011 compared to 393 and 598 respectively as at 31st December 2010.
- b) Money remittances market comprised of 22 foreign exchange bureau outlets, 15 direct entrants, 3 MDIs (with 68 outlets) and 3 credit institutions (with 42 outlets) during the same period.
- c) As of 31st December 2011, the total number of branches for licensed foreign exchange bureaus was 184, compared to 158 at the end of December 2010
- d) Product innovations. Banks focused increasingly on the development of electronic banking products as a move towards cheaper alternatives to branches and service provision. Other products introduced include: use of biometrics, Near Field Communications (NFC) cards and the internet.
- e) Mobile Money Transfer Services. During 2011, mobile money services registered significant growth compared to the previous year. The number of registered customers increased from 1,683,713 in 2010 to 2,879,968 during 2011. The total amount transferred by customers rose from Ug Shs 962.7 bn to Ug Shs 3.7 trillion over the same period. In terms of volume, the service registered a 204 percent increase in the number of transactions from 28.8 million transactions in 2010 to 87.5 million transactions as of December 2011. This was partly due to increased partnerships between banks and mobile network operators for the expansion of mobile money transfer services.
- f) Access to financial services has improved and non-banking institutions (i.e., credit institutions, MDIs, other micro finance institutions, SACCOs and NGOs) play an important role in providing services to rural underserved communities through accelerated outreach,

As a result, the MFPED (2011) reports that over 70% of the population aged 16 years and above are financially served with 21% using banking services while most of them use informal financial services, and 30% are un-served. The share of communities with access to microfinance services increased from 4 to 14 percent between 2005/6 and 2009/10 respectively. The same report indicates that there are now 180 microfinance companies and NGOs serving the poor, and around 2,800 SACCOs.

2.3 THE DEMOGRAPHIC CONTEXT

Uganda's total population has increased from 9.5 million in 1969 to 27.4 million people in 2002 to 35,873,253 [July 2012 estimate⁴], growing at an average annual growth rate of 3.2%⁵ above the Sub-Saharan regional average of 2.4 %. It is projected that by 2015 Uganda's population will be 38 million and 103.2 million in 2050. The fertility rate of Ugandan women is reported to have declined from about 6.7 in 2005 to 5.9 births per woman in 2011⁶; but still it is one of the highest in Africa (Human Development Report 2007/2008).

In terms of gender, the population of Uganda comprises 100.4 males per 100 females. The age composition indicates that young people constitute the bulk of the population; about 50% of the population is under the age of 15 years and 2.1% is above 65 years. The working age group 15-64 years accounts for 47.9% (comprising 7,789,209 males and 7,703,143 females). Over 52.1 % of the population is dependent, implying a heavy dependency burden on the working population. Uganda's population density (people per sq. km) was last reported at 169.58 in 2010, according to a World Bank Report released in 2011, compared to 164.22 people per square km in 2009, according to a World Bank Report (2010).

Against the above demographic context, there is an urgent need for LED targeted interventions to address these significant challenges and inadequacies, ensuring the required development impact.

2.4 EMPLOYMENT AND LABOUR PRODUCTIVITY

The National Employment Policy acknowledges that employment creation lies at the center of national socio-economic development and transformation of the country from its current status of a poor agrarian economy to a modern, prosperous and skilled society. The current labour force largely consists of unskilled work force. Uganda's labour productivity is extremely low by regional and international standards. It is characterized by inadequate skills, negative attitude to work, poor managerial practices and poor working conditions (MGLSD). Productivity is further compounded by HIV/AIDS which negatively impacts on workers and their families, sustainability of enterprises and overall national development. It also varies between rural and urban labour-force participation. The result is high and increasing unemployment/under employment which does not augur well for poverty reduction and sustainable equitable economic growth.

With regard to the labor force and employment earnings situation, total labor force is estimated to have increased from 9.5 million in 2005/06 to 11.5 million in 2009/10 at an annual growth rate of 4.7% per annum; this is above the national population annual growth rate of 3.2%⁷. This high growth rate implies that jobs have to be secured to match the increasing labour force. Gender disparities are also reported whereby 53% and 47% are females and males respectively. The distribution of the labour force by residence also changed between 2005/05 and 2009/10 with the

⁴ CIA World Factbook, 2012

⁵ The World Bank Report of 2010

⁶ State of Uganda Population Report by UBOS, 2011

⁷ Uganda Bureau of Statistics UNHS (Socio-Economic Model) 2009/10

labour force remaining principally rural (82%); with 66% of the workforce being employed in agricultural sector.

The working age population is also reported to have increased by 4.2% per annum and 78% were in self employment. The proportion of the population of both sexes in paid employment was 24% up from 18% in 2005/06.

2.5 THE INFRASTRUCTURE DEVELOPMENT

Uganda's economic growth, private sector development, and improved global competitiveness require improved infrastructure, including roads, water and sanitation, air and railway transport, energy and Information and Communications Technology (ICT), etc, as detailed below.

2.5.1 INFORMATION AND COMMUNICATIONS TECHNOLOGY

The posts and telecommunications services activities grew by 30.3 percent in FY2009/10,⁸ accounting for 3.3 per cent of GDP. The report further indicates that the mobile market accounted for 63% of the telecom revenue followed by the fixed line segment which accounted for 14%; international termination telefax and roaming was 2%; internet services revenue accounted for 4%; domestic interconnection accounted for 16% and all other revenues contributed only 1%. The growth changes have had a profound impact on the whole Ugandan economy, making the ICT sector an important part of the economy.

The Government of Uganda, through the Ministry of ICT, decided to implement the National Data Transmission Backbone Infrastructure and e-Government Infrastructure (NBI/EGI) project for high speed communications with the objective of linking Uganda to the East African coast providing access to the rest of the world through Kenya via submarine fiber optic cables.

The strong growth of the fixed-line networks in recent years and an explosion of the number of cybercafés have helped to increase Internet usage which has also been accelerated by private and government initiatives in the deployment of wireless Wi-Fi/ WiMax hot spots. Estimated Internet users were up to 3.5 Million [2010] (Uganda Investment Authority ICT Sector Profile).

Radio is the most popular medium of communication compared to television. With new advancements in technology a pilot digital TV project is under way, and Uganda expects to switch off terrestrial analogue TV signals in 2012 to fully migrate to digital TV signals.

In 2009 there was a significant increase in popularity of mobile Internet subscriptions with a figure of 300,000 users. This steadily grew to 510,000 users in 2010. By the end of 2010⁹, the total number of Internet users (fixed and mobile) was estimated to have grown to over 3.5 million. It is estimated that the Ugandan ICT market is growing at a cumulative annual growth rate (CAGR) of above 25%.

⁸ Uganda Investment Authority, ICT Sector Profile, 2010

2.5.2 ENERGY AND POWER

By the end of 2010¹⁰, the total installed generation capacity was approximately 594MW with the two largest hydro electric plants (Kiira and Nalubaale) contributing 3890MW while the remainder was made up of 170MW generated by plants operating on heavy fuel oil and diesel 27MW from bagasse plants operated by Kinyara and Kakira sugar manufacturing factories and 3small hydro plants at Kilembe mines and Kasese mines totaling 27MW. The report further indicates that the total grid electricity supply increased by 8.45% from 264GWh in 2009 to 256GWh in 2010.

In 2008 it was estimated that Uganda consumed about 13,000 barrels of oil a day and spent \$400 million annually on petroleum imports. According to Peter Saundry¹¹ several oil companies are prospecting in or near Uganda's Western Rift Valley where surface oil seeps have occurred. The Report further reveals that in June 2006 discoveries at three fields were announced with combined reserves of 100-300 million barrels and about 30 million barrels were ready for extraction at the beginning in 2009/10, which would result in an estimated 12,000+ barrels a day.

2.5.3 TRANSPORT

Being a land locked country Uganda relies mainly on the services at Mombasa and Dar es Salaam ports, which are several thousand kilometers away, and this further increases costs of doing business in the country.

The performance of the transport sector is characterized by only 4% of the road network being paved, one international airport with limited flights and only 26% of the rail network functioning with limited haulage. The water transport has very few ferry wagons. The poor state of feeder roads makes it difficult for primary producers of agricultural products to reach the urban markets in timely manner, which leads to low returns on the harvests, and in turn, low incomes earned by the farmers; irregular maintenance of the trunk roads limits the movement of bulk cargo, for example exports, leading to unnecessary delays that eventually increase costs of freight. The country also lacks a reliable railway transport mechanism with adequate capacity to facilitate movement of bulk cargo cheaply and quickly to the coastal ports; it also reduces the country's ability to earn from exports.

2.6 LOCAL GOVERNANCE

The 1995 Constitution and the Local Government Act (1997) Cap 243 empower Local Governments as to deliver essential services to the population at the sub-national level. Local Governments remain at the forefront of public interventions to reduce poverty

The intention of the decentralization policy is to bring services nearer to the people. It has already been noted that commendable achievements have been realized in terms of stabilizing governance, empowering the population through decision-making and participation in

¹⁰ Ministry of Energy and Mineral Development, Annual Report 2010

¹¹ Peter Saundry, Energy Profile of Uganda, July 15, 2009

democratic governance, especially by women and other disadvantaged groups as well as overall improvement in service delivery. The quest for closer services has consequently resulted in the need for creation of more districts and lower level Local Governments. The challenge has been an increase in public administrative expenditure. The sector still faces the following challenges:

- a. Inadequate local revenues averaging about 3% of the total local government budgets resulting in dependence on the Central Government transfers. This lack of financial autonomy affects the LG flexibility to implement development plans including LED;
- b. Inadequate management information systems that affect planning, decision making, monitoring and evaluation. Dominance of direct taxes, fees and licenses which have a high tax incidence on tax payers;
- c. Unfavorable business environment for international, national, and Medium Small and Micro Enterprises (MSMEs) at national and local levels (e.g., long business registration and licensing procedures, lack of access to finance and land, corruption, etc.);
- d. Inadequate business development services, as well as lack of identification of business opportunities and advertising of these opportunities, with need for incentives through faster registration, ensuring availability of audit, legal services, technical advisory and guidance services, certification, and market information;
- e. Inadequate business-like approach to service delivery by local government bureaucrats;
- f. Lack of awareness of the benefits of business formalization; and
- g. Very cumbersome procurement laws that are not user-friendly.

The primary sources of revenue to Local Governments are transfers from the Central Government; even though Local Governments are mandated to raise revenue locally through various ways including property tax, licenses and user fees. Local Governments have been performing poorly in terms of raising local revenue, which continues to affect their ability to implement key planned activities. In FY 2009/10 Local Governments were able to collect only US\$ 118.7 bn compared to an estimated need of US\$ 334.6bn, which translates into only 35.5% of the revenue potential yield (MOLG Ministerial Statement, 2011/2012, page 44). However, this is not unique since Uganda's tax effort at national level remains equally weak and the lowest in the EAC region¹². Overall Local Government contribution to GDP is a meager 3.5%.

2.7 THE PRIVATE SECTOR

The NDP recognizes the private sector as the prime mover of the economy. The sector is dominated by micro, small and medium enterprises (MSMEs) which cut across sectors of the economy and contribute about 20% of the GDP. MSMEs form 90% of Uganda's private sector; and employ approximately 1.5 million people equivalent to 90% of total non-farm private sector workers. Annual growth in the sector is about 20%.

The private sector faces several challenges with respect to starting and sustaining a business, cross-border trading, including, and limited financial literacy among the entrepreneurs compounded by poor quality and standard of local products to compete favorably; inadequate supply of local commodities to the international market and poor or non-enforcement of

¹² Africa Development Bank (ADB) Uganda Results-Based Country Strategy Paper, 2011-2015.

contracts e.g. failure to respect supply contracts, delayed payments to suppliers, the slow disposal of commercial court cases. In addition, the sector is affected by limited access to financial resources due to high cost of borrowing, insufficient collateral, limited financing for long term ventures as well as inadequate policy framework and strategy for public-private partnerships (PPPs); and high transport costs for products and inputs. It should be pointed out that inadequate investment in research and development limits the ability of the sector to learn new technologies and methods of production as well as markets and prices for their products.

These constraints negatively affect the productive potential and competitiveness of the economy.

The above notwithstanding, the Government is committed to promoting the private sector to play its role as the engine of economic growth and development in Uganda. Government is also committed to providing the supportive policy, regulatory and institutional framework, to actively promote and encourage Public-Private Partnerships in a rational manner at national and local government levels.

3.0 THE NATIONAL LOCAL ECONOMIC DEVELOPMENT POLICY

This section describes the Vision, Mission, Goal and Objectives of the National LED Policy which form the basis for interventions through which Local Governments, the private sector and communities effectively participate and invest in locality development, with the proactive support of national stakeholders.

3.1 VISION

The Vision of this policy is: ***“A vibrant and competitive private sector-led local economy for poverty reduction, wealth creation and prosperity.”***

3.2 MISSION

The Mission of this policy is: ***“To create local and national governance mechanisms which promotes a conducive, economic and political environment for private sector investment, employment creation in local areas for improved household incomes and service delivery.”***

3.3 GOAL

The Overall Goal of this policy is: ***“A transformed local government system linked to stakeholders at local and national levels that facilitates effective business-oriented locality development with a focus on poverty reduction and sustainable wealth creation.”***

3.4 GUIDING PRINCIPLES OF THE NATIONAL LED POLICY

The National Local Economic Development (LED) Policy shall be guided by the following guiding principles:

- a) **Consistency with the National Development Plan and Decentralization Policy and Strategic Framework.** This Policy will be implemented within the overall national development objectives of the National Development objectives.
- b) **Commitment of Relevant Stakeholders.** In order for LED to achieve its objectives, Local Governments, the private sector, the communities and civil society will be required to fully participate in economic development of the locality.
- c) **Public-Private Partnership (PPP).** The Policy will encourage and benefit from Public-Private Partnerships in LED-related ventures.
- d) **Competitiveness Enhancement.** The LED Policy will put special emphasis on building the capacity of the private sector to improve the country's global competitiveness and export earnings; this will result in improved trade balance and attainment of macro-economic stability. Local Governments will be encouraged to work closely with the private sector to establish the potential and competitive advantages of each locality and the strategies for exploiting the potential.
- e) **Transparency and Accountability.** The Policy will require an effective system of transparency and accountability to ensure generated revenue is properly utilized and accounted for to improve delivery of services to citizens.
- f) **Gender Equality, Equity and Inclusiveness.** The Policy is built around the principle of gender equality, equity and inclusiveness in local economies. It therefore encourages effective and inclusive participation of different stakeholders without distinction based on status, gender or class.
- g) **Sustainability.** This policy will promote a local governance system that ensures optimal utilization natural resources and ongoing processes of wealth creation through LED.

3.5 PURPOSE OF THE UGANDA LED POLICY

The purpose of the Policy is to establish an operational framework for effective coordination and implementation of LED Initiatives at National and Local Governments levels. It establishes a framework for promoting partnerships in local economic development to increase household incomes, generate more revenues for Local Governments and improved service delivery to local communities.

3.5.1 POLICY OBJECTIVES AND STRATEGIC INTERVENTIONS

1. To promote partnerships for LED implementation

Strategic interventions include:

- Developing and implementing a PPP Policy and guidelines for Local Governments to promote economic development in localities (rural and urban);

- Mapping LED actors who are active at National and Local Level and define their roles and functions;
- Facilitating large organizations to partner with SMEs for joint ventures, out sourcing, sub contracting among others;
- Nurturing and mentoring women and youth entrepreneurs to benefit from the LED initiatives;
- Supporting the development of commercial agriculture and encourage the creation of Public Private Partnerships (PPPs) for selected crops in selected regions; and
- Strengthening the District Investment Committee and other local fora that will discuss and develop LED programmes at the Local Government (LG) level.

2. To expand the economic infrastructure for LED to thrive

Strategic interventions include:

- Supporting the LGs to build, in conjunction with the private sector actors, economic infrastructure facilities such as warehouses, lorry and taxi parks, industrial parks, bulking centres, processing facilities, extending power supply, etc to promote LED activities at every LG;
- Introducing a Local Financing Initiative (LFI) Programme, which focuses on developing large infrastructure schemes through public private partnerships.

3. To strengthen National and Local Government capacities to implement LED

Strategic interventions include:

- Carrying out capacity needs assessment at national and local government level to ascertain the readiness for LED planning, management, implementation and monitoring;
- Implementing the recommendations of the capacity needs assessment. This might include restructuring the Local Governments to ensure that they are positioned adequately to manage and implement LED activities;
- Reviewing the National Local Government Capacity Building Policy (2005) to incorporate LED initiatives;
- Conducting tailor-made trainings on LED for various stakeholders at national and sub-national levels;
- Developing local entrepreneurship skills for SMEs, especially those operated by women and other vulnerable segments to increase their capacity for innovation and business growth;
- Building capacity for effective coordination of LED at national and local level.
- Revamping and empowering the District Commercial Office as a full department with the necessary staffing and funding to implement LED activities;
- Equipping LGs with necessary skills to negotiate and manage public-private partnership agreements;
- Enhancing capacities of LGs to incorporate LED into their planning and budgeting processes in line with the NDP;

- Strengthening the National LED Propagation Team and District Investment Committees/LED Forum; and
 - Advocating for best practices in corporate governance.
4. To develop clear guidelines for LED implementation at all levels

Strategic Interventions include:

- Formulating and implementing the following guidelines;
 - Planning, Budgeting and Financing in liaison with NPA
 - Local Economic Business Assessment
 - Preparation of Business Plans
 - Preparation of Marketing Strategy
 - District LED Strategy Formulation
 - Corporate Governance in liaison with the Uganda Institute of Corporate Governance
 - Public Private Partnerships (PPPs) in liaison with MFPED and the Private Sector
 - Monitoring and Evaluation of LED in liaison with NPA
5. To increase the level of public awareness and participation in LED interventions

Strategic Interventions include:

- Developing and disseminating Information Education and Communication (IEC) materials on LED to stakeholders;
 - Translating LED policies, rules, regulations, strategies, IEC materials and guidelines into major local languages;
 - Establishing strong collaboration with the media industry to develop and implement a communication and advocacy strategy to popularize LED;
 - Promoting initiatives that strengthen civic competence (education) and civil participation to empower communities to demand for better services and accountability from their leaders; and
 - Creating an interactive MSMEs website (Info portal) with modules that MSMEs can easily utilize to market their products and services.
6. To create a business enabling environment for LED

Strategic Interventions include:

- Streamlining the business regulatory environment for example licensing, tax administration and procedures;
- Promoting value-chains and cluster development (zoning);
- Partnering with relevant institutions and business advisory firms to regularly produce and disseminate evidence-based data and information on LED for appropriate decision-making;
- Instituting affordable mechanisms for business dispute resolution at the Local Government level;

- Establishing one-stop-centre for advisory services, business networking, guidance and access to financial services;
- Supporting Local Governments to conduct local economic business assessments to form a basis for resource and local business mapping strategies, for attracting business development services to the localities and for monitoring and evaluating economic growth in the communities;
- Developing and implementing a marketing strategy for LED for each Local Government, with special attention to locality, infrastructure and services; and business potential and competitive/comparative advantages. The marketing strategy will target local, regional and international business communities with a view to establishing business partnerships and mobilizing needed financial and technical resources;
- Ensuring the PPDA tendering and procurement procedures enable small contractors and emerging businesses to participate in procurement and delivery services.
- Encouraging specialized business promotion agencies to establish outreach offices at Local Government level to reduce on the cost of doing business for the local private sector;
- Encouraging the establishment and expansion of provision of inputs for LED implementation in rural and urban areas; and
- Setting up a system for dispute resolution at the local level through the LC courts.

7. To mobilize adequate financing for LED implementation

Strategic Interventions include:

- Mobilizing Private Sector (Financial Institutions) to participate in LED initiatives;
- Advocating for increased Public Sector funding to LED growth-oriented initiatives;
- Soliciting for support to LED from Development Partners;
- Promoting value-chain financing to increase competitiveness for export business;
- Creating favorable conditions for long term financing to local authorities and the private sector;
- Encouraging financial institutions to engage in MSMEs client appraisal for possible funding;
- Improving access to commodity and financial markets by women and youth entrepreneurs;
- Improving farmer's access to credit in order to facilitate the transformation from subsistence to modern commercialized agricultural production;
- Attracting micro-finance institutions to finance LED initiatives;
- Mobilizing resources for infrastructure and services required for business promotion; and
- Establishing a non-conditional grant for LED financing in the national budget to be transferred on a regular basis to the LGs.

8. To mainstream cross cutting issues in LED e.g. Gender, HIV/AIDS, Environment and Vulnerable segments of the population.

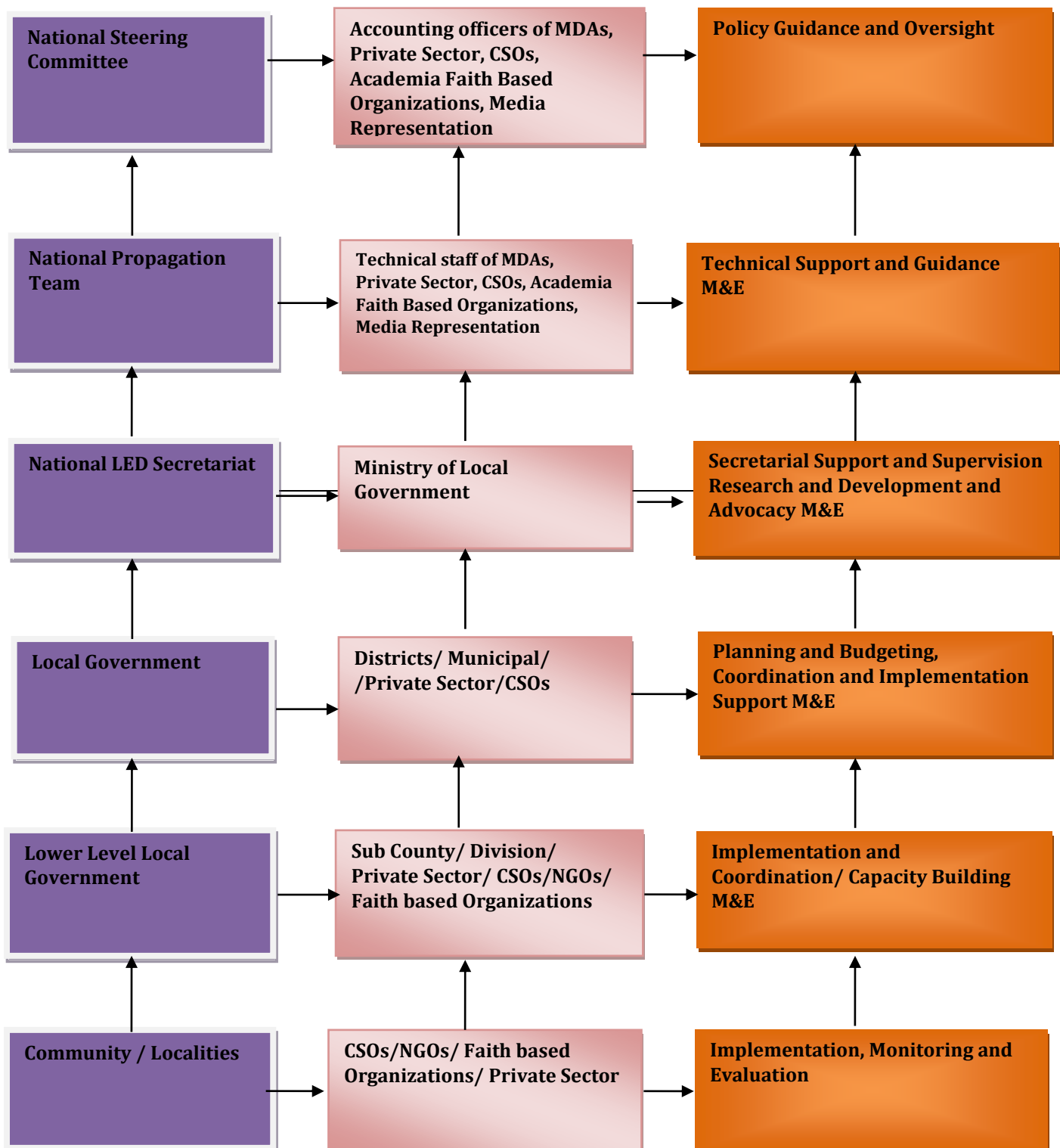
Strategic Interventions include:

- Ensuring concerns of special interest groups like women, youth and people with disabilities are addressed at the initiation, design and implementation of the local community projects.
- Establishing a reward system for best practices under the LED initiative, especially those which target the vulnerable groups and communities;
- Addressing intra-household relations arising from successful LED implementation; and
- Ensuring EIAs are conducted for large and small businesses to protect the environment.

4.0 INSTITUTIONAL FRAMEWORK FOR POLICY IMPLEMENTATION AND COORDINATION

Institutional arrangements for implementing the National LED Policy will be put in place at National and Local Government level as illustrated in Figure 1 below:

FIGURE 1: THE FUNCTIONAL LINKAGES BETWEEN THE VARIOUS COORDINATION STRUCTURES AND THEIR FUNCTIONS AT EACH LEVEL



Being a multi-sector undertaking, the LED Policy will involve participation of various stakeholders as indicated below:

- a) The central government has the overall responsibility for creating an enabling environment, support and monitor local government's implementation of the policy;
- b) The Local Governments are responsible for coordinating the implementation of the policy in their geographical boundaries and for mobilizing stakeholders around a common programme;
- c) The private sector will foster competitiveness, working with other stakeholders to ensure shared economic growth. They have a critical role as sources of employment opportunities, investments and revenues for the Local Governments;
- d) The Development Partners play a vital role in providing resources, technical and financial, to support implementation of development programmes;
- e) NGOs have a particular role in reaching marginalized areas and broadening the economic base of local communities through creating opportunities in these areas;
- f) Local communities have a role to play as consumers, savers, and representatives who understand local needs and communicate these to relevant stakeholders. They also play an important role in monitoring the implementation and performance of the policy; and
- g) The individuals in households have a role as taxpayers, consumers and savers.

4.1 NATIONAL LEVEL

The successful implementation of the LED Policy requires coordinated actions through the following mechanism:

- i. Accelerating public awareness of LED initiatives in the country at national and local government levels through development and dissemination of IEC materials;
- ii. Ensuring periodic reviews of the LED Policy to capture and integrate emerging changes in either the local governance or business environment; and
- iii. Establish networking mechanisms with other relevant regional and international actors to regularly take advantage of lessons learned;

A coordination framework comprising of the following will be put in place:

- i. National LED Steering Committee
- ii. National LED Propagation Team
- iii. National LED Secretariat
- iv. Institutional/Sectoral LED Technical Committees

The National LED Steering Committee will be set up comprising Permanent Secretaries from the following institutional membership:

- i. Office of the President
- ii. Ministry of Local Government
- iii. Ministry of Finance, Planning and Economic Development
- iv. Office of the Prime Minister
- v. Ministry of Trade Industry and Cooperatives
- vi. Ministry of Water and Environment

- vii. Ministry of Works and Transport
- viii. Ministry of Lands Housing and Urban Development
- ix. Ministry of Agriculture Animal Industry and Fisheries
- x. Ministry of Energy and Mineral Development
- xi. Ministry of Gender Labour and Social Development
- xii. Ministry of East African Community Affairs
- xiii. Ministry of Justice and Constitutional Affairs

In addition, the Committee shall also include: representatives of Local Governments (ULGA), relevant regulatory bodies such as Uganda Revenue Authority (URA), Uganda Local Government Finance Commission, National Planning Authority (NPA), National Agricultural Advisory and Development Services (NAADS), Electricity Regulatory Authority (ERA), Uganda National Bureau of Standards (UNBS), National Agricultural Research Organization (NARO), Bank of Uganda, Uganda Communication Commission (UCC) and Media), Uganda Investment Authority (UIA), representatives of development partners, private sector, civil society and higher institutions of learning. The Steering Committee is to provide policy guidance and oversight of implementation of LED policy and strategy. It will be chaired by the Permanent Secretary Ministry of Local Government.

Each interested group shall establish its own LED structure or committee to cater for its requirements, which shall be forwarded to the National Steering Committee.

4.1.1 THE NATIONAL LED PROPAGATION TEAM

The National Propagation Team brings together focal persons or representatives of various ministries, agencies, private sector, development partner organizations and CSOs to jointly support and engage into a national effort and a formalized process for enhancing the national context of LED.

Specifically, the ToRs of the NPT are as follows:

1. Formulate a National LED vision to provide an overall framework required to determine the direction of LED taking into consideration the regional/local variations that reflects the diverse nature of local economies and their comparative advantages.
2. Support the institutionalization of LED governance functions and processes at district and municipal levels.
3. Formulate and disseminate the National LED policy and strategy.
4. Advocate for integration of LED governance planning instruments into the planning guidelines at National and local levels.
5. Support the Secretariat in identifying new programming areas and innovations.
6. Support the Secretariat in identifying, documenting and disseminating best practices in LED implementation for replication.

4.1.2 THE NATIONAL LED SECRETARIAT

The Ministry of Local Government shall appoint a focal point staff to coordinate the National LED Policy implementation. The earmarked office shall maximize synergies in all the LED

related initiatives. An interactive online framework will be provided to facilitate the coordination and implementation across all respective parties with a tracking system for monitoring progress, unresolved issues and recording success stories.

Specifically, the Secretariat shall be responsible for the following:

- Ensure harmonized approaches and synergies between the different approaches and programs;
- Share experiences and lessons learned (best and worst practices);
- Innovate, test and apply LED approaches relevant to Uganda;
- Develop appropriate reference and IEC materials;
- Identify, train and mentor district and national stakeholders;
- Ensure quality assurance;
- Provide a link between National and Local Government level actions on LED;
- Serve as a depository for all relevant LED reference materials and support Local Governments to establish LED Resource Centers under the Office of the DCO;
- Support the institutionalizing LED processes in respective institutions across sectors and institutions;
- Identify LED Champions and Local Economic Development Agencies (LEDAs) at national and local government levels and provide them with the required skills to perform this function;
- Monitor the implementation of LED Policy Objectives by the relevant institutions;
- Establish a mechanism for collaboration and promotion of partnerships between various categories of players in LED especially at the local level; and
- Ensure that LED is mainstreamed in relevant policies and strategies.

4.2 LOCAL GOVERNMENT LEVEL

A LED Resource Team will be constituted at District and Municipal level. It will report to the current District/Municipal Technical Planning Committee who will in turn report to the District/Municipal Executive Committee.

The LG resource team chaired by the CAO/Town clerk with the District/Municipal Commercial Officer as Secretary will be composed of:

- Chief Administrative Officer/ Municipal Town Clerk
- District/ Municipal Production Coordinator
- District/ Municipal Natural Resource Officer
- District/ Municipal Commercial Officer
- District/ Municipal Community Development Office
- Representative of Private Sector and CSO

The Terms of Reference of the LED Resource Team include;

1. Internalize and champion LED in Local Governments

2. Setup and coordinate the district/municipal LED Forum
3. Plan for and coordinate LED activities including conducting local economy and business assessments
4. Support the preparation of a District LED Strategy
5. Monitoring of LED interventions
6. Convene monthly meeting to review targets and set targets
7. Develop an inventory of LED initiatives in the district or municipal authority
8. Ensure incorporation of LED activities in district planning and budgeting frameworks
9. Document and disseminate information about LED
10. Identify champions of LED in both the public and private sector and provide them the necessary skills and tools to advocate for LED

The LED Resource Team will work with the Sub County/Municipal Division Technical Planning Committee (TPC).

At Lower Local Government level, the TPC under the chairmanship of the Sub-County Chief or Assistant Town Clerk will be responsible for LED activities.

5.0 MONITORING AND EVALUATION

An elaborate and operational M&E Framework will be developed to monitor the implementation of the Uganda National LED Policy. A comprehensive baseline study will be carried out to establish the key components of the M&E Framework namely; the outcomes, outputs, indicators and benchmarks as well as clear responsibilities.

The Ministry of Local Government will be responsible for monitoring implementation and evaluation of the LED Policy. The MoLG in collaboration with other relevant line ministries and agencies will collect, analyze and disseminate reports to the multi stakeholders.

The following indicators will be monitored:

- I. Percentage of decline in the number of households living below the poverty line
- II. The number of operational Public Private Partnership agreements concluded and implemented, resulting in improved infrastructure and better service delivery by Local Governments
- III. Increase in locally generated revenue in Local Governments
- IV. Growth of private sector investments in localities (including amount of finance mobilized from the private sector (debt and equity)
- V. Number of Local Governments with development plans that incorporate LED, identifying opportunities for investments
- VI. Improvement in the local business environment, as measured by investment impediments that have been reduced or resolved
- VII. Percentage increase in employment of women and youth
- VIII. Increased stock and quality of economic infrastructure
- IX. Increase in the application of appropriate technology, science, innovation and ICT to enhance competitiveness

X. Type and range of financial services offered by financial institutions

6.0 FINANCING THE NATIONAL LED POLICY

The policy implementation will be financed by the sector ministries, development partners, financial institutions (banking and non banking institutions such as pension funds, MFIs, MDIs, SACCOs and insurance companies), and Local Governments, private sector and equity contributions. A comprehensive LED financing strategy will be developed to cover the National and Local Government LED initiatives. The following are the proposed broad sources of financing LED;

6.1 LOCAL GOVERNMENT GENERATED REVENUE

The Uganda Constitution and the Local Governments Act (1997), amended in 2001, mandate LGs to raise local revenue through a range of taxes like market duties, trading licenses, property rates, local service and hotel tax, etc to finance activities under their mandate. A review of local government tax base will greatly enhance their contribution to the implementation of LED initiatives

6.2 CENTRAL GOVERNMENTS TRANSFERS

The Central Government allocations to the LGs are currently in two forms: direct transfers and those channeled through government programmes and departments. Government will increase funding to LGs to enable them support LED initiatives. Through the national budget, the Ministry of Finance will create a budget line for LED programmes in all LGs under the conditional grants. The utilization of the funds will be in accordance with the LED financing guidelines.

6.3 LOCAL FINANCE INITIATIVE (LFI)

LFI is intended to unlock Uganda's domestic financial system to finance LED infrastructure programmes at local government level. LFI uses risk mitigation and credit enhancement methodologies such as non-recourse project financing in which the project owners (sponsors) are liable only for the amount of their equity investment, while the local banks and institutional investors provide 70% - 75% of the remaining financing needed for the project.

LFI shall be adapted to financing small and medium-sized infrastructure projects which may be capital-intensive or social service-focused requiring special technical skills or experience. Development Partners (finance institutions and donor agencies) will be mobilized to provide project development support, credit enhancement and technical assistance to LED related projects. In addition, LFI will provide capacity building interventions to enable the scaling-up and adoption of these new financing approaches as well as online communication platforms to increase the government's capacity to coordinate across agencies and private sector. As detailed in the annex, the LFI on-line communication platforms will be used to increase the effectiveness of intragovernmental coordination, stakeholder mobilization, and private sector engagement. LFI

will provide District with the option of managing their own on-line networks, building on the District Investment Committees and LED Forums, reporting opportunities and issues to the National Propagation Team. Investment opportunities and impediments will also be reported to the Uganda Investment Authority so it can utilize “Team Uganda” (45 government agencies) and the Presidential Investment Roundtable (PIRT) for realizing LED investment opportunities and resolving investment impediments. See Annex A for details.

6.4 PUBLIC-PRIVATE PARTNERSHIP (PPP) MODALITY

A PPP involves mobilization and utilization of creative skills and management efficiency from business practice and reducing government risks in the provision of public services by using private companies in a cost-effective manner.

The projects to be implemented through this arrangement will include infrastructure projects that are capital intensive in nature or those which require specialized experience and skills. All corporate structures of local governance shall be empowered to enter into contractual arrangements with the private sector or other non-state actors for the purpose of delivering services and improving local economic development in their areas of jurisdiction.

6.5 DEVELOPMENT FUNDING FROM DEVELOPMENT PARTNERS

Development partners will be approached and mobilized to support the LED cause under a mechanism that will be agreed upon with the Government. Further bi-lateral funding arrangements will be pursued.

6.6 CONTRIBUTIONS BY THE LOCAL COMMUNITIES

Communities will be mobilized to provide equity either in cash or kind. This will be one of the main parameters for financing LED projects.

6.7 FINANCIAL INSTITUTIONS

Financial institutions will be mobilized to extend their services to identified projects under LED initiative. They will further be encouraged to extend their services to those areas that are currently un-bankable. The financial institutions will work closely with the LED teams at the all levels.

6.8 CORPORATE SOCIAL RESPONSIBILITY

Corporations will be mobilized and encouraged to partner with LED in order to support community projects as part of their corporate social responsibilities.

7.0 CONCLUSIONS

LED directly supports the realization of the National Development Plan objectives, especially the following:

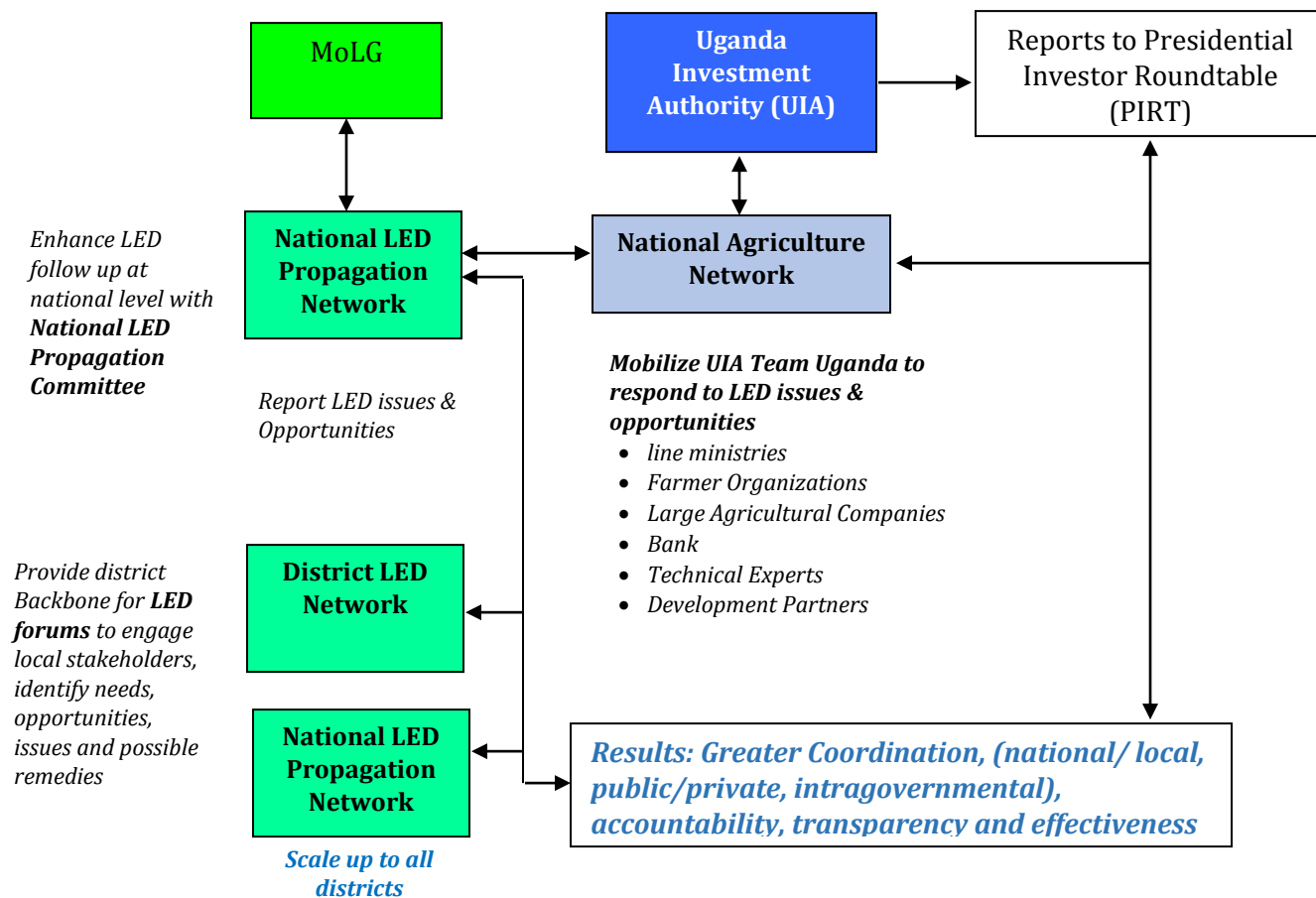
- 1) Increasing household incomes and promoting equity (with special attention to intra-household relations)
- 2) Enhancing the availability and quality of gainful employment
- 3) Improving economic infrastructure (at the local government level)
- 4) Increased independence of Local Governments (realization of full and meaningful decentralization)
- 5) Increasing access to quality social services and improving the quality of life of the population
- 6) Promoting science, technology innovations and ICT to enhance competitiveness (leading to increased exports compared to imports)

LED enables the private sector to take center-stage in economic growth and equitable development, realization of MDGs and employment creation with Local Governments playing active complementary role. This will enable the country to attain economic development, private sector development, global competitiveness, enhanced infrastructure, leading to meaningful social and structural transformation and effective decentralization.

ANNEX A

LFI Information and Coordination System

Communication Platforms to scale up Local Economic Development:
Empowering Districts, MoLG and UIA for Greater Effectiveness



**Ministry of Local Government
P.O.Box 7037
Kampala
Uganda**