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Decentralized Governance for Democracy, Peace, Development and Effective Service Delivery

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Preface

On behalf of the United Nations Department of Economic and Social Affairs and of the Regional Council of Tuscany of CALRE, we would like to express our sincere gratitude for the cooperation and collaboration that made it possible to hold the two conferences: (i) the First Conference of the European and African Regional Assemblies on the theme of Decentralization, the New Dimension of Peace, Democracy and Development**,** and (ii) Decentralized Governance for Effective and Responsive Service Delivery: Pre-requisites, Trends, Approaches and Capacity-Building Strategies. These two have been instrumental in the preparation for this publication. The two conferences were testimony that Europe and Africa, especially at the local government level, have taken the challenges of peace, development and delivery of services to local communities very seriously and are ready to put their heads and efforts together to devise lasting responses to these challenges.

The United Nations leadership at the highest level has been treating these challenges with the seriousness they deserve. The Millennium Summit of the United Nations General Assembly adopted the Millennium Declaration spelling out (i) the **fundamental values** of freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility that are essential to international relations, and (ii) the **key objectives** in peace, security and disarmament, development and poverty eradication, environment protection, human rights, democracy, and good governance, protecting the vulnerable, and meeting the special needs of Africa, thus providing a vision of a peaceful, secure, prosperous, and just society, and establishing a worldwide consensus on the fundamental values, key objectives, and a commitment to achieve them. As we all know, these noble goals, objectives and values can not be pursued successfully without effective and responsive governance and public administration institutions, systems, and practices. They stand no chance of being pursued if the concerned people at all levels do not participate direly in planning and implementing strategies for achieving them.

As part of the efforts to structure governments to promote good governance and effective public administration with participation of the people in the decision-making processes as well as in development activities, decentralization is increasingly adopted and applied in many countries. The United Nations department of Economic and Social Affairs, the regional Council of Tuscany and CARLE believe that decentralized governance provides a structural arrangement and a conducive playing field for stakeholders and players to promote peace, and development. We are highly delighted to note that in this we have willing partners such as all the personalities gathered here to discuss the critical issues of decentralization, peace democracy and development.

The Least Developed Countries, in May 2000, committed themselves to promoting good governance at national and international levels [1] noting that **"**success in meeting the objectives of development and poverty eradication depends, *inter alia*, on good governance within each country. They therefore resolved to spare no effort to promote democracy and strengthen the rule of law, as well as respect for all internationally recognized human rights and fundamental freedoms, including the right to development.

In the program of action agreed in Brussels, the LDCs committed themselves to a number of strategic actions. Those relevant to the subject of our discussion today include: (i)continuing efforts to establish an effective, fair and stable institutional, legal and regulatory framework in order to strengthen the rule of law and to foster effective participation of and close cooperation among all relevant stakeholders at

[1] See Programme of Action for the Least Developed Countries: **(**Adopted by the Third United Nations Conference on the Least Developed Countries in Brussels on 20 May 2001) at www.unctad.org .

national and local levels in the development process; (ii) promoting broad-based popular participation in development, *inter alia* through decentralization, where appropriate; and (iii) enabling the poor through promoting social inclusion and empowerment in order to enhance their effective participation in the governance process, *inter alia* by strengthening their social networks. These three underpin vertical and horizontal decentralization and shared exercise of power, authority, functions, responsibilities, and resources.

At the "Fifth Africa Governance Forum" held in Maputo in May 2002 on the theme of "local governance for poverty reduction in Africa" strong recommendations for strengthening decentralized governance were made in the following terms:

> "For African governments, it is recommended, firstly, that all countries that have not yet legislated for decentralization in their respective laws ought to work toward this. Secondly, in order to promote stronger leadership, accountability and transparency at the local level, African governments need to put in place comprehensive capacity development programmes for good governance that include clear goals and strategies towards the development and consolidation of local government. Thirdly, to avoid the transfer of 'unfunded mandates' to lower levels of government, governments in Africa are urged to ensure that sufficient financial resources are transferred to sub-national authorities and that such transfers are based on clear, objective, stable and predictable formulae and not subject to undue discretionary changes. It is, however, agreed that such actions should encourage, rather than undermine, local fiscal effort. Fourthly, local government authorities would benefit from well-conceived and funded management and technical capacities to enable them better play their role as effective service providers and brokers in the area of poverty reduction".[2]

These strong recommendations from two development-oriented international meetings are examples which show that many countries in the world are promoting decentralized governance as a measure for democratization, people empowerment and poverty reduction.

However, we need to interrogate ourselves on the question of whether and in what conditions decentralization promotes peace and development. It is believed that under peacetime conditions, decentralized governance, carefully planned, effectively implemented and appropriately managed, can lead to significant improvement in the welfare of people at the local level, the cumulative effect of which can lead to enhanced human development. As a key to human development, friendly decentralized governance is to ensure that the voices and concerns of the poor, especially women, help guide its design, implementation and monitoring. For development and governance to be fully responsive and representational, people and institutions must be empowered at every level of society – national, provincial, district, city, town and village. Decentralized governance entails the empowering of sub-national levels of society to ensure that local people participate in, and benefit from, their own governance institutions and development services. Institutions of decentralization, local governance and, by extension, urban/rural development, must bring policy formulation, service delivery and resource management within the purview of the people. These institutions should enable people, especially the poor and the marginalized, to exercise their choices for human development. The direct linkage between decentralized governance and development concerns empowerment of local populations to plan, implement, manage their development process taking into account their local needs and capacities

In post-conflict situations where central governments are usually relatively weak and service provision to the citizenry minimal, decentralized networks of local institutions, individuals, and humanitarian

[2] Fifth Africa Governance Forum Report, UNDP 2002).

operations, can offer opportunities to re- establish government services, mobilize communities, improve democratic processes and demonstrate the responsiveness of public institutions. In such cases the beginnings of horizontal decentralization, through community empowerment, promotion of civil society organizations such as community based organization for self help can be initiated to form a relatively solid base for implementing vertical decentralization (transfer of powers, functions, responsibilities and resources from central government to local governments).

However, we need to bear in mind that sometimes, especially in fragmented societies, there can be dangers in putting undue emphasis on decentralized governance. Here attention needs to be paid to critical questions such as the following: (i)How can multi-ethnic societies achieve development in situations where conflict causes insecurity and threatens the existence of States? (ii)Is decentralized governance a facilitator or an inhibitor of peace and development in such situations? (iii)Which forms (or combinations of forms) of decentralization (territorial decentralization, political decentralization, deconcentration etc) are suitable in such situations? (iv)Is decentralization a panacea for problems related to peace and development?

Political decentralization puts in place local governments at sub-national national level allowing for relatively extensive decision-making, policy-making and even some legislative authority over a specific territory and its population. Such local governments thus enjoy a degree of political, administrative and fiscal autonomy. Decentralization takes various forms including not only federalism but also other organizational structures such as autonomous regions, districts or municipalities and communes.

If all central governments and all societies were responsible, democratic and very mindful of the human rights, the security and survival of minorities, one would reasonably argue that arrangements such as the above are not necessary for peace. That peace, security and protection of minorities is always guaranteed under what ever arrangements. Unfortunately experience around the world is telling a different story.

Not all forms of democracy are responsive to the needs and participation of minorities. There are many instances where power resting on the majority has been abused without chances of being passed over to another group. There are instances where the majority of today remains the majority tomorrow excluding the minority from exercise of power for ever. Governments, even when ruling political parties change can and indeed do ignore the needs and interests that are specific to the minorities since such governments are certain that the minorities are not in any position to challenge their power, neither by vote, nor by voice.

In such cases, despite democracy (or because of “majoritarian” democracy), the interests of ethnic, religious and linguistic minorities suffer especially if members of such minorities cannot give up their common traits such as race, language, religion or history in general. Such minorities then feel marginalized and resort to extra-democratic means such as military revolts to demand their participation in politics and economics. They also often fight for separation. Decentralized governance that would allow for considerable dozes of self government would indeed contribute to peace, security, and protection of such minorities. It would also enable them to directly participate in the decision-making and development processes taking into consideration their needs and circumstances.

However, in designing such decentralized governance systems care should be taken to ensure that the majority at local level does not replicate the same denial of participation of local populations in the decision-making and development processes. We need to bear in mind the danger of recentralization and growth of severe dictatorship at local level.

Whether it is for the survival of minority languages, local cultural traditions and politico-economic and cultural diversity as has been the case in Switzerland, or for overcoming old conflicts among different religious and language groups as has been the case for Catalonians in Spain or Bretons and Corsicans in

France, decentralization provides opportunity for restoring group autonomy and reducing tension and conflict thus contributing to safeguarding and strengthening internal peace. We must point out that in designing decentralized governance systems one needs to bear in mind that such opportunities can only be tapped if the minorities are located within a specific geographic territory.

That decentralized governance is not a panacea for peace and socio-politico-economic development is evidenced by the fate that befell the former States of USSR, Yugoslavia, and Czechoslovakia. Formerly premised on united "semi-autonomous" local governments, these States disintegrated under a combination of weakened central governments and demands from powerful local interests. Despite the decentralized (federalism) nature, the consequence was violence and separation. This reminds us that political decentralization runs dangers of separatism; that giving autonomy to lower levels of the State, if not designed with care balancing well the strings of unity and indivisibility with those of local autonomy and diversity, may result in endangering the unity of the State which is critical for peace.

Decentralized governance, per se, is not a guaranteed solution to issues of peace and development. First of all, it contains both opportunities that can be tapped as well as dangers that must be avoided. Within this framework, properly designing decentralized governance systems becomes critical if decentralization has to contribute positively and significantly to peace and development.

The practice of decentralized governance must also be conducive to peace and development especially through ensuring that what is provided in the structural arrangement is what is practiced during implementation. Otherwise, once decentralized governance exists only in structural form and not in practical substance, it runs the danger of frustrating the local population and fuelling conflict rather than abating it. This is as much of a challenge to central government leaders as it is to local level leadership.

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Contents

Introduction: Decentralized Governance for Peace, Democracy, Development and Service Delivery

This publication emanates from two events that took place one after the other in September 2004. The First Conference of the European and African Regional Assemblies on the theme of "Decentralization, the new dimension of peace, democracy and development", which was held in Florence, Italy, from 17 to 18 September 2004 under the auspices of the Italian Presidency, the Regional Assembly of Tuscany, and the United Nations Department of Economic and Social Affairs. It attracted more than 100 participants, among whom were representatives of European and African regional as well as local assemblies, Government Ministers, provincial Governors, representatives of international organizations and of local government associations, spiritual and civic leaders, renowned academics, and experts on decentralization. The Conference was by all accounts a big, spectacular, well-attended, and successful event. The Declaration adopted at the end of the Conference is included in this publication as Annex I.

The second event, organized back to back with the Conference, albeit on a less grandiose scale, was the Post-conference experts' meeting on the related theme of "Decentralized Governance for Effective and Responsive Service Delivery: Pre-requisites, Trends, Approaches and Capacity Building Strategies". Participation at the Experts' Meeting (held also in Florence, from 20 to 21 September 2004) was restricted to a group of experts, and discussions focused on the role of decentralized governance institutions in delivering essential public services. Like the Conference, the Experts' Meeting provided an opportunity to share ideas and experiences on decentralization strategies, and to strengthen partnerships among regional and local actors in Europe and Africa. The Report of the Meeting is attached as Annex II.

The impressive turn out at both the Conference of the Regional Assemblies and the Experts' Meeting deserves by itself to be celebrated. Yet, if this were all there is to both events, it would have been unnecessary to come out with a publication reporting the findings and recommendations of the participants. The press coverage at the opening and closing ceremonies would, in that case, have sufficed. However, the rationale for the current publication lies not in the level of participation but in the substantive lessons proffered by participants at both gatherings. This publication captures the essence of the issues raised in formal presentations and at plenary and working group discussions during the conference and the Experts' meeting.

The Conference and the Experts' Meeting noted, among other things, that: (i)with clear political will and effective management, decentralization can serve as an instrument of democratization, reconciliation, social integration, while at the same time promoting sustainable human development and good governance, (ii)when civic engagement is built into the process of decentralization, the chances are good that resources would be mobilized and allocated to poverty reduction ends, as well as for the achievement of the millennium development goals, (iii)participation of local communities in the decision making process at the regional and local levels is essential for the identification of local development priorities and goals, (iv)Women play a crucial role in making decentralization successful; at the same time, decentralization represents an opportunity to strengthen women's participation in the governance process, (v)decentralization is instrumental in protecting and promoting cultural diversity which, in turn, enriches participatory and pluralist democracy, (vi)decentralization can improve service delivery, especially in the field of health and education, therefore representing an important tool in the fight against HIV-AIDS, (vii)forms and modalities of cooperation and partnerships in institutional and capacity building, in training and sharing of experiences need to be given serious consideration in efforts of strengthening local governance and service delivery for poverty reduction.

Both the conference and the Experts' meeting strongly expressed the following prerequisites for the success of decentralization: (i)Local governments must operate within an understanding that their existence is guaranteed in law and in practice and that they cannot be abolished at the whim of political or administrative expedience. Once local governments feel that the security of their existence is threatened, they often respond by threatening the security of central government and this is not good for peace in the country in question. (ii)One of the guarantees for local autonomy lies in the way local governments have at their disposal financial resources which they can autonomously deploy to implement their local level development. Without financial resources any decentralized governance system is empty. Therefore financial resources must cement autonomy. The authority to raise revenue and to receive funds from central government must be enshrined in the legal provisions that establish the local governance system so that they do to remain at the mercy of administrative or political authorities at central government level. (iii)For decentralized governance to remain viable in the eyes of local people as well as central government and development actors, local government authorities, especially leadership must demonstrate sustainable accountability not only towards the local populations but also to the central government. Just like lack of accountability of central government to local people cause instability so does inadequate accountability of local government. Clear lines and modes of accountability must be designed and well understood and applied in simplified ways for the local people to engage with their leadership.(iv)The success on decentralized governance depends to large extent on local governments and central government working in partnership with all development actors in civil society and private sector. When local governments and central governments see themselves as partners rather than opponents in development, chances are that decentralized governance will be durable contributing to both peace and development. (v)Finally, for decentralized governance to succeed the dangers of recentralization and monopoly of power by local elites must be avoided. There must be efforts to develop checks and balances especially through developing and empowering civil society and private sector at local level making them actively participating in planning and decision-making as well as in demanding accountability from their leadership.

The first chapter, by Kadmiel Kekwete, provides an overview of decentralization and development issues. While acknowledging the possibility of one (i.e., decentralization) influencing the other (development), he does not see the relationship between the two as automatic or uni-directional. He discusses the conditions under which decentralization might serve the cause of development.

The second chapter is contributed by John-Mary Kauzya who explores the links between decentralization and democracy, and between these two and development. His advocacy of a contextual and pragmatic approach to the design as well as implementation of decentralization strategies needs to be carefully considered by those associated with this highly complex and challenging exercise in state construction.

Edward Mugabi's contribution follows Kauzya's. In this third chapter, Mugabi begins with a clarification of decentralization concepts. He then comes up with highly thought-provoking ideas on the formulation of decentralization strategies and policies. In much the same vein, George Matovu, in chapter four, starts with the definition of decentralization and its sub-sets. He surveys contemporary experiences in decentralization, and proffers useful suggestions on the design, implementation, and review of decentralization policies.

In the fifth chapter, Paul Smoke grapples with the issues in fiscal decentralization. According to him, fiscal decentralization tends to be erroneously viewed as a simple (tax and spend) exercise. In reality, it is a complex process. He notes that "Even under an officially sanctioned decentralization policy with a strong constitutional and/or legal basis, reluctant central agencies may slow the reform process. In addition, giving additional resources to sub-national governments that are politically, managerially and technically unprepared to use them responsibly can create enormous problems." The empirical examples cited by Smoke have enriched the publication, in general, and his own chapter, in particular.

The need for equitable representation of women in local governance institutions is the subject examined by Kwasi Ameyaw-Cheremeh in the sixth chapter. The chapter reports the experience of Ghana. Notwithstanding the efforts made in recent years to encourage the participation of women in local governance, a number of obstacles (institutional, cultural, and educational) still needed to be surmounted to achieve this objective.

The seventh chapter is again by John-Mary Kauzya. It is based largely on the conclusions of a meeting on Cross-border Local Government Cooperation for Poverty Reduction in Africa held in Maputo in 2002. It highlights the significance of enabling the peoples of African countries who share common geographical borders to benefit from the relations and linkages that exist among them to improve their socio-economic lives.

Geraldo Machado, in the eighth chapter, examines Latin America's decentralization and democratization experiences. Machado's analysis of the challenges facing large municipalities – especially, the challenges of representation, fiscal sustainability, and service delivery – offers lessons for those engaged in the design of decentralization policies in different parts of the world.

Undoubtedly, the issues flagged in the preceding chapters have far-reaching capacity building implications. In chapter nine, George Matovu discusses the major challenges in capacity building for decentralized governance, prior to outlining measures for effectively addressing them.

The tenth chapter, by Protais Musoni, focuses on the experience of Rwanda in implementing decentralized governance reform for effective delivery of services. The innovative features of the reform will be of interest to countries emerging from conflict and confronted with the challenges of reconciliation, rehabilitation, and development. For many, a small country like Rwanda, emerging out of severe violence that culminated into a genocide that shocked the world and paralysed the country's population, decentralization would have been the last thing to take as priority. However, for the new leadership in Rwanda, decentralization was more than just power sharing. It was an instrument through which all the people of Rwanda could be empowered to take responsibility not only for their own development but also for paving and taking a new path different from the one that lead to genocide.

The eleventh and last chapter is by Stefan Rummel-Shapiro. It focuses on the significant questions concerning the methodologies to apply in monitoring and evaluating service delivery systems (and outcomes) in decentralized governance institutions. Like many development policies, decentralizations will be known to have succeeded when its implementation is closely monitored and evaluated in order to identify not only its successes but also the obstacles it is encountering so that ways are constantly devised to overcome or go around such obstacles.

Chapter One

Decentralization and Development: an Overview

Kadmiel Wekwete

Introduction

Decentralization is not a new concept in international circles. However, there is now growing acknowledgment of the fact that state/sub-national interactions are taking place in a democratic context and that, while raising major economic, administrative and social issues, decentralization is basically political.

Democratic decentralization - widely considered a strategy of governance and a gradual process of reform - that addresses a range of administrative, political, fiscal, and land issues - is thus intended to transfer power and resources to a level of government that is closer, better understood and more easily influenced (than was previously the case). The underlying aim is to enhance the level of participation of civic actors in local governance and development process.

I. Benefits of Democratic Decentralization

Today, the merits of decentralization depend on the perspective from which it is viewed. Nonetheless, there is general consensus about the potential role of democratic decentralization with respect to local development, and particularly, poverty reduction. There are reasons for the growth faith in democratic decentralization among which are the following:

- Democracy may offer valuable benefits (such as improved human rights, political choice, and government accountability) that are also the basis of the citizen's acceptance of the existing political order. Suffice it to say that where bad governance entrenches corruption, mis-management, and public service inefficiency, while at the same time, undermining the capacity to eradicate poverty and destitution.

- Democratic decentralization is also supposed to efficiently address a large number of key issues (such as the severe limitations of centralized planning and management; the over-concentration of power, authority, and resources at the centre; the weak contact between government and local people, including civil society and the private sector; the lack of equity in the allocation of resources; the insufficient representation of various political, religious, ethnic and tribal groups in the decision-making process; the inadequate exchange of information; and the inefficiency of service delivery modalities).

- A government that is knowledgeable about, and hence responsive to, the needs of the people is better equipped to implement pro-poor policies and outcomes than one that is politically, physically, and mentally distant from the people.

Notwithstanding the immense advantage offered by democratic decentralization, there is need to temper enthusiasm for this mode of governance. For one thing, there is need for a clear acknowledgment of the fact that there is no clear evidence of a linear relationship between and/or among democratic decentralization, local governance and poverty reduction, or between democratic participation and allocative efficiency. In developing countries, it is possible to cite cases of democratic and non-democratic systems the democracies with more or less the same dismal record in the area of poverty

reduction. Furthermore, comparative analyses reveal little convincing evidence that decentralization has performed positively at all times and places. Democratic decentralization and governance are not necessarily considered to be pro-poor and are not necessarily intended to reduce poverty or to target the poor. Decentralization does not necessarily improve the political strength of the poor and other excluded groups and it may leave them vulnerable to the control of local elites when the central authorities become less involved Democracy may indeed promote the tyranny of the majority - one that thrives on the exclusion, marginalization and oppression of minorities.

To pre-empt the negative, anti-poor outcomes of decentralization for the poor, it is essential to consider a range of mechanisms, instruments or institutional modalities during the early stages of reform. These include tying decentralization programmes to service delivery improvement initiatives, and instituting fiscal measures that place high premium on poverty reduction.

II. Decentralization and Service Delivery

When properly designed, decentralization policies and programmes can impact positively on the performance of local governance institutions, service delivery agencies, and ultimately, on local economic growth and poverty eradication efforts. However, for this to happen, it is necessary that the policy instruments be designed in such a way that local governments are:

- Sufficiently empowered and motivated to identify poverty reduction priorities, and to allocate resources to pro-poor programmes;

- Well-informed about local preferences, able and willing to provide services in response to the locally expressed preferences, and unrelenting in the search for efficiency and impact in the allocation of resources;

- Equipped to handle and manage pressures from diverse civil society sources (compared to central agencies, local governments face pressure from councilors and their constituents; the demands construction and/or maintenance of feeder roads, health posts, primary school classrooms, and other facilities that favour the poor, and for investment on large-scale capital development projects such as trunk roads, referral hospitals, and airport terminals);

- Capable of forging and strengthening institutionalized linkages with beneficiary communities;

- Adept at acquiring, retrieving, applying, and updating data and information on local development issues and resources.

III. Fiscal Decentralization

The inherent mismatch between the optimal decentralization of public expenditures and the optimal decentralization of public revenue collection is at the heart of the fiscal decentralization policy challenge. It is now generally agreed that few local governments outside large cities can finance their expenditures from their own resources and that they need central support.

The specific goal of fiscal decentralization is to confer on local governments greater responsibilities for taxation and for resource allocation.
A local government, with the autonomy to make independent fiscal decisions, should be considered as a necessary pre-condition for fiscal decentralization. This autonomy involves the power to levy taxation, explore independent revenue sources, and to decide on expenditure priorities. The alternative is to prolong

the dependence on the center for grants, subventions, and other forms of transfers, and by so doing, striking at the heart of local self-government.

Local governments may be helped to assume responsibilities for their fiscal operations and for the improvement of their performance. Specifically, they need assistance in:

- Assessing current, and identifying potential, resources;
- Clarifying the fiscal responsibilities and obligations of local governments;
- Improving the management of transfers from the central government and improving the management of internally generated resources;
- Optimizing revenue collection methods and processes;
- Allocating resources among different levels and/or sectors of local development;
- Developing appropriate accounting systems;
- Designing information, management and auditing systems;
- Training managers and leaders.

IV. Decentralization and Management of Natural Resources

Over the last decade there has been increasing recognition that many environmental problems are grounded in institutional failure and poor governance, and that decentralized and democratic governance is a pre-requisite for sustainable development and poverty reduction.

The *New Partnership for Africa's Development* (NEPAD) initiative, for instance, cites poor political and economic governance as two of the root causes of much of the malaise afflicting Africa: they create general political and economic uncertainty, an unpredictable business environment, political unrest and sometimes even war, which all inhibit economic growth. Poor governance also creates an environment inimical to efficient investment in human and material resources, and undermines the formulation and implementation of policies and laws that could accelerate the process of economic growth and development.

From a wider perspective, decentralization (and democratic governance) is of great interest to environmentalists because it can reshape the institutional infrastructure on which future local natural resource management will depend; while the use and management of natural resources are of interest to those advocating decentralization and local democracy because they are sources of revenue and power, and therefore of potential legitimacy for new local government authorities.

Environmental governance is about how societies deal with environmental problems; the interactions between formal and informal institutions and actors in society, and their influence on the identification and framing (or definition) of environmental problems; and the ways in which environmental issues reach the political agenda, policies are formulated and programmes implemented, at both global and local levels.

By analysing the different levels of governance mechanisms and understanding the links between them, environmental governance aims to provide a general framework that different actors at each level can use to improve their skills in environmental management. Environmental governance entails a substantial degree of decentralization of resource management functions to local NGOs and community-based organizations, and other local actors with interest in environmental issues. It challenges the traditional 'environmental conservation' practices that exclusively favour land privatization. Through the devolution of environmental powers to local stakeholders, local environmental governance is also supposed to be socially redistributive and environmentally benign and sustainable. Thus, as an integral part of the wider

notion of ‘local governance’ or ‘democratic governance’, the concept of local environmental governance defines the capacity of local stakeholders (particularly freely elected authorities) to manage local people’s relationships with their physical environment in accordance with the principles of participation, transparency, efficiency, equity and accountability. This is in opposition to previous models of environmental governance based on the process whereby the state asserts its property rights and control over resources to the exclusion of other interests.

Environmental governance is based on the following premises, among others:

- Sustainable development initiatives occur at the local level;
- Good governance is based on the identification of individuals and institutions that should be empowered to make decisions about natural resources and their management;
- Local governance structures must be strengthened in order to fully assume environmental roles;
- Communities should not only share the benefits arising from the use of natural resources, but also participate in decisions regarding their management;
- Local stakeholders need to be individually and collectively empowered in order to adequately address sustainability issues.

Chapter Two

Decentralization: Prospects for Peace, Democracy and Development

John-Mary Kauzya

Introduction

As part of the efforts to promote the participation of the people in the decision-making processes as well as the development activities, the policy of devolution of power and authority to sub-national governments (generally referred to as decentralization) is increasingly adopted and applied in many countries as one of the tenets of "good governance". This is based on the premise that decentralized governance provides a structural arrangement and a level playing field for stakeholders and players to promote peace, democracy, and development. Many countries are promoting decentralized governance as a measure for democratization, people empowerment and poverty reduction. However, the efforts in this regard are not moving at the same pace, with the same political conviction, using equally competent capacities, and with the same success. Some countries have gone beyond political hesitation and put in place policies of decentralization but they lack the requisite capacities for the implementation. Others are still politically hesitant, not sure of the role of decentralized governance in democratization, people empowerment, and poverty reduction.

At policy level countries that have decentralized have done so in various ways and under different circumstances. Success in each case has been dictated by a number of factors, among them, the process through which the policies were formulated, debated and agreed; the structures that were put in place; the sharing of functions and resources (especially financial) between central governments and decentralized units; as well as in the way devolution, deconcentration, and delegation were balanced. Some countries have decentralized by establishing federal systems, some have established decentralized systems with strong doses of devolution, and there are many whose decentralization is mostly characterized by deconcentration. What is generally observed is that the process of consolidating decentralized governance is still on-going and needs strong support not only because the people prefer decentralization as a politico-administrative and structural arrangement for their empowerment, but also because it promises a lot in terms of democratization, people empowerment, and poverty reduction which are very much in line with the Millennium Development Goals (MDGs)[1].

Consequently, decentralized governance is increasingly being favoured as the most suitable mode of governance through which poverty reduction interventions can be conceived, planned, implemented, monitored and evaluated. The assumption here is that the process of decentralization facilitates greater participation of communities in project identification, planning and implementation, which in turn increases ownership and the likelihood of sustainability. Decentralization is viewed as a policy of high priority and used as an instrument of people empowerment, a platform for sustainable democratization, a structure for the mobilization of resources for economic development, a veritable instrument of reconciliation, social integration and well-being in post-conflict environments, and a vehicle for the promotion of a culture of political, economic, civic, and managerial / administrative good governance. There is also the expectation in some quarters that decentralization would offer opportunities for peace in situations where power sharing can mitigate severe ethnic, religious, and territorial conflicts inside a country. For all these reasons and perhaps even more, many development partners at local, national,

[1] The Millennium Development Goals were set in the United Nations Millennium Declaration (See United Nations official Document # A/56/326 of 6th September 2001: Road map towards the implementation of the United Nations Millennium Declaration: Report of the Secretary-General)

regional, and international levels including intergovernmental bodies such as the United Nations Agencies are engaged in efforts at promoting decentralized governance in many countries.

Continuous exchanges among the various local government bodies, development partners, as well as other key players in decentralized governance from different regions of the world will assist countries to further appreciate the value of decentralized governance, the various forms it takes, and the optimum ways of managing decentralized institutions of governance. It will also enhance chances of local governance institutions in specific countries to participate in and benefit from global governance.

This paper interrogates the basic assumptions about decentralization, and in particular, the assumption that decentralization is a vehicle for peace, democracy, and sustainable development. The paper starts by clarifying the concept of decentralization and by discussing the potential for creating a sustainable equilibrium between centralizing and decentralizing forces. The various modes of decentralization are highlighted and its linkages with development, democratic participation and peace are discussed. A recurring question, however, concerns whether decentralization promotes peace. This question calls for not only debate but further research as well. The issue of peace is critical especially since the world seems to continuously traverse periods of severe violent conflicts including terrorism.

The major conceptual thread running through the paper is that decentralization is a process that provides a structural arrangement for democratic and peaceful development to be planned and implemented at local community level with the participation of the local people. It is an arrangement which can facilitate such activities only when it is appropriately designed and implemented and under the appropriate conditions, such as, political leadership will, bureaucratic commitment, and popular craving for empowerment. Decentralization succeeds best in situations where there is a strong central government (strong in terms of legitimacy and capacity) as well as an empowered population at local community level. Otherwise it contains no intrinsic value for being a natural promoter of peaceful development and democracy. The whole issue is also contingent on the environment and situation in question. Sometimes decentralization will mitigate conflict by allowing sufficient shared exercise of power among competing groups. At other times, centralization may mitigate violence by strengthening central government and enabling it to sustain a stable strong State.

I. Decentralization: the process of balancing centripetal and centrifugal forces

In every country, and indeed every society (even those that are seemingly homogeneous) there are always centripetal forces tending towards centralization and centrifugal forces tending towards the periphery. This is the fulcrum of decentralization which intervenes as a deliberate process to provide a stable and predictable structural arrangement where the two forces can interact and maintain a win-win position for forces of unity and indivisibility and those of local autonomy and diversity. The interplay between centripetal and centrifugal forces can lead to either total unity (strong centralized, unitary state) or total disintegration. It can also lead to a mid-point equilibrium of decentralized governance with shared exercise of power. The difference between decentralization and disintegration is very thin and it is based on purposive power sharing and a level of understanding on the formula to apply in the allocation of resources between the centre and the periphery.

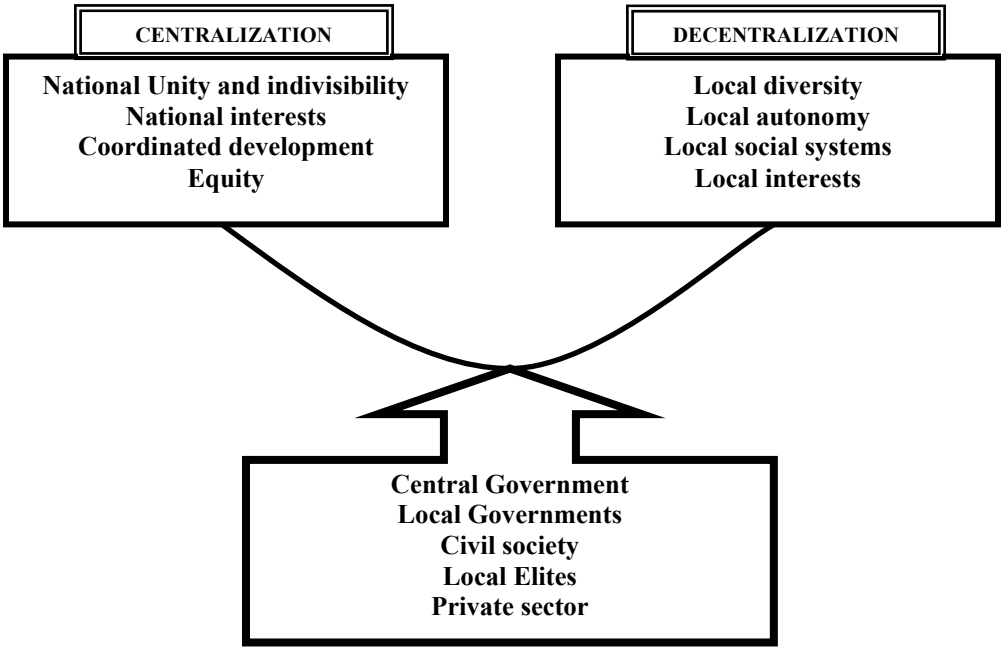
In governance and public administration, decentralization is commonly regarded as a process through which powers, functions, responsibilities and resources are transferred from central to local governments and/or to other decentralized entities howsoever defined. In practical terms, the crafters of decentralization are engaged in a process of striking a balance between the claims of the periphery and the demands of the centre. Decentralization, when appropriately crafted, provides a structural arrangement through which critical issues (such as those of national unity and indivisibility, how to safeguard national interests and ensure coordinated and even development, equity in the distribution of resources, diversity,

and local autonomy) can be reconciled[2]. Through decentralized structures, central governments, local governments, civil society, and local elite continuously engage in inter-group negotiations, and by so doing, maintain equilibrium in the socio-politico-economic atmosphere. Purposeful, well planned, and controlled decentralization is not conceived in terms of power struggle between central and local governments, but rather as part of a framework for state and public administration reform aimed at empowering local governments and communities legally, technically and financially to cater for their interests as the central government takes care of the higher missions of the State.

Decentralization is a generic term which covers a number of modes such as the following: (i) deconcentration which refers to the process of administrative decentralization whereby the central government designs a structure that enables its field agents and offices to work in close proximity to the local people (ii) delegation which is the transfer of responsibilities from central government to semi-autonomous bodies that are directly accountable to the central government, (iii) devolution which is the process of transferring decision-making and implementation powers, functions, responsibilities and resources to legally constituted, and popularly elected local governments, (iv) delocalization which is the spatial distribution of central government socio-economic development facilities and activities such as schools, hospitals, etc in peripheral regions. There are scholars who include privatization in the locus of decentralization but for the purpose of this paper it will not be discussed.

In general terms, it is difficult to come across a country that has undertaken only one of the above different types of decentralization. All countries, centralized or decentralized, always seek to find an appropriate mix of these types, the central question always concerning how much decision-making power to transfer to local governments. This is directly linked to issues of political decentralization.

Figure 1: Equilibrium of centralization and decentralization forces



[2] Interesting reading can be found in: Gay Braibant: Institutions Administratives Comparees: Les Controles (Fondation nationals des Sciences politiques, Services de Polycopies, Paris, 1985-1986 pages 89 – 93) and in Jacques Chevallier, Science Administrative (Presse universitaire de France, paris, 1986, pages 372-386). See also Charles Debbasch, Science Administrative (5 ed.) (Dalloz, Paris, 1989, pages 221-237).

II. Political decentralization: a basis for local participatory decision-making

The general tendency is to understand political decentralization only from the aspect of local electoral practice whereby local people elect their leaders as well as their representatives in central government legislatures. However, political decentralization goes far beyond this narrow view. It is a process of transferring political power from central government to give citizens and/or their elected representatives more say in public decision-making in domains that extend beyond political governance to include general socio-economic development. Whether it is in matters of financial decision-making such as in deciding a local council budget as it is done in Participatory Budgeting" in Porto Alegre (Brazil)[3], in issues of development planning such as designing a community development plan, in aspects of service delivery such as earmarking where a feeder road will pass, where a water well will be dug or where a school or a maternity centre will be constructed, if the power to take such decisions is passed on from the centre to local governments / people / communities, it is within the realm of political decentralization. The choice of leaders at elections is just a small component of political decentralization. Political decentralization could be another term for devolution, especially if its provisions are enshrined in legal documents.

Viewed in this light, political decentralization (being a process of transferring decision-making power and authority) becomes a strong vehicle for championing local diversity and local autonomy. Through it, local interests are articulated, and local socio-cultural systems are strengthened. Decentralization provides a structural and institutionalized venue through which local people can participate and exert "more influence in the formulation and implementation of policies" and the determination of their development in general.[4] If it is taken that democracy means the rule of the people, then political decentralization, by facilitating participation of the people in decision-making, promotes democracy.

III Democratic decentralization: creating a level playing field for citizen participation

When political decentralization is understood in the preceding sense, then it becomes clear that it can be a vehicle for promoting democratic participation. In fact, one would not see any value in political decentralization if it was not linked to the promotion of participation of local people or their representatives in the process of decision-making and implementation. In a general way, what is difficult about using political decentralization to promote democratic participation is not in understanding the linkage between the two but rather how to, through the process of decentralization, create structures that inspire as well as energize local people, and facilitate their participation in the decision-making and implementation process.

In the majority of cases, structures such as Local Councils, Executive Committees, Local Government Civil Service etc, are established in the belief that as institutions controlled by the representatives of the people, and as institutions that are close to the people, they would suffice as instruments of participation. This is only partly true. Such structures represent what is known as vertical decentralization (i.e. the transfer of power, authority, functions, responsibilities, and resources from central government to local government). They promote participation by representation but not through direct participation. Here lies the major problem. There are instances where the same structures that are established through decentralization to promote democratic participation become instruments of elected local dictatorships. They become structures of highly centralized local governments or "centralized decentralization".

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[3] See for example: Zander Navarro: "Decentralization, Participation and Social Control of Public Resources: "Participatory Budgeting" in Porto Alegre" paper presented during the Workshop on: Citizen Participation in the Context of Fiscal Decentralization: Best Practices in Municipal Administration [Tokyo and Kobe, Japan, September 2 to 6, 2002]

[4] The World Bank Group: "Political Decentralization", http://www.worldbank.org/publicsector/decentralization/political.htm#2

One of the dangers to guard against in decentralization is the risk of "recentralization" at local level. For vertical decentralization to avoid this danger, it needs to be complimented by horizontal decentralization which is a process through which the local communities are empowered through community-based civil society organizations as well as structural arrangements that integrate community socio-economic actors into the analysis of local problems and the decision preparation and making as well as implementation process of the local government structures. The example of the Community Development Committees in Rwanda is informative on this point:

> "In line with decentralization, Community Development Committees (CDCs) were set up to identify needs and priorities in their development plans and form the planning process at the local levels. To ensure the actual participation of the population in its development, the planning should be a participatory process, including all the different levels. The Community Development Committee established at each level from the lowest (cell) to the highest (district) is an important organ for participatory planning for poverty reduction. The plans that are made at the cell level go up through the sector level, the district level and up to the national level. It is important to note that the civil society groups, NGOs and the private sector are legally included in the Community Development Committees and the planning process"[5].

Participation in elections (to confer mandate on leaders) is periodic activity. For the people to be seen to participate fully the 'vote' needs to be reinforced by 'voice', i.e. the day-to-day influence the people exert on their leaders to shape the decisions they take, and demand accountability from them for the resources put at their disposal. The World Bank Group puts it clearly:

> "Voting democracy is often considered as satisfying the conditions for citizen participation and voice in the design of decentralized systems, but in practice this may not be sufficient. Meaningful participation requires that citizens be informed and that their voices have impact where consequences are immediate. The legal/regulatory system needs to provide for, at minimum, full, timely and easily accessible public disclosure of resource allocation decisions - in budgets, in procurements, and in expenditure programs. An output/ outcome orientation to expenditure management would be even more desirable"[6].

Figure 2 (next page) provides a framework for effective democratic and development-oriented participation:

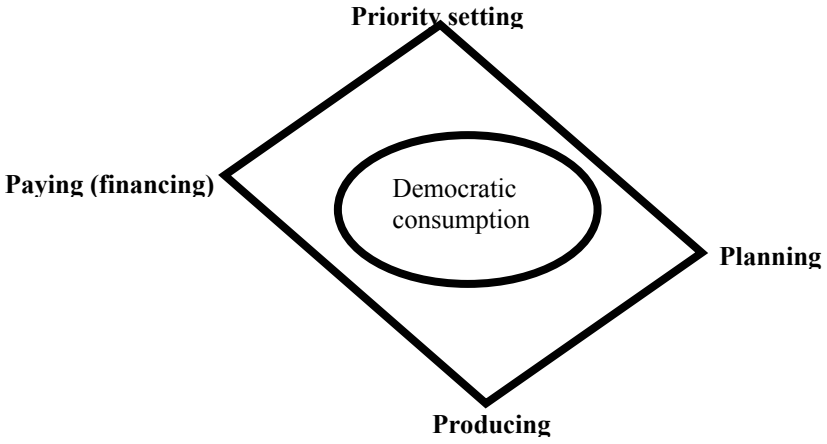
If it is accepted that democracy is not only premised on elections, then the most often expressed view that decentralization, especially devolution, enhances participation by providing political structural arrangement and legal provisions for voting to choose local leaders is just a small part of the requirements for full participation. For decentralization or any other structural arrangement to facilitate socio-economic and democratic participation, it must take into account the full range of the possibilities of participation. Certainly participation in the election of local leaders is one of the various components of political participation. However, for a people to determine their destiny, they need to participate in (i) deciding which problems concern them most and in what ways in order to set priorities on which to expend their energies and resources for their own benefit, (ii) planning the way their problems will be solved and their

[5] Protais Musoni: "Innovations in Governance and Public Administration for Poverty Reduction in Post-Conflict Countries in a Globalized World: the Experience of Rwanda" in UNDESA, Searching for Innovations in Governance and Public Administration for Poverty Reduction, (United Nations, New York,2004, pages 65)

[6] The World Bank Group: "Issues in Political Decentralization", http://www1.worldbank.org/publicsector/decentralization/political.htm

needs met, (iii) working to produce goods and services and to distribute them through engagement in a full range of economic, commercial and non-profit activities, (iv) paying for the goods and services which in essence underpins their participation in consumption. Elsewhere we have argued that "the biggest problem for developing countries is that because of their very low incomes, people expect to participate in consumption without participating in paying."[7]

Figure 2: Framework for effective participation



To the extent that political decentralization (devolution) transfers the power, functions, and responsibility that enable local governments and communities to make socio-politico-economic decisions to determine their development, one would affirmatively say that that it promotes participation. However, caution needs to be exercised in arriving at this conclusion. Decentralization is a process that provides a structural arrangement through which participation can be engineered. Whether participation does or does not take place depends on various factors including political will, bureaucratic commitment, as well as the extent to which the local people and other stakeholders are empowered with knowledge, skills, attitudes, networks and resources.

IV. Some characteristics to consider in designing democratic decentralization policies

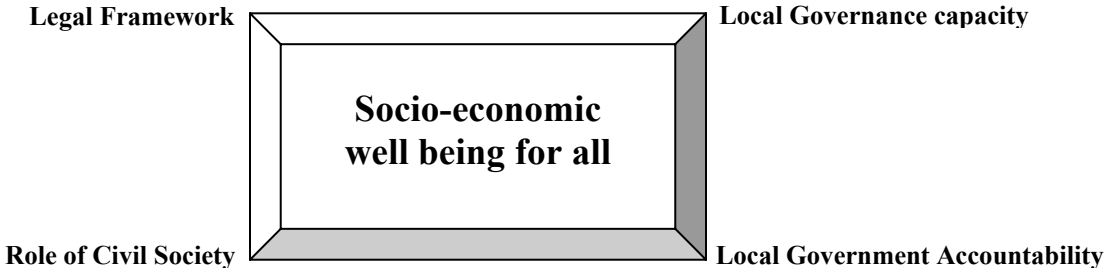
There are five key characteristics[8] of democratic decentralization that can be observed when it is effectively implemented. They are: (i) legal reforms to devolve power not only to local governments but also to local communities (giving decision making power and authority to them especially in matters of socio-politico-economic local concern); (ii) strengthened local governments' capacity (in terms of finance, personnel, organization structures, management systems, data and information, facilities, networks etc), (iii) local government accountability to both citizens and central government, transparency, and responsiveness; (iv)enhancing the role of civil society both at local level and national levels (practicing what we prefer to call horizontal decentralization) and (v) showing both intent and progress in improving the quality of life of the local people (i.e. enhancing people's access to public goods and

[7] See John-May Kauzya: "Strengthening Local Governance capacity for Participation" in Dennis A. Rondinelli et al (Eds.): Reinventing Government for the Twenty-First Century: State capacity in a globalizing Society. (Kumarian Press, Inc, 2003 pages 181 -193)

[8] An interesting discussion of these characteristics is presented in: Camille Cates Barnett, et al : " Democratic Decentralization" Paper prepared for the United States Agency for International Development under the IQC for Democracy and Governance, Contract No. AEP-5468-I-00-6014-00, Task 1, Delivery Order 2: Use of Incentives to Encourage Devolution of Central Authority/Resources to Local Governments, 1997

services). When designing democratic decentralization, all these characteristics must be factored in consciously, as suggested in the democratic decentralization framework below[9].

Figure 3: Framework of what to include in democratic decentralization



Each of the above-mentioned characteristics is discussed in detail below and in form of questions deemed critical. Answering such questions during the design of decentralization may help to put in place a decentralization system that can facilitate democratic participation.

a. Legal framework: instituting constitutional and legal reforms to devolve power to local structures

- Do decision-making structures, power and authority of elected officials exist at the level at which revenue-generation and service provision responsibilities have been transferred?
- Has any local institution been created to instigate/maintain pressure for change?
- Do higher levels of government exercise only an *ex-post facto* audit of local government budget and operations according to clearly defined legal guidelines?

b. Local governance capacity: increasing local governance actors' ability to act (financial and human resources, organization, authority)

- Do sub-national/local governments have revenue generation capacity and revenue-raising authority that corresponds to expenditures required for the provision of services?
- Are the resources mobilized at the local level retained for use at the local level or transferred elsewhere?
- Do central government grants to sub-national/local governments reward good management and stewardship?
- Does local government have the authority to hire and fire its personnel, ensuring accountability to that level?
- Have structures been designed to support the participation of the local community in the governance at local level?

c. Increasing local government accountability

- To what extent do electoral procedures build accountability to the electorate rather than to other centres of power?
- To what extent do all levels of government regularly disseminate information to citizens and other levels of government?

[9] : The framework has been adapted from Camille Cates Barnett, et al : Op cit

- To what extent does the public (citizens and media) have free access to public meetings and records?
- To what extent do local government procedures allow citizens to provide input before decisions are made about resource allocation?
- To what extent are the results of government decisions disseminated to citizens?
- To what extent is information about government performance readily available?
- Does privatization (if any) occur in a transparent manner?

d. Role of civil society (practice of horizontal decentralization/community empowerment)

- Can partnerships between local government and NGOs, associations, business people, and similar organizations be formed? Or are there formal and/or attitudinal obstacles to a strong and assertive civil society?
- Can NGOs, CBOs and other associations at local and national levels form and function without government interference and according to clearly defined legal guidelines?

e. Socio-economic well being: (improving quality of life)

- Are citizens consulted or do they have a mechanism to express their satisfaction or priorities for services?
- Does the local government provide information to citizens about how to access their services?
- Does the local government provide information to citizens about local economic, environmental, and social conditions?
- Does the local economic condition improve as a result of services provided by local government?

In the process of balancing competencies and freedom, decentralization processes mostly produce a mix of devolution, delocalization, delegation, and de-concentration. Therefore the above-listed elements can only exist in a mix of micro-scenarios with some existing in more doses than others depending on the particular situation under consideration. It would not be realistic to expect every decentralized system to exhibit all the above in the same doses. They, however, provide a checklist that crafters of decentralized governance need to bear in mind. The most important aspect of designing democratic decentralization is to always bear in mind the critical question of: "what strings must be put in place to sustain a strong state within a decentralized governance system. When this question is not adequately addressed, decentralization can easily turn into disintegration. Such strings may include the functions that are retained by the central government, (e.g. Legislature, Judiciary, Defense, Foreign Affairs, some services of a national nature, fiscal policy, etc). But the functions may not be sufficient. They need to be accompanied by the legitimacy of the state, the trust that the people repose in the central government in general and the capability of its institutions).

V. Decentralization and peace: does decentralization really promote peace?

It is at the point of equilibrium between the forces for national unity and the forces of local diversity and autonomy that the linkage between decentralization and peace can be established. Conceptually, decentralization can be regarded as an instrument for peace building, and, especially in a situation where peace already exists, for sustaining and enhancing it. We deliberately exclude war or immediate post-war situations from this assertion because our experience in designing decentralized governance systems shows that in order for decentralization to succeed, it requires highly participatory processes, as well

consultations devoid of suspicion. Clearly, neither participation nor consultation is possible at the height of a war or immediately after hostilities[10]. It should also be noted that during civil war, or even after it, in some cases, there is no viable and accepted centre to 'transfer' power and resources, and therefore, decentralization would be an inappropriate term to apply. Taking Somalia for example, at this moment one would not be talking of decentralization simply because the regions regard themselves as autonomous and the centre capable of imposing its will across the entire country is yet to fully emerge. There is no centre from which to transfer power, authority, functions, responsibility and resources. On the contrary Somalia is currently trying to work out an arrangement for some form of centralized authority that can serve as a point of reference for a state called Somalia[11]. Whether the final arrangement will be federal or unitary, the process that is going on now is that of state reconstruction and "re-centralization", rather than of decentralization. It is a process of bringing together all the clans and traditional authorities that have remained dispersed and fighting one another since the fall of Siad Barre in 1991.

There is need to distinguish a situation where powers, responsibilities, functions, resources etc are transferred from the centre to local governments and / or communities during a period of peace, from a situation where, as part of post-war negotiated settlement, powers, responsibilities, functions and resources are taken away from central government and given / offered to a fighting group. In such a situation the central government is so weak and contested that it has little room to maneuver or to determine what is given and what is taken. This is why in most cases such negotiated settlements require a third party to mediate and pre-empt eruption of conflict.

Therefore the critical question that begs for an answer, especially in troubled states concerns whether really decentralization would put in place an institutional arrangement that can initiate and guarantee transition from war to durable peace. After examining historical records since 1945, David A. Lake and Donald Rothchild[12] find no cases of decentralization following a civil war. Our contribution on this is that conceptually decentralization cannot by itself resolve the intractable war and post-war challenges.

In situations of war, before one can consider decentralization as a process that may lead to peace, one has to diagnose the deeper causes of the conflict and the issues at stake. It must be understood that in war, if what is contested is control over territory then territorial decentralization (where specific territorial parts of a country are put under governance of one warring faction) may contribute to peace. However, this would not be decentralization in the real sense because it actually represents a loss on the part of the central government and a win on the part of the warring faction. The loser is weak and the winner is strong. This is not a durable framework for peace. Decentralization strengthens both the central government and the local governments by creating a situation of shared engaged governance where the concern of every one is not who has power over whom but how the power is exercised for the well being of all the people. This is why decentralization is good for sustaining peace when peace exists. It is a process that works best in win-win not win-lose situations.

Moving from peace to war often means power sharing. Decentralization does not work well in an atmosphere characterized by acrimony over power sharing. It works within the framework of shared

[10] Those interested in reading material on decentralization and peace in war and post-war situations can read : David A. Lake and Donald Rothchild: **"**Territorial Decentralization and Civil War Settlements" Prepared for *Power sharing and Peacemaking*, edited by Philip G. Roeder and Donald Rothchild, and funded by the Carnegie Corporation and the Institute on Global Conflict and Cooperation.

[11] See: "Somalia: Transitional Parliament Inaugurated in Nairobi" (UN Integrated Regional Information Networks August 23, 2004

[12] David A. Lake and Donald Rothchild, "Territorial Decentralization and Civil War Settlements" Paper Prepared for Power sharing and Peacemaking, edited by Philip G. Roeder and Donald Rothchild

exercise of power and these two are different. Power sharing refers to resolving disputes over who should have the most powerful position in the hierarchy of power in the country in question. Shared exercise of power on the other hand, refers to putting in place arrangements and practices that can facilitate various actors to exercise power in particular socio-politico-economic domains for the benefit of every one. Decentralization is suitable for the latter, while the former calls for other remedies.

All the same, there is a case for designing decentralized governance systems in order to promote peace. Once groups have started fighting for power within a framework of win-lose demanding power sharing and autonomy, then proposals put on the negotiation table could include win-win power sharing arrangements designed within a framework of decentralized governance. In win-lose situations, groups rarely, if ever, frame their demands in a way that accommodates other demands. Still, within a win-lose framework, decentralized governance arrangements can be put in place as it was done in Bosnia where federalism (or territorial decentralization) was literally imposed from outside to maintain peace and security.

There are a number of cases in the world which seem to indicate that decentralized governance, when not well managed can lead to instability and war rather than peace. Such cases include Yugoslavia. A federation (comprising six republics and two autonomous provinces) Yugoslavia disintegrated after Josip Broz Tito's death in 1980. In a matter of time, centrifugal forces began asserting themselves and, in the process, weakening the centre. After achieving international recognition, the leaders of the separate republics moved in the early 1990s to consolidate their political autonomy and independence. Elections at the republic level facilitated this process of separation, bringing strong and determined leaders to power who emphasized the interests of their republics at the expense of the Yugoslav federation.

Another case is the former USSR and its subsequent disintegration into separate States. In the wake of efforts by Mikhail Gorbachev to restructure the country and promote state reform between 1988 and 1991, nationalist sentiments across the former Soviet Union soon generated enough momentum towards political autonomy in the fifteen Union Republics, and towards increasing independence of Moscow. The monolith Union was split into fifteen sovereign republics in 1991.

In contemporary Ethiopia, although there is some success in the design and operation of the structure of federalism, the autonomy left to the provinces under the federal relationship still did not stop the Eritreans from demanding, and eventually getting, their own sovereign state. Eritrea's secession from Ethiopia did not prevent a territorial war between the two.

Decentralization is best conceived within the logic of a unitary state or centralization and in periods of peace. Whether it is demand-driven (i.e. demanded by the people or local forces) or, as been the tendency recently, supply-driven (i.e. initiated by central government authorities), decentralization is a process that requires relative calm and peace to be negotiated. We believe therefore, that because it provides a structural arrangement for orderly negotiation and shared exercise of power on a continuous basis, it offers prospects for peace building. We however, have reservations on its capacity to "enforce" peace in a situation of war.

VI. Decentralization, development and peace

The thesis we would like to advance is that development, especially when it is people-oriented, equitable, and participative, is a strong motor for engineering sustained peace. If decentralization is conceived, planned, implemented, and sustained as a structural arrangement to support and facilitate the involvement of the local people in the process of their own development, then it stands strong chances of promoting sustainable development and peace. However, decentralization should not be taken as a panacea or as the

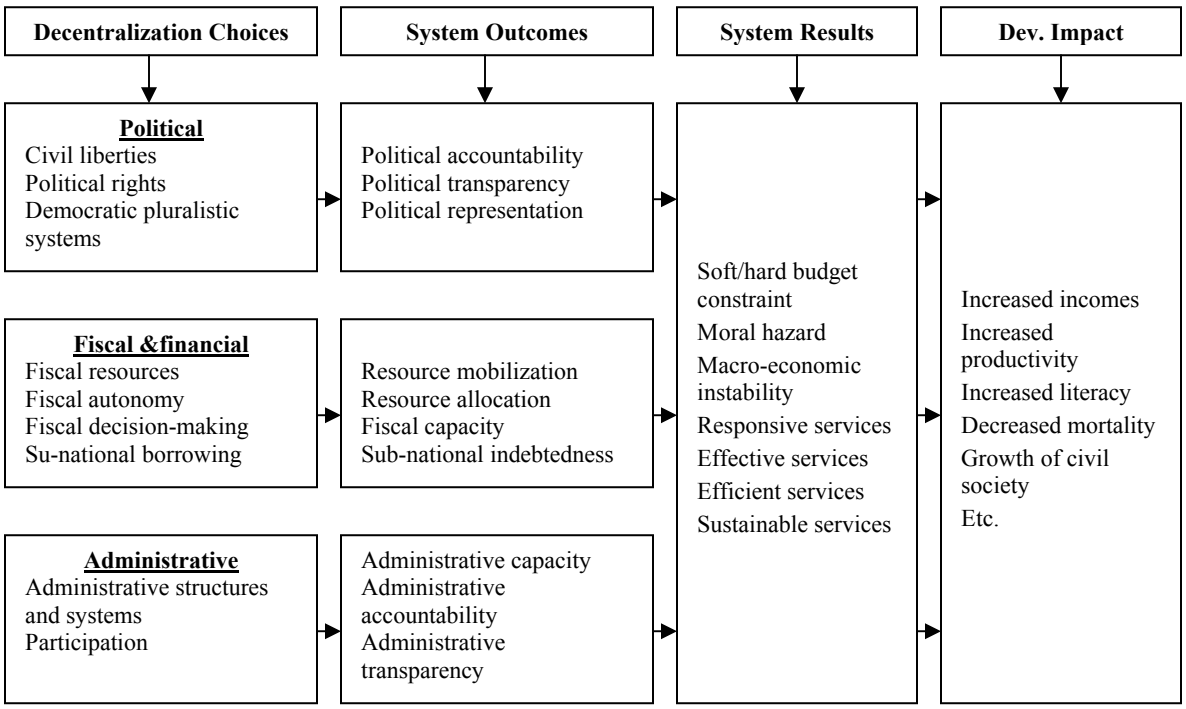
"automatic" prescription for peace and development. The quotation below in this is pertinently challenging

> An expert's assessment of institutional capacity and the extent of leverage from a decentralised system of government to increase its impact on poverty are of no concern to "the woman in her village". She just wants "clean water all year round, close to her home, with food to eat, shelter, access to health care, education for her children and a way of getting any modest produce from her home to a local market, where the product of her back-breaking labour can be turned into money" all as a modest first step in breaking the pernicious and degrading downward spiral of poverty – something that sub-Saharan Africa needs and desperately so. The question is, do we answer that fundamental assumption positively, namely; that local governance, through the instrument of decentralisation improves the lot of the poor, especially (but not exclusively) in the rural areas?[13]

It would be setting the stage for disappointment and loss of support for decentralization if we answered affirmatively with promise that decentralization will deliver such expectations. However, the potential for decentralized governance to support local level development should not be lost.

Figure 4 (below) provides a birds-eye view of decentralization's role in local development[14].

Figure 4: Decentralization choices, outcomes, results and impact



[13]See United Nations Capital Development fund; "Poverty and local governance", Issue Paper for the Africa Governance Forum V, Maputo, May 2002.

[14] Source: Adapted from Parker, Andrew N. 1995, *Decentralization: The Way Forward for Rural Development?* Policy Research Working Paper 1475. The World Bank, Washington, D.C: See also, "Decentralization Toolkit" at www.worldbank.org/publicsector/decentralization/toolkit

To the extent that decentralization facilitates optimum resource mobilization at local and effective resource allocation at national levels, and insofar at it improves the prospects for efficient and sustainable service delivery, and for income and productivity growth, it is possible to link decentralization to development. What should be born in mind is that decentralization, as a process of structural re-arrangement, cannot in or by itself lead to development. It creates an environment for effective mobilization of resources, and for the channeling of capacities and energies towards the development of local communities.

What is important is to ensure that at the design stage, the development objectives of decentralization are made clear to all actors. Without clarifying local development objectives, decentralization is unlikely to serve as a vehicle for local level development. The nature and extent of the objectives pursued will determine the extent to which decentralization will be linked to development. Rwanda's strategy for implementing decentralization is a good example. According to the strategy, "the overall mandate of the decentralization is to ensure political, economic, social, managerial/administrative and technical empowerment of local populations to fight poverty by participating in planning and management of their development process"[15]. If the objective is political or administrative only, then it would not be realistic to expect decentralization to directly lead to development.

Conclusion

Decentralization, being a process that puts in place a structural arrangement for facilitating shared exercise of power among central government, local governments, and local communities is a wide and complex field. In this paper we have contended that decentralization is a process which provides a structural arrangement for popular or community participation in governance and development. Through decentralization, the vast majority of civic bodies hitherto excluded from the development planning and implementation process would become actively engaged with formal governmental institutions. As a process it does not possess intrinsic or natural predisposition to peace, democracy or development. Certain environmental and situation specific conditions must obtain for decentralization to be effective in facilitating democratic participation and development. Among the conditions that are conducive to successful and effective decentralization are (i) a capable State that enjoys sufficient legitimacy and trust from the people (ii) political, bureaucratic and social will to plan and implement shared exercise of power, (iii) and empowered local people (civil society) that can receive and utilize the powers, functions, resources transferred to them, and (iv) a commitment from development partners and stakeholders to re-aligning their capacities and resources towards the implementation of substantive decentralization measures.

The least controvertible value of decentralization is its capacity to promote the participation of local people or their representatives in the process of decision-making and implementation. In structuring decentralized governance this should always be adequately taken into account in order to avoid putting in place structures of decentralization that can easily facilitate the development of local dictatorship or "centralized decentralization". Vertical decentralization should always be accompanied by horizontal decentralization to empower local people to participate in local governance and counter the tendencies toward local dictatorship.

In designing decentralization the centripetal and centrifugal forces should always be balanced to cater for the demands for national unity as well as the yearnings for local autonomy and diversity. When this balance is not sought, the outcome may be either over- centralization (which engenders resentment form local populations), or disintegration that poses lethal threats to the state construction process. Shared

[15] Se Government of Rwanda, Ministry of Local Government and Social Affairs: "Strategy for implementing decentralization". (Government Official document).

exercise of power – that targets an equilibrium point between the two forces of excessive centralization and disintegration - should be the aim of decentralization. While some people look at equilibrium only in terms of the way powers, functions, responsibilities, and resources are distributed, real effective equilibrium is best assured through participation by local people in the planning, implementation, monitoring and evaluation of development programmes, especially at the local level.

Owing to the fact that, it provides a structural arrangement for orderly negotiation and shared exercise of power on a continuous basis, decentralization offers prospects for sustaining peace during a peaceful situation. There are reservations, however, on its prospects for establishing peace in a situation of outright war. Depending on the way it is designed and implemented, decentralization may mitigate conflict by allowing power to be equitably shared among competing groups. At the same time, centralization may also mitigate violence by strengthening the hands of the central government, and enabling the centre to promote order and stability. In other words, decentralization is a panacea, neither for peace and democracy, nor for development. It may be an "enabling", not a determining factor in governance and development. The strength and value of decentralization, whether one is looking at peace and democracy or at development in general, lie in the fact that it can be used to facilitate the participation of the people in shaping their own destiny, and deciding their development priorities. This alone is sufficient ground for supporting decentralized governance.

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Chapter Three

Decentralization for Good Governance: Policies, Legal Frameworks and Implementation Strategies

Edward Mugabi

Introduction

Throughout the world today there are movements towards decentralization. At the same time, however, the meaning, essence, and strategies of decentralization are still subjects of lively debate. Decentralization is sometimes regarded as an alternative to centralization. Yet, when viewed from the policy angle, decentralization is a complement and not an alternative to centralization. Both local and central elements are needed in every political system. Sometimes decentralization is considered as falling exclusively within public sector reform, yet it is much more than public sector, civil service or administrative reform. It involves the relationship of all societal actors, whether governmental, private sector or civil society. There is no doubt that a clear understanding of the concept will lead to proper design and effective implementation of decentralization policies and strategies.

The aim of this paper is to trace the relationship between decentralization and good governance, particularly how the latter influences the design of decentralization polices and legal frameworks. An additional aim is to highlight factors that need to be taken into account when formulating strategies for the implementation of decentralization policies.

The first part of the paper deals with the concept of decentralization and outlines the relationship between decentralization and good governance. The second part concentrates on the different forms of decentralization. The third and fourth parts examine how decentralization, in its different forms, is adapted in policy and legal frameworks. The fifth part focuses attention on factors that have a significant influence on the formulation of implementation strategies. The final part is the conclusion.

I. Decentralization and good governance: the linkages

The term decentralization has had a checkered definitional history in the management, public administration and governance literature. In its broadest sense, decentralization means the transfer (from the central government and its agencies to field organizations of those agencies, subordinate units of government, semi-autonomous public corporations, area wide or regional development authorities, functional authorities, autonomous local government or non-governmental organizations)[1] of legal and political authority to plan, make decisions and manage public functions. Decentralization has also been defined as the assignment, transfer or delegation of political, administrative and fiscal responsibilities to lower levels of government[2].

Recent publications and literature provide additional definitions and interpretations that link decentralization to the concept of good governance. From a good governance perspective, decentralization refers to the restructuring or reorganisation of authority so that there is a system of co-responsibility between and among institutions of governance at central, regional and local

levels according to the principle of subsidiarity[3], while increasing the authority and capacities of sub-national levels[4].

Governance is the system of values, policies and institutions by which a society organises collective decision-making and action related to political, economic, social, cultural and environmental affairs through the interaction of the state, civil society and private sector. Under current usage, "governance" is not a synonym for "government". Rather governance comprises the complex mechanisms, processes and institutions, through which citizens and civic groups articulate their interests, mediate their differences and exercise their legal rights and obligations.

The fundamental principles of good governance include respect for the rule of law and human rights, political openness, participation and inclusiveness, equality and non-discrimination, effective and efficient processes and institutions, transparency and accountability. Local governance requires partnerships between local government institutions, civil society organisations and the private sector for participatory, transparent, accountable and equitable service delivery and local development. It necessitates empowering local governments with authority and resources and building their capacity to function as participatory institutions that are responsive and accountable to the concerns and needs of all citizens.

II. Typology of decentralization

Theorists of decentralisation have put forward four forms of decentralisation: deconcentration, delegation, devolution and divestment / privatisation[5].

De-concentration is the least extensive form of decentralization, involving very limited transfer of authority. It entails the transfer of authority for specified decision–making, financial and management functions by administrative means to different levels under the same jurisdictional authority of the central government. Under deconcentration, subordinate lower-level units or sub-units, such as regional, district or local offices of the central administration are headed by officials who are either appointed by or are responsible to a central government agency. Local functions are performed under the supervision and control of the central authority, without any significant independent local inputs.

Delegation refers to the transfer of decision-making and administrative authority and / or responsibility for carefully spelled out tasks / functions to institutions and organisations that are either not directly controlled by government or semi-independent. Most typically, delegation is by the central government to semi-autonomous organisations not wholly controlled by the government but legally accountable to it, such as state owned enterprises or corporations, multi-purpose and single-purpose functional authorities and area or regional development authorities. This contrasts sharply with the analytic framework that presents delegation as an offshoot (or corollary) of de-concentration, and "de-linking" as the transfer of authority and resources to organizations not under the direct control of government (Balogun, 2000:161).

Under devolution, autonomous (mostly, democratically) elected lower-level units, such as provincial, district and local councils, are legally constituted as separate governance units. The transfer of power to such units is referred to as devolution. Through devolution, the central government relinquishes certain functions or creates new units of government that are outside its

direct control. Devolution in its quintessential or pure form has the following characteristics. First, local units of government are autonomous, independent and clearly perceived as separate levels of government over which central authorities exercise little or no direct control. Second, the local governments have clear and legally recognised territorial boundaries within which they exercise authority and perform public functions. Third, local governments have corporate status and the power to secure resources to perform their functions. Fourth, devolution implies the "need to develop local governments as institutions" in the sense that they are perceived by local citizens as organisations producing services that satisfy their needs and as governmental units over which they have some influence. Lastly, devolution is an arrangement in which there are reciprocal, mutually beneficial and cooperative relationships between the central government and local governments.

While sometimes included in the discussions of decentralization divestment / privatization are not level specific, i.e., transfers are not from one level to another, generally occurring at the same level. These phenomena are best not treated as forms of decentralisation, but of divestiture. Divestment occurs when planning and administrative responsibility or other public functions are transferred from government to voluntary, private and other non-government institutions such as NGOs, corporations and private companies. Privatisation materialises when governments shift responsibility for producing goods or supplying services to private organizations.

Forms of Decentralization

Form and Practice	**Organising Principle**	**Structure in which the Principle Dominates**
Deconcentration (of administrative authority)	Transfer bureaucratic responsibility	Regional Administrations Local Administrations Field Administrations
Delegation/De-linking (of decision making for specified tasks or functions)	Transfer specified function	State Enterprises Public Corporations Functional Authorities Area Development Authorities
Devolution (of power)	Transfer power	Regional Councils District Councils Urban Councils
Divestment / Privatisation (of public functions)	Partially or fully transfer public function	Voluntary Organisations Non-Governmental Organisations. Private Organisations

Decentralization may also be classified thematically. The frequently mentioned types of decentralization include administrative, political, fiscal and market decentralization.

Administrative decentralization refers to the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide regional or functional authorities, or non-

governmental, private, or voluntary organisations[6]. Administrative decentralization is manifested through deconcentration and delegation.

Political decentralization typically identifies the transfer of decision-making power to citizens or their elected representatives. Where such transfer is made to a local level of public authority that is autonomous and independent from the devolving authority, devolution takes place.

Fiscal decentralization is concerned with who sets and collects what taxes, who authorizes what expenditures and how any "vertical imbalance" is rectified[7].

Market decentralization focuses on creating conditions that allow public goods and services to be produced and provided by market mechanisms. Under it, public goods and services are produced and provided by small and large firms, community groups, cooperatives, private voluntary organisations and non-governmental institutions, for example, through public-private partnerships, contracting out, deregulation or full privatisation.

III. Decentralization policy: options and strategies

Of the four forms of decentralization described in the preceding section, deconcentration involves the least transfer of power to the local people. As such this form of decentralisation can hardly be described as a move towards increased local governance. Delegation too does not by itself transfer power to the local people, although delegated agencies have increased scope for involving people in the decision-making process. Privatization moves responsibility out of the public sector and introduces the profit motive instead. Thus, it is devolution that provides the largest scope for developing genuine local governance. This notwithstanding, devolution represents an archetype to which, in reality, no local government will ever fully correspond, even in Western liberal democracies. However, devolution provides a useful framework for assessment and for comparison over time and between countries[8]. In reality too, there are no pure or completely deconcentrated or delegation forms. This brings to the fore three vital questions: what objectives do governments pursue when they seek to decentralize? Under what conditions and to what extent does decentralization empower the people? How do countries that have successfully decentralized balanced devolution with the imperatives of de-concentration and delegation?

Objectives of decentralization

Government decentralization instruments have tended to focus on four policy areas. First is the political dimension, where both power and responsibilities for specified functions and services are transferred to the local level.

Second, is the fiscal dimension where financial resources are shifted to the control of the local level, revenues to be locally raised are identified and local financial management arrangements specified.

Under the third arrangement, the focus is on the administrative dimension where fully or partially both the administration and staff are transferred to the control of local authorities.

Fourth are the changing centre-local relations. Different forms of centre-local relations may be distinguished here. One option is for policy formulation, decision-making and implementation to be fully placed under the control of the local community. Another is for the centre to formulate guidelines and policy principles, while local governments are given some freedom in the concretion and adoption of policy and its implementation. A third option is for policies to be jointly made by the central authority and the decentralised units and either implemented by both or the decentralised level only. Yet another option is to assign policy formulation and decision-making to the central government and implementation to the local authority.

Two examples are presented below to illustrate the attention given to the policy areas just described. Uganda, in its "Measures to Strengthen Democratic Decentralisation Paper" of 1992, adopted the following objectives:

- Transfer real power to districts and thus reduce the load of work on remote and under-resourced central officials.
- Bring political and administrative control over services to the point where they are actually delivered, thereby improving accountability and effectiveness, promoting people's feeling of ownership of programmes and projects executed in their districts.
- Free local managers from central constraints and, as a long term goal, allow them develop organisational structures tailored to local circumstances.
- Improve financial accountability and responsibility by establishing a clear link between the payment of taxes and provision of services they finance.
- Improve the capacities of councils to plan, finance and manage the delivery of services of their constituents.

The second example is Tanzania. In its "Policy Paper on Local Government Reform" of 1998, Tanzania summarised its vision as follows:

- Local government councils will be free to make policy and operational decisions consistent with the laws of the land and government policies without interference by central government institutions.
- The role of central government institutions will be confined to: the facilitation and enabling of local governments; development and management of the policy and regulatory framework; monitoring accountability by local government authorities; financial and performance audit; and provisions of adequate grants.
- The strength and effectiveness of local government institutions will be underpinned by: possession of resources and authority to effectively perform the roles and functions that the individual local government authority has been mandated; having adequate numbers of appropriately qualified and motivated staff who will be recruited and promoted exclusively on the basis of merit; mounting necessary training and upholding professionalism in local government; and capacity to operate efficiently and cost effectively.
- The leadership of local authorities will be chosen through a fully democratic process, which process should also extend to village councils and grassroots organisations.
- The local governments will: facilitate the participation of the people in deciding on matters affecting their lives, planning and executing their development programs; and foster partnerships with civic groups.

- The local governments will be transparent and accountable to the people. This will be the basis for justifying their autonomy from undue central government interference.

IV. How does decentralization empower the people?

In both theoretical and practical terms, decentralization empowers the local people by first, transferring responsibility for decision making to be made directly by the people through elected representatives. Second, decentralization empowers the people by linking them with government through the processes of participation. People participate through elections when they vote or choose candidates and parties to represent them. This basic form of participation is still of primary importance to legitimize public authority and to confer mandate on the elected officials. Through elections power is transferred and politicians and parties are held accountable for the use of power, and for effective representation of the interest of the people.

Participation in elections is not the only way citizens participate. People participate either through *ąffno manchhe* (own person), through interest groups, say for women, youth and disabled persons, through political parties or through organised groups such as non-governmental organisations, civil society organisations, networks and alliances. In a typical policy-making circle, people's participation is enhanced through their involvement in identifying issues to be discussed or setting the agenda, inclusion in the planning processes, the decision-making process itself, implementation, monitoring and evaluation. Participation is further enhanced by developing the access of the people to participatory resources such as information, skills and technology and voice resources such as the media, meetings and public hearings. Without doubt, well planned and managed participation, when it does occur, improves governance because it promotes ownership, increases information flow, accountability and gives voice to those who are most directly affected by the policy.

V. Decentralization policies and strategies: emerging trends

We now turn to the question of how countries that have successfully decentralized balance devolution with deconcentration and delegation.

It should be noted that policy-makers and legislators seldom base their decisions upon considerations of forms as distinguished and characterised by theory. To a great extent the eventual form, and it is easier identified at design, is shaped by expectations and how the process and institutions fit in the general political environment.

The emerging trend is that countries that tend towards devolution focus on achieving good governance objectives and strengthening local governments. They aim to give local units some level of independence, increase grassroots democracy and enhance people's participation and bring services nearer to the people. They also accompany the transfer of functions with the necessary resources and put in place arrangements to improve transparency, accountability and the responsiveness of government units. South Africa, Tanzania and Uganda are examples of countries leaning towards devolution.

Countries that tend towards delegation focus on increasing efficiency through delegation of responsibility for a specified function. The trend today, and this is happening in almost every developing country, is to create authorities, for example, revenue authorities, environmental management authorities, forest authorities, water authorities and the like.

In the case of countries gravitating towards deconcentration, local authorities are strongly controlled by the central government. The biggest felt needs of the people such as schools, medical facilities and water supply remain a responsibility of the central government. Central ministries are concerned with both general administration and coordination and extension services consisting of ministry officials posted to various parts of the country to run the services. French-speaking West African countries, with the exception of Benin, Burkina Faso and Mali, are examples of the deconcentration tendency[9].

Legal frameworks for decentralization

It should be emphasized that the concept of good governance views the relationship between the central government and local governments as a partnership and that the partnership involves both the private sector and civil society. This complex interrelationship has led / is leading to the entrenchment of local governments in constitutions, thus making them autonomous or fairly autonomous institutions instead of being institutions established at the whims of central or state governments. Current reforms in Ethiopia, South Africa and Uganda are examples of decentralization buttressed by constitutions that devolve powers to lower-levels[10].

In order to embrace the principles of democratic governance it is essential that national constitutions enshrine the broad principles on which decentralization should operate, including the rights and responsibilities of all levels of governance; the description and role of key institutions at central and local levels, and the basis on which detailed rules may be established or changed. At the minimum, the fundamental law, act or statute should put in place the following:

- A clear division of powers, responsibilities and functions to be administered at the national as against the local level, and such division be determined by applying the principle of subsidiarity.
- Autonomous local governments to manage local affairs.
- Political leadership / local councils elected by the people.
- Means for local governments to have access to and control over resources required for the proper discharge of their mandate.
- System of participation, transparency and accountability.

Further, policies, regulations, procedures and other implementation instruments should support decentralization.

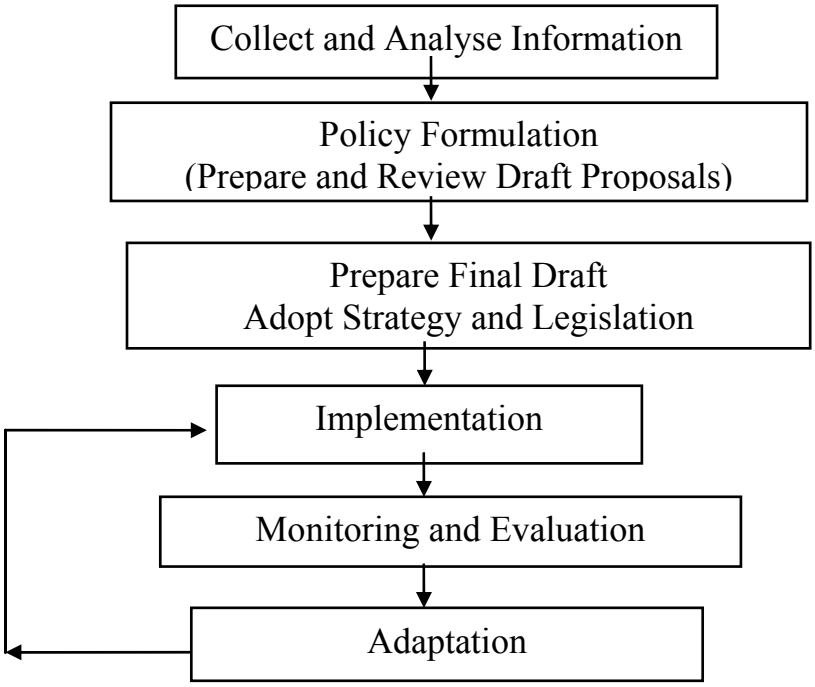
Examples abound of situations in which implementation is slow or stagnating because the policy and law are unclear, especially on the division of tasks to be carried out by the centre and local governments. Several West African countries are at their first steps, almost ten years after the enactment of decentralization legislations, because their policies and laws are not exhaustive[11].

VI. Formulating decentralization implementation strategies

Decentralization offers opportunities for promoting good governance and facilitating development. However, to work properly decentralization needs to be carefully planned and implemented. So what are the issues that need to be taken into account when formulating implementation strategies?

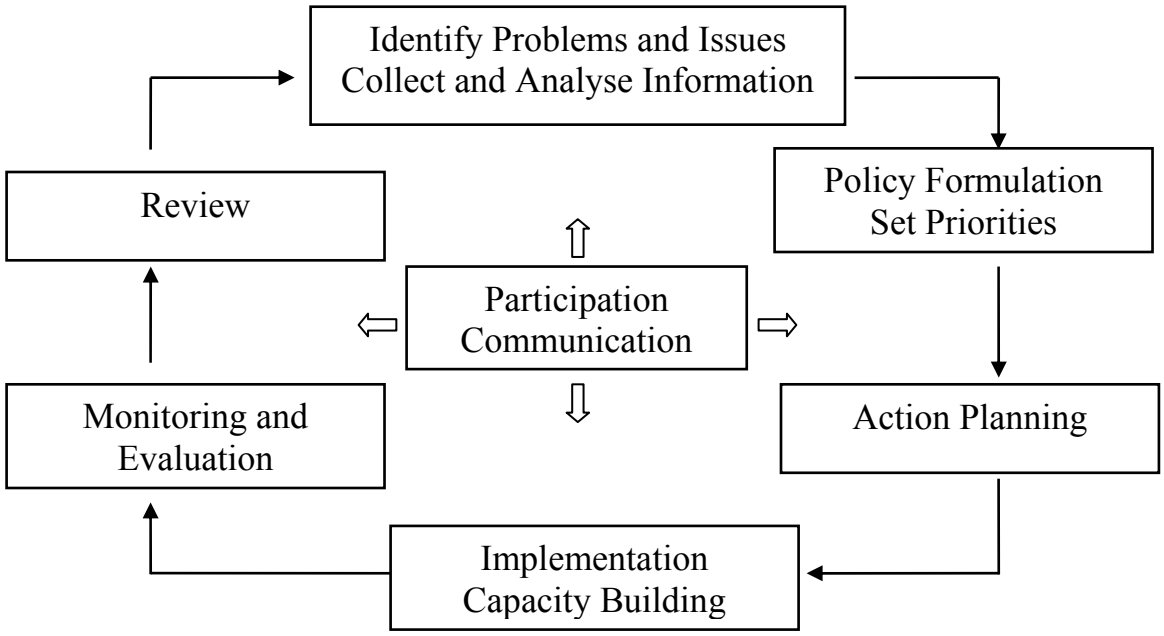
First, it is essential to proceed strategically, be pragmatic and incremental, aiming not for perfection but constant improvements. Many strategies fail because they follow a "single track", placing greater emphasis on policy formulation and less on implementation. Often, there is no vision or strategy of the process beyond its adoption. Policy formulation is more or less viewed as a one-off event (See the accompanying diagram for further illustration).

The "Single Track" Approach



The strategy process is best thought of as a cyclical process with activities and feedback loops that progressively approach the desired goal. The cyclical mode, whereby each element of the process may be repeated, means that a strategy can start off modestly and gradually become ambitious. In addition, a cyclical approach promotes continuous dialogue, participation, communication / information flow, monitoring, which elements are needed throughout the life of the strategy (see the next diagram).

"The Strategy Cycle"



Second, high level (political and administrative) support and commitment, as well as public consensus on the main issues are critical. Participatory enquiries, commissions, seminars and workshops should be used. Such fora help establish or negotiate practical and realistic targets, which are locally acceptable, meaningful and practicable. They also give political credibility to the strategy, transparency and accountability. Through participation people "see" what government does and the strategy is likely not to be seen as a product of technicians and bureaucrats. This in turn helps establish a conducive political and social climate.

Third, the strategy should demonstrate a clear understanding of the decentralization concept, by setting clear goals and objectives to enable monitoring of the policy and ensure it gets results; defining actions needed to put the policy into effect; and identifying resources to carry it out. In addition, it should relate to other government policies that may override it or inhibit it and the circumstances under which the may do so.

Fourth, a process management structure should be established. Two bodies are usually required for this: a steering committee to provide overall direction and a strategy secretariat or unit to facilitate and support the process. The secretariat should be independent (enough to represent all participating levels) and have well defined authority in executing its tasks. Also, it should have sufficient resources (constantly searching for funds is debilitating), including well trained, experienced and committed staff.

A recent report by the Municipal Development Partnership classifies West African Countries into countries with special institutions (Decentralisation Missions, Commissions or Secretariats) and countries implementing decentralisation through ministerial administrations[12]. It is interesting to note that countries with special institutions prepared for decentralisation in a more participatory manner, organising national conferences and sensitization campaigns.

Uganda is another example of how useful it is to a have a strategy secretariat. In its more than ten years of existence (January 1993 to June 2004) the Decentralisation Secretariat provided both technical and administrative support, including assistance in the preparation of the local governments act, implementing rules / regulations, manuals and guides. The Secretariat organized capacity building, general awareness and sensitisation programs; managed a pilot programme to decentralize the development budget; oversaw the establishment a local governments' transport revolving fund; and coordinated the initial retooling and institutional strengthening of local councils.

Fifth capacity building programmes should be designed and implemented. The main criticism of past capacity building programmes is that they concentrated on government institutions. Capacity building should comprise programmes to develop the abilities of government, local communities, the private sector and civil society.

Sixth, it is crucial to "strike when the iron is still hot". Political support, commitment and continuity require that the policy show results. Early action, notably when it demonstrates success, generates greater commitment to and momentum to the process. The sooner implementation begins, the sooner the strategy can build capacities and benefit from experience.

Uganda has made significant progress not only because there is political commitment, but also because decentralization showed concrete results early. Before decentralization, financial transfers to local governments were less than 1 % of the GDP. Central government transfers to local governments have risen from Shs 31 billions in 1993/1994 to Shs 670 billions in 2002/2003, i.e., 5.7 % of the GDP. As a percentage, the transfers constituted 52 % of the national recurrent budget alone and were 27 % of both the recurrent and development budget for 2002/2003. Increased transfers mean that local governments have more resources at their disposal to provide services. As an example, access to safe water has improved. The percentage of the rural population with access to safe water has increased from 18 % in 1991 to 55 % in 2002. Local councils have rehabilitated feeder roads and new roads have been opened. Also schools and health facilities have been rehabilitated and new ones built and furnished. A different example from improvements in service delivery is that local elections are regularly held every four years.

Seven, the policy or strategy document (and the enabling law) need to be widely available. In addition, clear and concise documents in simple language, with illustrations need to be issued. Information should also be made available in local languages, where appropriate. Furthermore, audio and video versions could be produced. All this should be part of or integral to the information, education and communication strategy because ultimate success will depend on changing people's attitudes and behaviour.

Eighth, monitoring, evaluation and reporting systems should be an integral part from the start and should cover all aspects including formulation, implementation and results.

Ninth, it is necessary to ensure that the process proceeds at a pace and in a form that best suits local conditions and which is most sensitive to existing capacities.

Tenth, partnership with development partners is critical to the success of the entire decentralization strategy. Ideally the recipient government should take the lead in coordinating donor assistance, and the assistance should primarily aim at building the recipient's capacity to implement the strategy.

Conclusion

Decentralization is not a static, but an evolving and dynamic process whose form and implementation pace are shaped by each country's political and institutional arrangements, capacities and resources. Likewise, the adoption of decentralization is but only the beginning of a lengthy process requiring continuous political will and commitment.

Decentralization is a necessary but not sufficient condition for improved local governance. Improved local governance, may contribute to, but not guarantee local development. Similarly, local development may contribute to, not guarantee poverty reduction.

In order to succeed, decentralization must empower the people; establish arrangements where local communities work in partnership with the central government, private sector and civil society; mobilise and allocate sufficient resources to participating institutions as well as establish reliable mechanisms for resource utilisation, transparency and accountability. Furthermore, the strategy must obtain high level support and commitment; be pragmatic and incremental; have an enabling legal framework and supporting implementation rules, procedures and guidelines; establish a process management structure; and have well thought out arrangements for capacity building, information, education and communication, monitoring, evaluation and reporting.

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1. Rondinelli, D. A., 1981, "Government Decentralisation in Comparative Perspective: Theory and Practice in Developing Countries", *International Review of Administrative Sciences,* Vol. XLVII, No.2**,** p.137.

2. This definition is common in World Bank publications. For example, see Litvack, J., Ahmad, J. and Bird, R., 1998, *Rethinking Decentralisation in Developing Countries,* Sector Studies Series, The World Bank, Washington DC, p. 6. Where emphasis is placed on the transfer of administrative, fiscal and *political power* (instead of responsibilities), the term *democratic decentralization* is frequently used. Delegation, by contrast, implies the transfer of managerial and resource allocation authority from the centre to "field" offices and de-concentrated units. See M J Balogun, "The Scope for Popular Participation in Decentralization, Community Governance and Development: Towards a New Paradigm of Centre-Periphery Relations", *Regional Development Dialogue*, Vol. 21, No. 1, Spring 2000, pp. 154-158.

3. Based on the principle of subsidiarity, functions are transferred to the lowest level that is capable or potentially capable of delivering the function.

4. This definition was put forward by the UNDP Management Development and Governance Division, Bureau for Development Policy, 1997, *Decentralised Governance Programme: Strengthening Capacity for People-Centred Development,* p.4. See also Balogun, The Scope for Popular Participation in Decentralization, Community Governance and Development, op. cit., pp. 159-163.

5. The main source of these descriptions of forms is Rondinelli, *op. cit.,* p. 137 – 139 and UNDP, *op. cit*. p. 5 - 6. According to other commentators, "privatization" raises issues that are fundamentally different from those of decentralization. They therefore dismiss the former as a sub-set of the latter. See Balogun, The Scope for Popular Participation in Decentralization, Community Governance and Development, op. cit., pp. 155 and 157.

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10. Ethiopia's constitution of 1994 introduced a federal system of government while South Africa's constitution of 1996 recognizes the national, provincial and local levels as interdependent and interrelated spheres of government. Uganda's constitution of 1995 distinctively provides for decentralization and devolution of powers, functions and responsibilities to local governments.

11. Municipal Development Partnership, *op. cit.*, p. 19 – 20.

12. *Ibid.*, p.10.

Chapter Four

Decentralization in Africa: a Review of Patterns, Trends and Challenges

George Matovu

Introduction

Taking into account the emerging results, and lessons learned, there is evidence that if the decentralization process is well designed and planned, it can provide space for people to participate in decisions having bearing on the development and wellbeing of local communities (Jean Bossuyt and Jeremy Gould (2000), Michael Ndubiwa (2001), and Shimelis Alebachew (2003)). It can ensure a more efficient allocation of resources (including development aid), enhance local resource mobilisation and improve local governance. This, in turn, may pave the way for effective poverty reduction strategies, local development and good governance - accountability, transparency, responsiveness, efficiency, equity, inclusion, and the rule of law.[1]

This paper provides an overview of a selected number of Africa's experiences on the decentralization process. The paper utilises various sources of information on decentralisation including a five-country study on Participatory budgeting carried out by MDP between January and May 2004, in Kenya, Tanzania, Uganda, Zambia, and Zimbabwe[2]. The paper also benefited a lot from recent literature on decentralisation produced by various institutions including the ECDPM, ISS and AULA. The paper ends with three questions that need to be further examined. I am grateful to Mr. Innocent Chirasa from the University of Zimbabwe who assisted in collecting some of the information used in this paper.

Before getting into the subject matter, there is need to rehearse some of the conceptual issues related to decentralisation and local government.

I. Decentralization: a conceptual framework

Practitioners, academics and ordinary people have expressed their experiences in different ways as illustrated below.

Vincent Ssekkono, Permanent Secretary of the Ministry of Local Government in Uganda had this to say:

> Decentralisation is a process, and not a project with clearly starting and ending dates. It takes many shapes and forms and the manner it unfolds reflects to a significant degree the unique characteristics of each country in which it is practiced. The decentralisation process involves conflict, learning, experimentation, contradictions, and change. It is therefore not possible, or even desirable, to duplicate the experiences of one country in another because differences in history and circumstances are bound to generate unique

[1] Shimelis Alebachew, Decentralisation for Effective Municipal Governance and Poverty Reduction: the Case of Ethiopia. A Paper presented at the Municipal Development Partnership Africa Local Government Action Forum (ALGAF III) February 7, 2003, p. 14

[2] The study was financed by the World Bank Institute and was coordinated by Dr. Takawira Mumvuma, MDP-ESA Research Coordinator.

> dynamics in each decentralisation process, although cross-country experiences may offer good practices that could be modified to suit local circumstances[3].

G. K. H. Tötemeyer, MP and Deputy Minister, Ministry of Regional and Local Government and Housing, Namibia, summarises Namibia's experience thus:

> Decentralisation is not a once-off event but a systematic undertaking. It is an incremental and never ending process, adaptable in character while pursuing the determined objectives. Such process must have a contextual and innovative character, performed in well-planned stages. Hasty decentralisation can easily result in under-financed or even corrupt sub-national governance and administration, exploiting uncertainties and being unresponsive to people's need. Some functions may be decentralised faster than others. Not the entirety of all the functions and activities intended to be decentralised will be executed at the same time and simultaneously commence in all regions. To be successful, it must be a well-planned process.

Diana Conyers said decentralisation is a political process and puts her experience succinctly:

> … to capture Africa's experience on decentralisation, there is need to go beyond the broad categorizations of the forms or dimensions decentralisation and have a diagnosis of: (a) the types of functions decentralised; (b) the types of powers decentralised in relation to those functions; (c) the level to which the powers are decentralised; (d) the institutions to which they are decentralised; and (e) the method of decentralisation

She went on to say that:

> …decentralisation can be an effective strategy for development only if; (a) the objectives are clearly stated; (b) the form which decentralisation takes is carefully planned and consistent with the objectives; (c) the implementation process is well planned and co-ordinated; (d) the government has political confidence to devolve power; and (e) the macro economic environment is conducive to economic growth and social development. (2002),

Tony Land and Volker Hauck who have extensively studied decentralisation processes in Africa had the following to say:

> It is difficult to generalize about the forms and objectives of decentralisation. Decentralisation is generally … a confusing and intangible topic. All commentators agree that it is usually a complex and long process that responds to different policy concerns, and that attracts ardent supporters as well as strong detractors. Translating policy objectives into law and in turn into action is a painstaking task. Inevitably, grand ambitions tend to get watered down in the process. There are also differences in understanding between countries and in particular across administrative traditions. That is why, for example the notion decentralisation in Francophone world differs from that in the Anglophone world.

[3] Vincent Ssekkono, Permanent Secretary, Ministry of Local Government, Uganda, Local Government for Poverty Reduction: Uganda's Experience, 1993 – 2002. A Paper presented at the Fifth Africa Governance Forum: AGF – V, Maputo, Mozambique, May 22 – 25, 2002, p.3

The World Development Report (2001) points out that "Decentralisation can greatly enhance the state's capacity to accelerate local development and reduce poverty, *but only if it is effectively designed*"(emphasis added). Local authorities and agencies need desirable autonomy including on fiscal matters as well as considerable support and safeguards from the centre. The challenge facing decentralisation in Sub-Saharan Africa is one to create sustainable mechanisms and systems for sustainable intergovernmental relations and developing technical competencies to manage decentralised responsibilities. As David Kasumba points out**, "**addressing these challenges requires that there is continuing and sustained support from the highest level of office[4]."

A Russian academic who expressed his views of local governance thus shared this argument:

> A strong central government is needed to keep the state from falling apart. In parallel, a growing, equally powerful pillar of self-government will spring from the communities upwards. These two power structures must control each other. The central government has to enforce strict compliance with the laws, while self-governing councils must control the openness and responsiveness of state decisions on every level – the villages, the regions, the provincial government. Otherwise, our country, with its vast distances, its countless peoples and its many religious groups, cannot survive[5].

Despite huge investments made available to promote decentralisation, the developments have so far yielded mixed results and commentaries. Countries like Uganda which have been at the forefront of decentralisation are reviewing their experiences with a view to identifying what has been achieved; what has worked and not worked; what has gone wrong and why; and how the process can be redesigned.

Going by the various programmes on implementing the various objectives of decentralisation, it is clear that the change has given way for noticeable positive changes. But it has also come with new challenges that are influencing the process.

On the positive side, decentralisation has heightened awareness on the part of local governments of the need, amongst others to: (a) promote participatory governance and management; (b) professionalise local government through hiring qualified and skilled people; (c) establish local integrity systems to guard against corruption and abuse of public offices; (d) adopt business-like attitude in providing services; (e) promote public-private partnership and civic engagement; and (f) mainstream gender. On the negative side, decentralisation has created rooms for corruption, nepotism, and in some cases, wastage of the meagre resources (also refer to Box C).

II. The context of local governments in Africa: a situational analysis

In 1926, Dr J.H. Hofmeyer wrote:

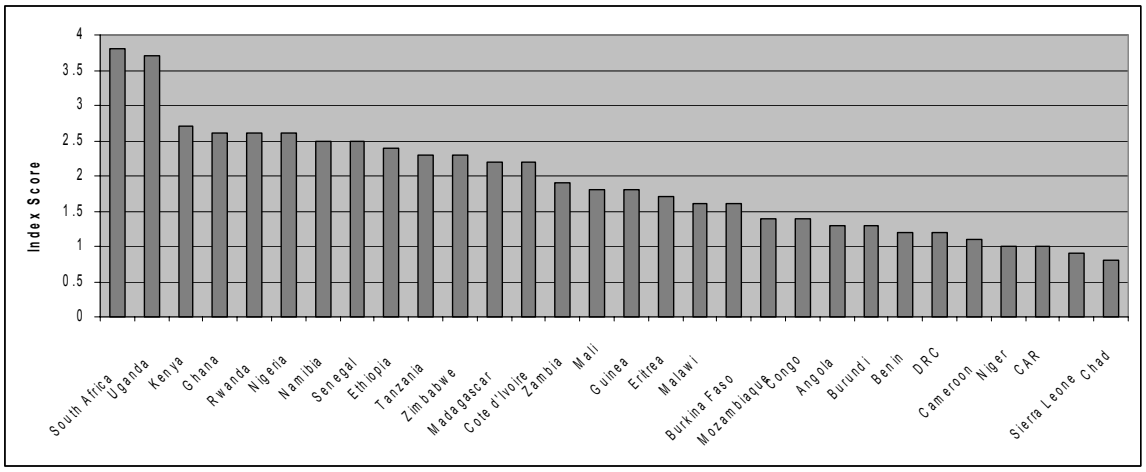
> To the ordinary citizen of any country the nature of its system of local Government is of very considerable importance. The questions which are dealt with by the Local Authority in whose area (s)he resides touch him / her more nearly than do most of the matters which fall within the scope of the Central Government. The health conditions of the town in which (s)he lives, the existence of a good water supply, the facilities available for transport, matter more to him / her than do the contents of most parliamentary or provincial statutes. And so it is not to be wondered at, that one of the lessons taught us by

[4] George Kasumba and Tony Land, Sector-Wide Approaches and Decentralisation: Strategies pulling in Opposite Direction: A Case Study from Uganda, 2003, p.14.
[5] Interview with a famous Russian writer A. Solzhenitsyn in The Guardian, the UK, March 2000.

the study of history is that the greatness and the prosperity of nations have been to a very considerable extent bound up with the soundness and efficiency of their systems of Local Government.

Stephen Ndegwa[6], who measured the extent of decentralization in Africa using various indicators to reflect the three dimensions of decentralisation namely: political, administrative, and fiscal. (See, also Figure 1) showed that countries are at various staged of decentralisation. The political decentralisation index included (i) the number of elected sub-national tiers, (ii) the existence of direct elections for local governments, and (iii) the turn out and fairness of such elections. The administrative decentralisation index consisted of (i) clarity of roles of national and local governments provided by the law, (ii) the indicative of where the actual responsibility for service delivery resided, and (iii) the indicative of where the responsibility for (hiring and firing) civil servants resided. The fiscal decentralisation was measured by: (i) the arrangement for fiscal transfers from central government to local authorities, and (ii) the proportion of public expenditure controlled by the local authorities. A scale of 0 to 4 was used, with 0 indicating the lowest level of decentralisation and 4 the highest level possible. Figure 1 indicates the overall results. Only South Africa and Uganda scored in the top range (3.0-4.0). The next level (2.0-2.9) indicate countries with a moderate degree of decentralisation. Eleven countries were in this category (Kenya, Ghana, Nigeria, Rwanda, Namibia, Senegal, Ethiopia, Zimbabwe, Tanzania, Cote d' I'voire, and Madagascar). The third group of countries is those with low level of decentralisation (1.0-1.9). This group had the largest number of countries (13): Zambia, Guinea, Mali, Eritrea, Burkina Faso, Malawi, Republic of Congo, and Cameroun. The final group with nominal or no decentralisation (range 0-0.9) included four (4) countries: The Central African Republic, Niger, Sierra Leone, and Chad).

Figure 1: Overall decentralisation score



Whether the combined effect of political, administrative, and fiscal decentralisation is adding value to performance of` local government remains somewhat vague, due to scarcity of systematic information.

[6] Stephen N. Ndegwa (2002), Decentralisation in Africa: A Stocktaking Survey, p.12

Box A. Definitions of Decentralization

Rondinelli and Cheema (1983) define decentralisation as *"the transfer of authority and responsibility for planning, management, and resource-raising and allocation from the central government to (a) field units of central government ministries or agencies; (b) subordinate units or levels of government; (c) semi-autonomous public authorities or corporations; (d) area-wide regional or functional authorities; or (e) NGOs/PVOs".*[1] On this note ,Mayeh Omar (1989) points out that this is a useful definition as it illustrates that decentralisation is essentially a political issue involving the transfer of power and authority.

Kolstee, Bijlmer and van Oosterhout eds (1994:102) define decentralisation simply as the *"...transferring of responsibilities from a higher level to lower levels (local authorities of semi-autonomous bodies) or to the private sector."*

Conyers in MDP (2002:61) defines decentralisation as: *"...a process of change in which functions previously undertaken by government institutions at national level become the responsibility of government or non-government institutions at the sub-national level."* She goes on to say that this could be due varying objectives such as (i) local empowerment; (ii) improvement of democracy and political equity; (iii) enhancing administrative efficiency in service delivery; (iv) revenue mobilisation; (v) strengthening national cohesion and central control; (vi) reduction in public expenditure; and promotion of public sector involvement[1]. It ought to be recognised however that, there are times where decentralisation has produced negative impacts on administrative efficiency and effectiveness. For instance, it can result in: (i) decisions which only benefit a minority of the population; (ii) corruption; (iii) wastage of resources on projects which are technically infeasible; (iv) regional imbalance.

For convenience this paper follows the definitions outlined above as well as one provided by Stephen N. Ndegwa (2002) which refers to decentralisation broadly as "…a process of transferring of public authority, resources, and personnel from the national level to sub-national jurisdictions and results into the formation of local governments."

Overall, it is difficult to conclude that things are looking good for Sub-Saharan Africa. from the socio-economic and political perspective. Despite the progress in many realms of development - for example the significant decline of illiteracy, there are still sobering figures: half the population lives on less than one Dollar a day[7], half of the African people lack access to safe water[8]. The mortality rate of children under five years of age is 140 per 1000, and life expectancy at birth is only 54 years. On average, unemployment is running as high as 40 to 60 per cent. This situation is being exacerbated by rapid urbanisation[9] and the prevalence of the HIV / AIDS pandemic. Economies are ravaged by wars, rampant

[7] In the urban areas for instance, poverty studies by the World Bank (1997) indicate that the proportion of the urban population living on less than one US dollar per day range between 34 and 50% as follows; Addis Ababa 34%, Gaborone 35%, Harare 41% , Kampala 50%, Lusaka 85%, Maseru 50%, and Nairobi 50%.

[8] Callisto Madavo, President of the Africa Region of the World Bank. A statement made at the Launching of the MDP Digital Radio Programme on Anti-Corruption 2004.

[9] According to available statistics, Africa is one of least urbanized continents of the world but, it is urbanizing rapidly. Thus, in the year 2000 Africa's total population (estimated at 794 million) was 37.2 percent urbanized – the lowest of any major continental region of the world. During the next thirty years, however, the United Nations projects an annual average growth rate for Africa at 3.27 percent, the highest in the world by a substantial margin. It is projected that by the year 2025, more than half of Africa's population will be living in cities and towns[9]. Just as an example, individual growth rates in the period 1995-2000 were as follows: Ethiopia 5.16%, Ghana 4.04%, Kenya 4.93%, Senegal 4.21%, Tanzania 6.31%, Uganda 5.23%, and Zimbabwe 5.9%.[9] Massive conflicts in recent times as pointed out by Rakodi (1997), have contributed significantly to the swelling of African cities. Nairobi for instance,

poverty, low investment, weather vagaries, unstable currencies, lack of infrastructure and over-dependence on primary goods production.

III. Decentralization patterns and trends in Africa

Countries such as South Africa, Tanzania, and Uganda have clearly endorsed devolution powers. Experience shows that, in practice, the different forms of decentralisation overlap or go hand in hand even in most autonomous local governments. There are several areas where local governments function as agents of central government, exercising *deconcentrated* powers. For instance, in Kenya, Uganda, South Africa, Tanzania, and Zimbabwe, local government collect revenue on behalf of central governments. The major problem, however, is that often these additional duties and responsibilities are not accompanied by commensurate amount of resources to effectively implement them; thus giving rise to the issue of *unfunded mandates*. Similarly, there are also cases where field agents or offices may act with a high degree of autonomy as if they had *devolved* powers. In Kenya for instance, until very recently, district commissioners and town clerks had the discretion to allocate land without reference to headquarters.

The varied reasons for decentralization in Africa

The renewed interest in decentralisation and local government is due to a number of reasons. Professor Bamidele Olowu[10] (2002) and Professor Stephen Ndegwa,[11] proffer some of the reasons as outlined in Box B below.

Box B Reasons for decentralisation in Africa

- The overt failure of *centralised* public sector management which gave way to economic, fiscal and political crises on the 1970s and 1980s.
- The resulting decline in *state* resources increased pressure for economic, institutional and political reforms as part of the search for new paradigms of governance.
- Pressure from increasingly sophisticated non-state actors – the civil society and private sector who pressed for space to influence decision-making process and to get more involved in public affairs, especially in service delivery and local development.
- Pressure from external donors to establish leaner and efficient bureaucracies as a pathway to improving governance and service delivery; an important consideration given the fact many African states are heavily dependent on donor funds for development expenditures.
- Pressure of the urbanisation and metropolitanisation phenomenon in **most** countries.
- The use of decentralisation by ruling groups to neutralize or seek compromises with local elites with secessionist mentality
- The pressure from the globalisation phenomenon which compelled many national governments to focus their attention on strategic issues of national economic and political management

At country specific levels, countries defined their objectives for decentralisation depending on the local circumstances. The following examples illustrate this point.

In 1972, Tanzania opted for abolition of local government all together to emphasise the notion of single party machine, unitary state, and centralized planning, Centralised administration resulted into economic crisis which engulfed Tanzania for the next ten years. Analysts contribute to this outcome to bad

was and is still designed to accommodate 500,000 people but has presently a population of 3.8 million with 60% of the population living in about 100 slums (Elijah Agevi 2002: 6).

[10] Bamidele Olowu,

[11] Stephen N. Ndegwa, Decentralisation in Africa: A Stocktaking Survey, November 2002, p. 1

administration and outright mismanagement. Mwalimu Julius Nyerere expressed his disappointment and regret thus:

> There are certain things I would not do if I were to start again. One of them is the abolition of local governments and the other was the disbanding of co-operatives. We were impatient and ignorant. We had these two useful instruments of participation and we got rid of them. It is true that local governments were of taking decisions, but instead of helping them, we abolished them. Those were two major mistakes"[12].

Against this background, decentralisation of local governments was reintroduced in to address the failures of centralized administration.

In Uganda, the decentralisation programme aimed at devolving substantive political, administrative, fiscal powers and responsibilities to improve service delivery; to promote governance (transparency and accountability); democratize society; and alleviate poverty through collaborative efforts with NGOs, civic organisations and private sector.

Countries like Namibia, South Africa, and Zimbabwe adopted the decentralisation policy as a move geared toward dismantling systems of racial segregation and discrimination. The aim was not merely to devolve responsibilities, but also to eradicate racial imbalances.

Mozambique introduced multi-party democracy in 1990, a general peace treaty in 1992, and a programme of local government reform. Decentralisation was looked at as a process aiming at solving the basic political conflict between FLERIMO and RENAMO and to address the disequilibria that had dominated the society ever since the colonial period. The process was somehow is linked to the nation-building process with the aim of increasing people's sentiment of belonging to the state and the nation, 'by becoming owners of democracy.'

In Ethiopia, the transitional government of 1991 saw the removal of the centralised governance system as a key to preserving political stability and to ensuring its own legitimacy. A federal state, based on a far-reaching policy of regionalisation was introduced along ethno-cultural lines, granting regions the right to self-government (including the right to secede). Swaziland, Botswana, Zimbabwe, and Uganda have tried to effect decentralisation while acknowledging and incorporating traditional leadership.

From the above experiences on the incentives behind decentralisation in Africa, it is imperative to make some further analysis with a view to identifying what is happening on the ground.

Emerging organization pattern at sub-national levels

From the experiences reviewed, although the forms of governance are predominantly of a unitary type, where local governments are operating on authority delegated from the centre through statutes, governments seem to have, in principle, opted for devolution of powers. Sub-national governments were further divided into smaller units ranging from 3 in Kenya, Mozambique, Tanzania, Zambia, Zimbabwe to 5 in Uganda as shown in the Table 1. These sub-national structures are used to reach out to individuals within their communities to: (a) facilitate bottom-up administration; (b) give citizens opportunity to participate in their local affairs; (c) to allow for provision of services and democratic self-governance to be decided upon at the lowest level of government possible (principle of subsidiarity).

[12] With the Arusha Declaration in 1967, the Tanzania government adopted a policy of socialism, self-reliance and rural development. The party machinery controlled all the sectors of the economy and finally in 1972, local governments were abolished.

Table 1: Sub-national structures

Country	Form of national Government	Sub-national government levels
Mozambique	Unitary	1.Urban centres/ Districts
		2.Wards
		3. Villages (bairros)
Zimbabwe	Unitary	1.Urban Council/Rural District Council
		2. Ward
		3.Village
Zambia	Unitary	1. Urban Council/ Rural Council
		2. Wards
		3. Villages
Kenya	Unitary	1. Urban or Rural Council
		2. Wards
		3. Villages
Tanzania		1.District/ Cities
		2.Wards
		3.Sub-wards
		4.Mtaas
Uganda	Unitary	1. City/District
		2.Municipal Council/County
		3. Division/Sub-county
		4.Ward/Parish
		5.Village

It is, however, important to note that whilst there is acceptance of the existence of local governments, some national governments still see local governments more as a threat than an opportunity and hence many still prefer to promote deconcentration rather than devolution of power and authority to local authority[13]. The attitudes of central government official are another issue to reckon with. Many of them are not comfortable with the idea of relinquishing power to democratically elected local politicians and appointed officials[14].

Here lies the paradox and dilemma of decentralization by devolution. As noted by Olowu,

> Devolutionary decentralisation (DD) confronts two major political problems. The first is the unwillingness of political and administrative leaders to share monopoly power-inherited from the colonial period. This is in part due to fears that devolution might undermine national cohesion and fan the embers of secession in societies in which ethnic and community loyalties are quite strong. There is also the fear that devolution might compromise the integrity of nationally delivered services. In many instances, these rational fears are often a cloak for the fear on the part of ruling elites at the centre of loosening their grip on political power. Devolution is viewed as a zero-sum power game—in which local actors gain at the expense of the centre—rather than a positive-sum power game in which all players—both local and centre gain over time. A second

[13] Charles Katiza, Going into the 21st Century: Decentralisation, Democratisation and Empowerment at the Local Level. A Paper presented at the Commonwealth Colloquium in Ottawa, Canada, February 20 – 22, 1998, p.2
[14] Ibid. p. 3

political dilemma is the problem of local elite capture. In many instances, it is local elites rather than the most vulnerable that capture decentralised power—which is then utilised to repress local minorities—including women and other marginal groups. These two political dilemmas must be overcome before any country can have effective and institutionalised local governance systems. The first problem has been overcome in a number of countries but none can be said to have fully tackled the second problem. Evidence shows that some countries have been able to forge a political coalition to get DD adopted. Critical institutions include constitutional re-arrangement of responsibilities and powers of central and local governments, the constitutional transfer of funds to local governments and the transfer of the power to make and approve own budgets and personnel, including those transferred to the local governments from the national governments. Elaborate systems of fiscal transfers have been put in place in countries such as Nigeria, Uganda, and Ethiopia –which ensure that substantial national resources are made available to cash-starved local organs. Human resource management systems have also been developed at the local level, making them almost at par with the national level governments. On the other hand, very few countries have been able to tackle the second problem of developing effective local government structures that promote accountability, public –private partnerships and effective services delivery at the local level".

Countries like Uganda and Ghana are in the process of reviewing their structures with a view to dealing with such fears.

IV. Policy and legislative framework for decentralization in Africa

A part from spatial re-organisation, there has also been restructuring in the policy and statutory frameworks.

One of the successful experiences of Africa is that by and large, the legal framework of decentralisation has been well conceptualized. In various countries there is a constitutional provision for decentralisation supported by comprehensive legislative frameworks. (Refer to Boxes D and E)

Ministers responsible for local governments have accepted the *principle of subsidiarity* and have become champions of decentralisation urging for more allocation of resources and supportive legislative frameworks. This trend is illustrated through the principles commitment contained in the Windhoek Declaration of 2000 reproduced as Box D.

Whilst the actual commitment on ground might vary from country to country depending on local circumstances, it is safe to conclude that by and large, decentralisation has come to be accepted as part of the development strategy for Africa.

Box D: The case of a continental shared vision on decentralization

Preamble
Africa is in quest for democratic governance that harmonises the sharing of responsibility between central and local level that empowers people, democratises society and co-shares the responsibility to decide on policies that affect people's daily life. Therefore, we the Ministers and Local Government Leaders gathered together in Windhoek agree to commit ourselves to promote and support the vision of decentralisation in our respective countries which will include the following:

Objectives:

- The purpose of decentralisation should be to devolve authority as well as political, administrative and financial powers decision-making and policy-implementation responsibilities to subnational governments (SNGs).
- Decentralisation should be, to subnational governments which are representative of and accountable to all sectors of the local population, including marginalized and disadvantaged groups.
- The underlying purpose of decentralisation, to bring government closer to the people, to empower people, to strengthen democratic values in society, and to contribute to social and economic development, are consequential for the survival of democracy, its credibility and functional purpose.
- Decentralisation should be, to levels of subnational governments and institutions which enable effective community participation in subnational governance.
- Government to, by, for and with the people at subnational levels is considered as one of the pillars stabilizing and sustaining democracy in the society.
- Interaction and interfacing between subnational authorities and central government and between subnational authorities and their clientele.
- Decentralisation should involve the transfer to subnational authorities those powers, functions and responsibilities necessary to enable them to:
  * Provide services for the population at subnational level efficiently, competitively and effectively;
  * Provide a conducive environment for development at subnational level;
  * Develop and manage local resources in a sustainable manner.

Decentralisation should include the provision of access to resources needed to execute the mentioned powers and functions efficiently, effectively and purposefully, including financial and human resources.

- Financial resources should be available to authorities at subnational level in a manner which is reliable, predictable, transparent, accountable, sustainable and equitable.
- Decentralisation as a principle should be enshrined in the constitution.
- Decentralisation is a never-ending process implemented in stages but continuously.
- Decentralisation should accept the challenge of globalisation by strengthening capacity building at subnational level and to make them competitive entities in the global economy.

Box E: A Tale of Two Countries on Constitutional and Legislative Provisions

In Uganda, the following are the principles of the local government system spelt out in the Constitution:

- The system shall be such as to ensure that functions, powers and responsibilities are devolved and transferred from the Government to local government units in a coordinated manner;
- Decentralisation shall be a principle applying to all levels of local government and in particular, from higher to lower local government units to ensure peoples' participation and democratic control in decision making;
- The system shall be such as to ensure the full realisation of democratic governance at all local government levels;
- There shall be established for each local government unit a sound financial base with reliable sources of revenue;
- Appropriate measures shall be taken to enable local government units to plan, initiate and execute policies in respect of all matters affecting the people within their jurisdiction;
- Persons in the service of local government shall be employed by the local governments; and
- The local governments shall oversee the performance of persons employed by the Government to provide services in their areas and to monitor the provision of Government services or the implementation of projects in their areas.

In Tanzania, the 1997 constitutional amendment (URT, 1977), entrenched local government with emphasis on improving the quality of public services delivery around the following 6 specific objectives:

- To foster democracy, participatory decision-making, transparency and accountability;
- To restructure Local Government Authorities into effective and efficient service delivery organs;
- To improve intergovernmental fiscal transfer systems, devolve viable revenue sources and budgetary authority to Local Government Authorities and enhance efficient use of resources in Local Government Authorities
- To decentralize personnel management authority to the Local Government Authorities improve human resource management and ensure staff accountability to the Local Government Authorities
- To build capacity in Local Government Authorities through training and skills development in planning, budgeting, performance monitoring and financial management;
- To reform the central-local regulatory framework in favour of autonomous Local Government Authorities.

The tempo, consciousness and commitment to decentralization by the various African nation-states

It ought to be noted that whilst countries embraced decentralisation, they differed in enthusiasm to make it a reality. In Malawi, the Government agreed on decentralisation in 1988, but the policy was not approved until 2001. In Gambia for instance, though Cabinet approved a policy paper on decentralisation in April 1993, it was only in 1997 that the National Constitution laid a sound basis for the formulation of policy objectives and a strategy and action plan. In Zambia, discussions on decentralisation started as far back as 1992. However, the process stalled because policy makers at central government level could not agree on what functions to decentralise and how much resources should accompany such decentralised functions. A policy document was not approved until 2003, and the actual implementation is yet to begin. It seems the extent to which local government reforms can succeed also depends a lot on the way central bureaucrats reacts to the new rules and incentives emerging from the policy changes. There is evidence virtually in all countries that bureaucrats in sector ministries have continued to resist decentralisation for fear of losing power and access to resources.

V. Experiences with intergovernmental financing modalities and implications for civic participation

Intergovernmental transfers have been a source of bitterness between the local governments and the Central Government. Interestingly enough, in most of the countries, transfer of financial resources is a legal obligation on the central government and the councils are required to duly account for these monies to public accounts committees and this has taken care of experiences related to: (a) Predictability and certainty of transfers; (b) Transparency of Transfers**;** and (c) Conditionality and Adequacy of Transfers

Predictability and certainty of transfers

In Kenya there is a clearly defined law that provides a mechanism for implementing a system of central-local fiscal transfers, which gives a level of certainty and predictability to the system of intergovernmental transfer to local governments. It ensures that the government will honour its pledge to transfer a portion of its national income tax to local governments, a good example being how the LATF fund is being disbursed to local governments in Kenya at the present moment. Also in Mozambique, the Central Government operates a Municipal Compensation Fund and Investment Fund from which transfers to take care of delegated functions is met. Like in Kenya, the law in Mozambique compels the central

government to set aside a certain percentage of fiscal revenues to be disbursed to local governments. In the Mozambican case this amount ranges from 1.5% to 3% of the total central government fiscal revenues.

Although in the past in Tanzania**,** the amount and timing of transfers to local governments used to be uncertain and often falling far short of the budget estimates, this has now changed. Transfers are now based on population size and school enrolment numbers respectively, making them more certain and predictable. Allocation of road funds, for example, are also equally predictable, being based on a performance agreement, signed between the Roads Fund Board and the President's Office - Regional Administration and Local Government.

Zimbabwe and Zambia are still problematic cases as far as the predictability and certainty of intergovernmental transfers are concerned. Although in Zambia the law compels central government to honour its obligation to transfers fiscal resources to local governments, fiscal transfers from the Centre are neither predictable nor certain since there is no clear indication of when funds, which are expected to become available would be disbursed. The central government grants' unstable nature and unpredictability regarding the timing of disbursement has therefore rendered local governments ineffective when it comes to service delivery. The same is true for Zimbabwe, where problems to do with intergovernmental fiscal transfers are also closely related to unpredictable allocations and disbursements, which fall short of mandates.

Transparency of transfers

In Kenya the transfer of the LATF funds are distributed to all local governments in an objective and transparent way. A clear criteria or formula is used to allocate these funds. The disbursement constitutes (1) a basic minimum lump sum allocated to all local governments; (2) 60 percent allocated based on the total population of each local government; and (3) the remainder allocated on the basis of urban population size of each local government. To enhance transparency, the LATF funds are also managed by an Advisory Committee involving senior executives from the private sector, civic society, Ministries of Finance and Local Government. The Committee publishes reports of its operations on a yearly basis and it is also required to publish in the national newspapers the allocation criteria, conditions and actual disbursements.

In Mozambique, once Parliament approves the national budget, the funds to be disbursed to local governments are published and known. Parliamentary budgets are published in the national newspapers and printed books ensuring public knowledge of pending transfers. Also a known criteria for disbursement is used. The transfers are based on four criteria, viz: (1) population of the local authority; (2) total surface area of the local authority; (3) amount collected by the local authority from the community; and (4) the level of development of the local authority. The existence of a formula makes intergovernmental transfers not only predictable, but also transparent in that both the local authority and the central government know in advance of the amount expected to be disbursed. In practice, however, in the Mozambican case only the population statistics are used to compute the transfers since there are serious problems of collecting the other statistical data for the computation of the other allocation criteria as well as the existence of unclear boundaries.

Although in the past fiscal transfers in Tanzania were not based on objective criteria or formulae, but more on the lobbying ability of the local authority, these days various criterion such the local authority's population size, performance indicators and enrolment numbers in schools are being used to disburse funds to various local government in the country. The on going inter-governmental fiscal reforms have, for example, introduced a new formula based system of conditional block grants allocation for education

and health services that make up 88% of all transfers to the local authorities with effect from the 2004/05 financial year, which starts from 1st July 2004.

Similarly in Uganda the existence of clear formula on the distribution of central government grants to sub-national governments makes them highly predictable and certain each fiscal year. For example, the unconditional grant's calculation is based on the population (85%) and land area (15%). On the other hand conditional grants for the non-wage components of the health sector are allocated based on three components namely: Total Population, Donor and NGO spending as well as the Human Development Index. For non-wage education, conditional grants are given on per capita basis (number of pupils in school). For district feeder roads the grant is based on the kilometres of maintainable roads as well as the terrain (level, rolling and mountainous). For the Agriculture sector the grant is mainly used for salaries. For rural water and sanitation it will be used for expanding water coverage and will be based on area and population size. The conditional grants are made available to districts only.

However, in the Zambian case there is no known criterion or formula for transferring resources from the centre to the local authority. A good example is the disbursement of constituency development grants, whose allocation procedures are very arbitrary and therefore not transparent. At the same time many citizens are not sure of how such grants are utilized neither are they aware of who is responsible for managing the funds nor how the allocations are made. In particular, the power to make constituency development grants or loans to a council on such terms and conditions as the Minister may determine makes the disbursement process of the grants not only very unpredictable, but also uncertain and not transparent. The non-transparency of the disbursement procedures is further complicated by lack of information made available to councils about funding policy; the amounts available for distribution from various sources; and the reasons for the delay in releasing funds.

On the other hand in Zimbabwe**,** while the basis and formula for calculating the central transfers exist, they have not been followed or funded in full resulting in operating deficits in the local authorities. The grants are conditional on proof of expenditure in service delivery. This impacts negatively on other services, which have to be foregone to cover these mandates. The allocation differs from formulas and disbursements are not certain nor transparent to the local authorities.

Conditionality and adequacy of transfers

In virtually all countries, in order to access central government funds, local governments must fulfil prescribed conditions.

In Kenya, in order to secure the transfer of LATF funds from the centre, the overall conditionality is that all local authorities must submit budget estimates explaining how the LATF funds, in combination with the local own sources of revenue, are to be used. In order to receive the service delivery component which is equal to 60% of the total allocation the following conditionalities must be fulfilled: (1) the local authority's local budget must allocate the equivalent of at least 50% of the LAFT service delivery amount for capital project; (2) the local budget must not allocate more than 65% of the total budget on personnel; and (3) local authorities are required to pay all statutory charges within the year in which they are due-beginning 1 July 2000. The remaining performance component which is equivalent to 40% of the LAFT funds is only released when local authorities meet the following five additional conditionalities: (1) to submit a statement of receipts, payments, and balances for the previous financial year; (2) to submit a statement of debtors and creditors for the previous financial year with an explanation of progress on meeting the debt reduction plan with the five statutory creditors signed during the previous financial year; (3) to submit an abstract of accounts for the previous financial year to be submitted to the Controller and Auditor General ready for audit. Copies to be submitted to the Ministry of Local Government and the Ministry of Finance; (4) to submit a revenue enhancement plan outlining how the SNG will increase its

revenue mobilization in the next financial year; and (5) to submit a Local Authorities Service Delivery Action Plan (LASDAP) documenting that the local authority conducted a participatory planning process and identified a 3-year rolling programme of projects and activities. Disbursements of the LATF funds are however based on 5 percent of the total national income collected by the central Government, but both LATF and local authorities' own revenues are not adequate to meet the local authorities' obligations resulting in some unfunded mandates.

In Tanzania, the list of conditionalities that must be met before fiscal transfers are made by the centre to local authorities under the proposed new allocation system is even more comprehensive than before. Unconditional grants will be disbursed from January 2005 to local authorities that meet the following minimum access conditions of capacity and accountability:

- Final Accounts for the previous financial year submitted for audit in time;
- The SNG did not receive an adverse audit report on the last audited accounts;
- No confirmed mismanagement of funds has occurred since the last audit report;
- The SNG has an approved plan and budget;
- Quarterly progress reports on project implementation submitted in time;
- Positions of SNG Director and Treasurer substantively filled;
- Bank reconciliation statements for all accounts prepared monthly;
- Internal audit in place and functional;
- All quarterly reports during the previous financial year presented to council and copies send to President's Office, regional Administration and Local Government;
- Sufficient funds available to meet the co-funding obligation (minimum 5%);
- Budget process adhered to the provisions of the Local Government Act and Planning and Budgeting guidelines;
- Legally constituted Tender Board and National Procurement guidelines and manuals available;
- Regular meetings of the council–at least one meeting held every 3 months–and minutes of the council meetings placed on a permanent record; and
- Annual and quarterly work plans available.

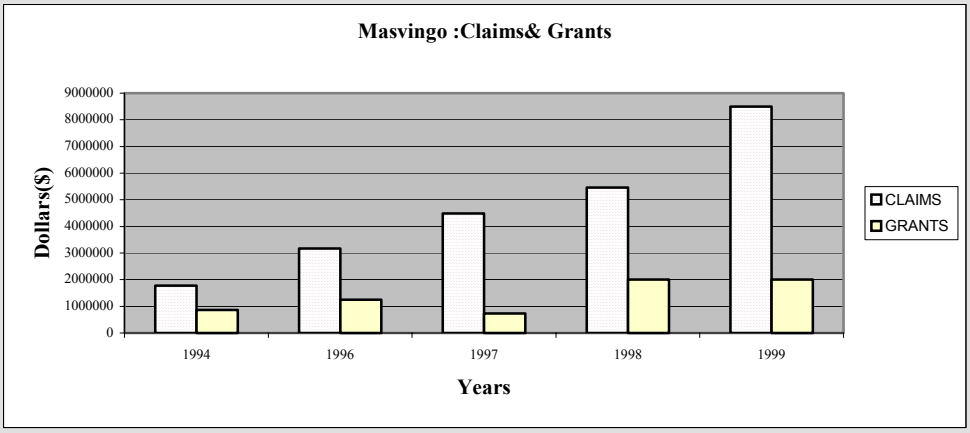
Coping with "unfunded mandate"

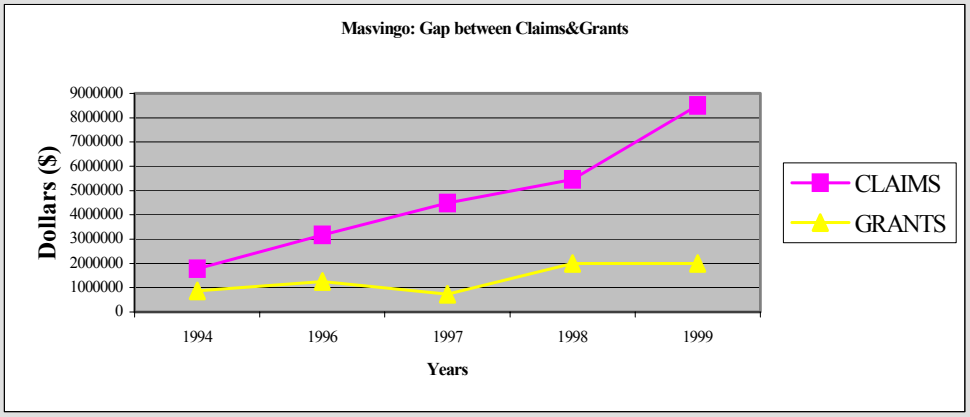
Over the years, a number of mandates have been devolved to local governments but without proper assignment of dedicated revenues at local government levels. In many countries, the health mandate has been probably the most burdensome to local governments. Local governments argue that it is wrong of central governments to use their powers to impose mandates they are not willing to financially support. On the other hand, central governments argue that they should not be held at ransom by local governments when important societal goals are at stake. The reason for the increasing number of unfunded mandated seem to be a result of continuous low economic growth combined by the pressure to deal with budget deficit at national level. The case of Zimbabwe illustrates the problem if unfunded mandates.

Box F: A case study from Zimbabwe

The Ministry of Health has the overall responsibility for health delivery in Zimbabwe. The main constraint in the provision of health services in the decentralized form is that the central government still prescribes the level of fees to be collected and these fees are pegged at far much lower levels to sustain the service. This has result in serious problems in running the service or even expanding it due to under funding. Government has also not been honouring in full health grants to local authorities with the result that local authorities have experienced huge deficits. Government has instituted a policy of 'spend now and pay later' to the local authorities. A study by Chiyaka (2000) indicates that the gap between government grants and contributions and the actual expenditure on the service has been increasing as is shown in Figure 2 from a case study of Masvingo Municipality in Zimbabwe.

Figure 2: Gap between grants and claims.





VI. Experiences on election of representatives to LGA

The other interesting experience in Africa relates to elections of representatives in local government. With the exception of Kenya and Zambia, Mayors and Chairpersons are elected directly by the citizens and have executive powers. This is the case in Uganda, Mozambique, and Zimbabwe. In the Zambian and Kenyan cases, the Mayors or Chairpersons of the councils are elected by their fellow councillors. The office of the Mayor or chairperson in the countries studied varies from two terms of one year as in Kenya and Zambia, to a maximum of two terms of four years each, as is the case in Uganda, and Zimbabwe.

In Mozambique, the mayor is vested with powers to choose half of his councillors from the community he or she represents. In the cases of Kenya, Mozambique and Zambia, councillors are elected by citizens but must be nominated by their political authorities. In Uganda the composition of the councillors is such that one third of the seats should be reserved for women who are elected in separate elections, two seats each in council should also be reserved for the youth and disabled, selected through their own representative structures. For each of these additional councillors, one should be a woman. In Zimbabwe, such special councillors are appointed by the central government. In Zambia, all area members of parliament are members of a council and have voting powers. In addition, there are also two representatives found in the council appointed by all the Chiefs within the district boundaries as a way of involving traditional rulers in local governance. In Malawi, the membership of the assemblies comprises councillors, traditional authorities and sub-national authorities. Members of parliament are ex officio and non-voting members, and five persons are appointed by elected councillors to look into the interests of special interest groups. In all countries reviewed in this section, the central government (the minister responsible for local governments) has the power to remove the mayor from office, and/or suspend the entire council.

In Uganda each District has a presidential appointee called the Resident District Commissioner. The Commissioner represents the president and the central government in the district.

Decentralisation and local politics

The aspects of elections and democracy are tied to two interesting concerns – local politics and party politics.

Local elections are usually characterized by violence, rigging and apathy.[32] Besides, political activities of opposition groups are severely restricted and political campaigning is extremely difficult. In some countries the outcome of this state of affair has been a legitimacy crisis of the local authority where citizens have openly expressed their objection to the imposed leadership and as a result they refuse to pay taxes[33].

Competing political interests can motivate support or opposition to decentralisation programmes. It is therefore important to identify and assess the motivation for decentralisation among different groups or political actors. In Mozambique, for instance, views on the purpose, pace, and sequencing of decentralisation process varied according to political background and position occupied in the national administrative hierarchy. The case of Mozambique illustrates how the fear of releasing power and control over resources to the opposition led the Frelimo government to fundamentally redirect the of decentralisation process after the introduction of multiparty politics. While the decentralisation legislation of 1994 envisaged a far-reaching devolution of power to new local bodies, a law passed in 1997 reversed this trend by limiting the number of areas where they could be established and subordinating them to higher levels of government. This, in turn, led to temporary erosion of donor interest in the process[34].

In some countries it is difficult to discern the difference between the political party and the formal structures. Malawi, Tanzania, and Zambia, were a case in point where, until the introduction of multi-party democracy, the roles and functions of the political party – Malawi Congress Party (MCP), Chama Chamapinduzi (CCM), and United National Independent Party (UNIP) - obscured the role of the formal local government institutions.

[32] During the local government elections in Malawi in October 2001, voter turn out was as low as 8 percent. The same trend was observed during the local government elections in Uganda in March 2002.
[33] This was the case in Kibale District in Uganda
[34] Jean Bossuyt and Jeremy Gould, Decentralisation and Poverty Reduction: Elaborating the Linkages. A ECDPM Policy Management Brief 12, October 2000, p. 2

In countries like Kenya and Zambia and recently in Zimbabwe the overarching supervisory powers of the Minister prevents due exercise of discretion. LAs therefore find themselves tied down by procedures in their decision-making processes

VII. Decentralization, participation, and the budgeting process: impact on development

Musoni (2004) points out that decentralisation can be a very effective weapon to development if it is closely tied to citizen participation and democracy. He rightly argues that fiscal and financial decentralisation increases opportunities for the citizens to access credit facilities, on the one hand, and the knowledge and awareness of the uses of charged taxes enhances trust in the governors and hence can debar frequencies of unnecessary leakages through corruption and other related vices. From Rwanda, Musoni illustrates a case of how decentralisation and development can be so tied so that effectiveness is attainable.

Box G: The case of linking decentralisation to development

A delay has been experienced from the country in implementing a Rural Sector Support Project under the Ministry of Agriculture and Animal Resources, which would be implemented in phases over a span of 14 years. To cure the hold-up, recently has it dawned to the Government that the motif is executable if participatory decentralised move is taken. The agricultural and animal resource ministry has therefore now formulated a Memorandum of Understanding between it and the twelve provinces in the country. The province will be the managing agent of the funds of the state, while sub-provincial committees will be answerable to the province.

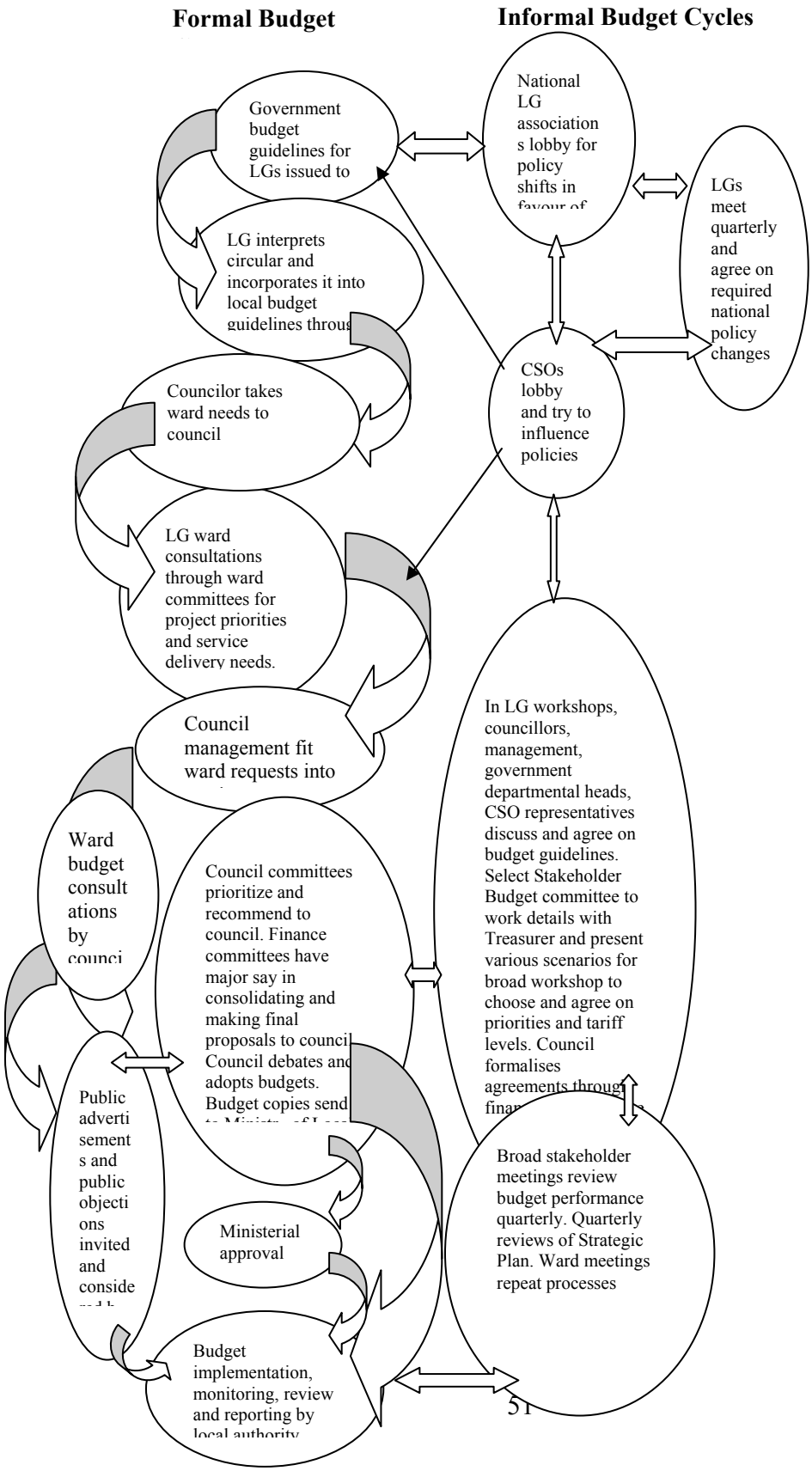
As pointed out by Sudharshan Canagarajah et al (2002) in their work in Ghana, promoting participatory processes is about bringing local government administration to the doorsteps of the citizens and to make sure that public service provision is participatory1. In some countries, like South Africa, Uganda, and Tanzania, the direct involvement of civil society in budget formulation and analysis; expenditure monitoring and tracking, participatory performance monitoring as well as monitoring of public service delivery is one significant development have resulted in, among other things, greater accountability of governments to their citizens, improved service delivery, better prioritisation of development needs, and overall empowerment of local communities to fight corruption.

A former Chief Administrative Officer of Bushenyi District, Uganda, in an interview with MDP staff put it thus:

> The participatory processes increase transparency; increases team work, increases accountability and enhanced capacity of the stakeholders and the service providers. In many programs we do use some of these methods.

One area that has gained popularity in recent times is that of *participatory budgeting*. It is one of the significant tools through which local preferences and priorities find their way onto the council agenda and budget. Form the various studies on participatory planning and budgeting MDP has attempted to conceptualise the process on participatory budgeting as shown by Figure 2. It ought to be noted that in all cases, Ministerial approval is needed before the budgets come into operation. In Kenya and Zimbabwe, the public is given a final chance to comment and make inputs in the budget through publication in newspapers. Any objections have to be considered by the council before finalizing the budget.

Figure 2 Systematised Formal Budget Cycle in Local Governments (LGs)



There are positive outcomes from this process. Overall, citizens feel that they have a stake in the survival of their locality and as a result, have the responsibility to look after its interests. In this regard, lax *attitudes* towards public good and services such as communal water taps, street lights and telephone booths, are giving way to community vigilance thorough neighbourhood committees that guard against hooliganism. Councils are also increasingly becoming more sensitive to gender budgeting. These developments are also beginning to impact positively on the relationship between local government officials and citizens by way of ***reviving*** *citizens' confidence and trust* in the councils. With more transparency in the budget processes, there is likely to be less finger pointing, accusations and counter accusations and denials.

There are still many challenges to permit meaningful participation. There are issues related to capacity as well as resources to sustain the resources. The case of Uganda gives the experience of one of the municipalities in Uganda (Box H).

Box H: Case study from Uganda on citizen participation in budget planning and formulation, Soroti's budget conference

The decentralization process in Uganda has provided a conducive legal and institutional environment for Ugandans to participate in public affairs from the village to the district level. In this context, participatory budget tools to support citizens' participation in budget prioritization and formulation are being introduced. An example is Soroti's Budget Conference. According to the Guidelines prepared by the Ministry of Local Government in 2002 on participatory planning for lower local councils, there should be a Planning/Budget Conference to review performance and agree on local government priorities by the 15th of November every year.

The purpose of the Conference is: a) for heads of departments to outline their program plans for the following financial year, b) to discuss and agree upon a list of priorities, and c) determine guidelines for sectoral budget allocations. Prior to the Budget Conference, citizens submit their needs and priorities to elected councillors, through village and ward level planning meetings. Councillors present this information at the Budget Conference, which is also attended by local politicians, heads of departments, the chief executive of the council and representative of central government and often civic group representatives. Following the Budget conference, the chief executive along with members of standing committees of councils, including the heads of departments set sectoral policy guidelines and agree on costed sectoral priorities. A draft budget is then produced and debated. The Executive considers the draft budget, makes final changes and approves the final draft, which is taken to council for approval. Citizens are not involved at these following stages, but they can obtain copies of the final budget from council offices and the local newspaper, with limited opportunity for input.

Even though the village and ward meetings, and the budget conference are introducing participatory models to citizens and local government in Soroti, effective participation or representation of citizens through these mechanisms (particularly the poor and marginalized) is still limited. This is due to a number of factors:

- *Indirect representation*: to date, citizens are mainly represented in the Budget Conference by various interest groups – civil society and councillors. Thus, the degree of effective and inclusive representation via this mechanism is debatable
- *Participatory mechanisms are not outlined in legislation*: these formal procedures or mechanisms for civic participation are not prescribed within the law. As such, citizens do not have the autonomy to conduct the statutory duties of the councils. And even though

civil society organization representatives and citizens are allowed to attend the budget conference themselves, this is not delimited in the local government act, which can lead to the exclusion of social groups within the conference setting

- *Lack of access to financial resources:* Municipal procedures including the planning and budgeting process, and minutes of council meetings are disseminated to citizens through local papers and radio stations. However, the majority of poor people do not have access to this information as they lack resources to buy newspapers or radios. This problem is compounded by low levels of education and literacy (estimated at 38% nation wide). The poor do not have the financial resources to attend meetings especially when they have to travel long distances. The municipality has tried to counter this problem by paying for transport costs and a providing a subsistence fee. However, this has proved to be unsustainable since the municipality's financial resources are also limited
- *Social exclusion:* In Soroti, it has been observed that the poor have a tendency of excluding themselves from council affairs. Some people regard municipal activities as those for the elected councillors and not for the citizens. The situation is exacerbated by the legal framework, which does not provide for formal procedures and mechanisms for citizens' participation in the budgetary process

In the case of Soroti, enhancing citizens' participation in budget prioritization and formulation through a Budget Conference type mechanism requires a number of other supporting systems to be effective, including: a) promoting a balance between representation through intermediary groups and direct participation of the poor; b) developing citizen's ability to understand the technical dimensions of the budget formulation process); c) expanding participatory processes to other parts of Soroti's budget cycle; and d) improving citizen's access to municipal budget information.

Decentralisation and the municipal capital market

Bridging the gap between the actual costs incurred and the grants from government has become the responsibility of the municipalities. This has further eroded their financial base and this has generally contributed to the negative perception of the decentralization exercise by the local authorities. Central government is seen as dumping essential services on local authorities without the requisite funding or even the authority to raise funds for the services (refer to Box I).

Some remedial strategies

In Zimbabwe, the central government has allowed selected municipalities to borrow from financial markets within the new monetary policy framework which guarantees access to 'cheap money'.In Namibia, Municipalities have a leverage to apply to the Ministry of Finance for interest bearing loans payable over a period of 30years for the implementation of capital programmes.

Box I: Recent experiences in municipal capital markets: the case of Zimbabwe

Until 1995, only Harare and Bulawayo, Zimbabwe's two largest cities were active in the Municipal Bond Market for purpose of financing capital projects. As the traditional source for funding capital, namely Central Government loans, began to be insufficient and unpredictable, a roundtable meeting among the various stakeholders was convened to seek alternatives.
It was clear from that Workshop that the best way out was to make the municipal bond market vibrant. With the assistance to Government from multi-lateral financial institutions, various studies were carried out to address the constraints. The following steps were taken with results indicated below:

- A public/private partnership Municipal Finance Working Group for Expanding Municipal Finance in Zimbabwe was created to spearhead the initiative. It is co-chaired by a banker representing the private sector and by myself representing the public sector.
- Studies revealed that there were more investable funds in the financial sector than the combined needs of the cities. It was also clear that the economy had enough financial depth and sophistication, measured by M2 divided by GDP, to carry the initiative through.
- Legal hitches existed in ring-fencing projects though there were ways of circumventing that.
- The financial statements of the cities were standardized and a model prospectus produced. A standardized Accounting and Budgeting Manual was produced.
- Need for debt limitation and early stress signals is being addressed.
- The cities were credit-rated, initially on a confidential basis so that they could address the problems identified.
- All the cities began floating both General Obligation bonds and Revenue bonds with immense degree of success.
- The market came up with new and innovative financial instruments for the cities like Revenue Anticipation Notes which were unknown hitherto.
- The market has come up with an Infrastructure Bank to supplement the existing institutions.
- There is better understanding between the private sector and the public sector.
- The cost of capital on the bonds is within a small spread of the gilts.
- The bond issues are sub-sovereign and are not guaranteed by Central Government.
- Both the World Bank and USAID funded the initiative.

Thus Africa is slowly developing its own Municipal Bond Market 100 years later than say America. It is possible and it can be done once all the players put their heads together. I hope this assists put an African perspective to the Training Programme and illustrates that the concepts ably discussed in the Workbook are universal and practical.

Source: Prepared by Justus Mika Former Treasurer of Gweru City Council, Zimbabwe

VIII. Decentralisation experience with sector-wide approaches (SWAps): tendency towards recentralization

Sector-wide approaches (SWAps), particularly in education, health, water and sanitation, roads and agricultural sectors, are being used more and more by donor agencies and their country partners to achieve development objectives founded on principles of common interest and equitable partnership, national ownership and execution, of the aid donor harmonization, capacity development and performance. However, as observed by Bernhard Weimer, in countries where governments are seriously committed to decentralisation, this approach is set to create confusion in decentralisation processes and in the opinion of many stakeholders, there is need to reconcile with the principles of devolution and institutional reforms already underway[1]. Tony Land points out that SWAps have a negative impact on the devolution process by privileging institutions at the centre at the expense of localities and by reinforcing top-down planning processes, resulting in a de-facto recentralisation of power and authority. There is concern that SWAps are gradually disempowering local authorities, denying them the independence and discretion foreseen in the legislation and converting the process of devolution into one of administrative deconcentration. Even though local elections take place and there is access to resources, local authorities are unable to exercise control over the use of those resources. Issues of governance, local ownership and accountability, equity and choice are compromised in the interest of assuring compliance and delivering

[1] See discussion be Bernhard Weimer, Democratic Governance in Mozambique: Priorities for th Second Generation 2002 – 2006, Maputo, November 2000 pp 38-44

tangible results in the short term. Overall, the introduction has created ambiguity in the decentralisation processes.

There is concern that SWAps are leading to a proliferation of conditional grants. The findings of George Kasumba and Tony Land et al.[2], in their research on the impact of SWAps on decentralisation illustrate the problems at hand (Box J)

Box J: Impact of SWAps on decentralisation endeavours

Advocates of decentralisation and by and large local, local authorities feel that conditional grants have undermined the process of developing autonomous local governments and contradict the principles enshrined in local government Acts. In Uganda, local authorities argue that the Local Government Act of 1997 clearly transfers responsibility for local development planning and budgeting to locally-elected councils. But, the system of conditional grant transfers holds back this process by undermining the autonomy granted to the local level and by interfering in the local decision making process. Sector and sub-sector priorities are set, and tight spending guidelines are imposed by sector ministries in consultation with donors leaving almost no discretion to councils to take account of local priorities and circumstances. Local councillors rather than being encouraged to take ownership of the local development process and to be accountable to their constituents for their actions, remain spectators to centralized planning and budget allocation process. Council technocrats end up the implementers of central government plans, taking instructions from their sector ministry counterparts, and become accountable to the sector ministry in the first instance rather than to their locally elected leaders.

Councils argue that they are best placed to translate national priorities into local development plans and that the micro-management imposed by line ministries is inappropriate. Moreover, it is felt that the planning and allocative criteria used by sector ministries do not adequately take account of local realities. The result is that councils are often obliged to implement actions, which they know to be inappropriate. They also point out that the sector ministries face their own capacity constraints and are simply unable to manage their sectors adequately.

On the issue of local governments' capacity to deliver services efficiently and effectively, councils believe that the criticism levelled at them for lacking capacities is overstated and is used merely to justify the for conditionalities, and for retaining control at the centre.

Central government and to some extent donors, look at the issue from a different perspective. The most commonly cited justification for retaining conditional grants is that local level lacks capacity to assume responsibility for the effective management of resources and delivery of services. Local authorities are criticized for poor planning, poor financial management and weak technical supervision. Councillors are criticized for being either incompetent or corrupt. The argument follows that the pace of implementation is slow, standards are often poor and resources wasted. As a consequence, sector programmes and overall policies of government are compromised, and the commitments made to the donor community cannot be honoured. This reality on the ground justifies retaining decision-making powers within central government and imposing strict conditions on the utilisation of resources.

The experience of Tanzania and Uganda show that SWAps have been welcomed by sector ministries who have always been unwilling to "let go" of responsibilities. Central bureaucrats argue that the approach (a) significantly improved the overall performance of sector ministries in the delivery of key services; (b) enhance donor-recipient (Tony Land and V. Hauck 2002) coordination; and (c) make more resources

[2] George Kasumba and Anthony Land, Op. Cit., pp 21-22

available to local authorities. However, it seems less attention is given to the influence of SWAps on decentralisation where governments are committed to transferring powers and responsibilities to provincial and local levels. This perspective has been reinforced by some donor sector advisors who argue that delivery of services field offices of sectoral ministries leads to a more efficient and speedy delivery of services, and that this should not be compromised by wider concerns for devolution. Ensuing from the aspect of the SWAps' impact on decentralisation is also the whole notion of donors and the process under discussion.

IX. Decentralization and the donors

Donors are not only limited to funding decentralisation but have also been active in the actual implementation in innovative ways. However, there are various concerns. Practices that have raised concern include:

- Where the donors bypass central and local government structures and deal directly with the non-state agencies at the district (or even lower) levels.
- Uncoordinated donor activities which cause management problems for aid coordinators.
- Lack of trust of local counterparts
- Lack of log-term commitment.

X. Globalization and the decentralisation process in Africa

The massive transformation taking place in the global economy - resulting from liberalisation, privatisation, and enhanced telecommunication - are posing formidable challenges to local governments. Many local governments are finding it difficult to cope with or take advantage of the pace of change and as a result the region as a whole is increasingly being marginalised. Whilst technological transformation is offering new opportunities for a number of developing countries, for Sub-Saharan Africa it seems to creating stress. Technical aids, such as computers, laptops, fax machines, electronic mail and Internets, scanners, are within the grab of local governments, and sometimes are available. However, there is still need for competent and trained manpower to make effective use of these aids in order to cope with the speed at which the environment is changing.

XI. Corruption: a blow and setback to the decentralization thrust

United Nations Secretary-General Kofi Annan addressing the United Nations Assembly on June, 24, 2004 stated:

> Corruption is an insidious plague that has a wide range of corrosive effects on societies, it undermines democracy and the rule of law, leads to violations of human rights, distorts markets, erodes the quality of life, and allows organized crime, terrorism and other threats to human security to flourish. … Corruption hurts the poor disproportionately … by diverting funds intended for development, undermining a government's ability to provide basic services, feeding inequality and injustice, and discouraging foreign investment and aid. Corruption is a key element in economic under-performance and a major obstacle to poverty alleviation and development.

It seems decentralisation is a major source of and incentive for creating opportunities for corruption at local government level (see Boxes K and L). In several countries, there is concern as a result of leakages of resources to individuals and sometimes-unintended organisation. The Government of Ghana reacted by establishing a Serious Fraud Office (SFO) with the sole mandate of combating corruption. According to

the findings of SFO, there were numerous incidents of ghost names that appear on payrolls especially in education and health sectors, serious frauds in public procurement, and ghost schools and hospitals.

Box K: The anatomy and impact of corruption in a conceptual-practical frame

The institutional failures that encourage corruption have a common underlying logic. This logic, as proposed by Robert
Klitgaard, is as follows: corruption equals monopoly plus discretion minus accountability, or stated as a formula

$$\mathbf{C = M + D - A}$$

Where: C = Corruption; M = Monopoly power: D = Discretion by officials; A = Accountability
The second failure in the control systems of public administration as stated in Alex Muganda's formula is

$$\mathbf{C = M + O + R}$$

Where: C = corruption; M = Motivation; O = Opportunity; R = Rationalization

Like at the central government level, there is petty and grand corruption at local government level. Petty or small (chai or kintu-kidogo or grease payment) corruption, as it often called includes the poorly paid public employees who depend on small bribes to maintain their families. They receive small bribes in exchange for speeding up administrative procedure or moving a file to higher ladders of bureaucracy. This level of corruption is damaging because, amongst others, it: (i) add to transaction costs; (ii) exclude those who cannot pay; (iii) foster contempt for public servants; and (iv) erode capacity for revenue collection

Grand (Systemic) corruption. This level of corruption is practiced by high–level public officials who have the power of decision making with respect to awarding public contracts or large-scale projects, or public resources allocation. This level corruption has in many local governments, induced wrong decisions resulting in: (i) wrong projects; (ii) wrong prices; (iii) wrong contractors; (iv) substandard delivery to recoup overpricing; (v) promotion of corruption at lower levels; and (vi) erosion of public confidence in leaders

"Corruption is rampant in every sector especially in the area of procurement and construction areas. In the past, hen the money went in from the central government, nobody knew exactly what roads to be built, but now that the local people are participating, we think they can be the watchdogs, as they will see the problem. We are still having problems where people collude even within the local environment, and shoddy jobs are done. Last week, I had meetings with all the leaders of the Nairobi city council for example, to see if we can agree on a new set of rules on how to effectively manage the funds and prevent fraud. What we are saying now is that the ministry will not release the funds until we know that the money that we sent last time has been properly accounted for.

Capacity building is still an area that we have to concentrate on a lot of employees in local authorities haven't the slightest idea on what to do, on how to fight corruption. In the society, some people still believe that corruption is a way of life in Kenya. So as a ministry, we are going to try and educate and build capacity. We are going to try and hire people on the basis of professionalism and hopefully through that process, the fight will be intensified within local authorities. *Interview with The minister for Local Government Honourable Muscari Combo, Kenya, August 2004*

A senior academic in Tanzania put it thus:

> If you talk to people in the health sector, especially people higher up, they give a reason, which I think does hold water, they are corrupt because of low pay. If you look at the traffic police, the health workers, the teachers, these are the people who have the most general interaction with the general population therefore people suffer most if people in these sectors are corrupt how ever petty the corruption*., Economic and Social Research Foundation Interview with John Ulanga, Tanzania, July 2004*

On another note a newspaper editor had this to share:

> …In most cases if you look at the recruitment of staff for example incompetent people have found themselves in very high offices simply because they are a relative of a municipal chairman or whoever, someone high up there or they have paid money to the district service committees that interview them for the jobs. And the good people who would deliver the services to the people just loose out like that and when it comes to the other aspects let's say procurement of items you have heard of cases where latrines for example have collapsed in Jinja just because they were done in a shoddy way. Someone instead of mixing cement in the right way they use a few bags of cement and the slab is weak that kind of thing in general and the community looses…" (*Interview with Edward Ojulu, Business Editor, The Monitor, Uganda).*

Box L: Tracking expenditures in Uganda: promoting efficiency

A survey carried out in 2001 revealed that less than 30% of allocated capitation money was reaching the schools on average at the end of 1995, the government acted immediately to improve the flow of information, and make budget allocations transparent by: i) publishing amounts transferred to the districts in newspapers and radio broadcasts; ii) requiring schools to maintain public notice boards to post monthly transfer of funds; iii) legally provisioning for accountability and information dissemination in the 1997 Local Governance Act; and iv) requiring districts to deposit all grants to schools in their own accounts, and delegating authority for procurement from the centre to the schools. By 1999, capitation grants received by the schools had almost reached 100%.

In countries like Namibia, South Africa, and Zimbabwe methodologies have been developed by some civic organisations, intended to assess public opinion on quality, access to, and satisfaction with the service. Some local governments are now embracing the use Report Cards commonly used in India. Internationally, the Report Card System is usually used to identify the key constraints the poor face in accessing public services, their views about the quality and adequacy of services, and the treatment they receive in their interaction with public service providers.

XII. Impact of HIV/AIDS on decentralization in Africa

A part from the problem of corruption, the issue of HIV/AIDs has also frustrated decentralisation efforts. Sub-Saharan Africa is by far the region most affected by HIV / AIDS in the world. The region which inhabits only 10% of the world's population, accounts for 70% of the people living with HIV/AIDS worldwide, 83% of the deaths related to AIDS, and 95% of the orphans due to AIDS (UNAIDS 2002). The epidemic has: (a) increased the demand on the health care systems, (b) reduced life expectancy to 38 years and increased infant mortality, (c) reduced the ability of citizens to pay for services and taxes, (d) threatened productivity due to absenteeism and loss of skills, and (e) increased the number of orphans and

child headed households. Most local governments are having difficulties building and maintaining their infrastructure partly due to the high cost of imported inputs. In many places, the infrastructure that was left behind by the colonial masters has crumbled without building news ones.

The experience of Jinja Municipality in Uganda (Box M) illustrates this experience. Evidence is beginning to emerge that indicates a positive correlation between HIV infections and education, income and socio-economic status. Under the decentralisation schemes some of the well trained officials are deployed in remote areas in order to implement decentralisation programmes. Since these officials are better off than most of the people in these remote areas in terms of education and socio-economic status, they are likely to have multiple-partners, which increases their likelihood of getting infected.

The death of such officials means loss of a trained personnel and the deployment of another officer who also needs time to adapt to the local situation and continue with the decentralisation schemes. This is serious a draw back to decentralisation schemes particularly in Eastern and Southern Africa.

Box M. The case of Jinja Municipality in Uganda

- Increasing number of orphans and vulnerable young people (without adequate support or supervision resulting in increased number of street children)
- Increasing cost of HIV/AIDS on the private sector as employees fall ill and die (often resulting in business failures)
- Increasing pressure on social welfare programs
- Rural/urban dynamics (rural populations coming to cities / towns to access services, employment, etc. for example, the population of Jinja is 100,000 but the day population is close to 150,000)
- Decreasing tax base
- Local governments are wondering how they can cope with the extensive and painful losses of human life and how to manage the social and economic losses that they are facing everyday.

XIII. Traditional leadership, Africa and decentralization

This is another angle to the experience of decentralisation process in Africa. During the post independence era, the role of traditional leaders in local government affairs was played down as they were considered to be collaborators of colonial governments. In countries like Zimbabwe, their judicial and land allocation roles had been divested to community courts and district councils. By 1999, some governments had come to realise or acknowledged that "the influence of traditional chiefs and their control over their communities remained unshaken and that it would futile continue ignoring this reality." In 1997, Lesotho enacted the Local Government Act, No 6 which provided a new framework for local governance, and went on to harmonise the modern institutions and the traditional chieftainship.

Henceforth, chiefs are part of the local councils. In Zimbabwe, the Traditional Leaders Act of 1999 was passed with a view to harmonizing the elected councils and traditional leaders through the establishment of village and ward assemblies headed by traditional village heads.

Conclusion and the way forward

Though decentralization has become one of the guiding principles of the government, in practice, the actual devolution of power is not yet in place. Municipalities are still lacking the actual decision making power. They only have limited power given to them in the form of de-concentration.

A description of the Ethiopia experience can assist in bringing out the inductive picture on the majority of the cases of African countries. The major institutional problems facing Ethiopian's municipalities are summarized in the Box N.

Box N: Institutional issues in Ethiopia

The institutional framework in which municipalities currently function is complex, ambiguously defined at all levels of government, and inconsistent across regions. At the local level ***four critical institutional and governance issues need*** to be addressed.

1. Many urban centers are not designated as municipalities, depriving them of municipal responsibilities. Even though there have been some standards for categorizing municipalities (issued under the Derg regime in 1988) their application to ensure municipalities in terms of responsibilities, structure, and staffing has been inconsistent.
2. The variations regarding upward accountability hinder the development of an integrated system of municipal government. Some municipalities report primarily to the regional BWUD while others report to Zonal or Regional councils.
3. There is a lack of clarity in the relationship between elected municipal representatives and appointed members of the municipal staff. In many cases, this issue created (leads to) disagreements and misunderstandings that damage municipal performance.
4. There is, at least in some cases, substantial interference in municipal affairs by the Regional BWUD or higher levels of administration. This can occur in the form of payment authorizations, restrictions on the use of legally allowable municipal revenue sources, appropriation of municipal responsibilities or property, and so forth. Such interference not only undermines local autonomy, but also constrains the development of municipal capacity.

Source: MWUD, 2001, The World Bank 2002)

As one of the quotations in this paper stated, decentralisation is not a 'once-off' event. It is a process. It is important to acknowledge that there are a host of challenges, as cited in the paper, which need to be addressed. Yet the green light is there. It may take decades to go a full cycle but slowly and surely, progress is being made towards meaning decentralisation of powers and responsibilities. In order to do this, there is need to esteem the place for and role of the following:

- Local government associations with their role of advocacy to central governments on behalf of all local authorities;
- The media, for raising of community awareness about their rights and obligations;
- Deepening the decentralisation needs to the sector levels;
- Increasing the capacity of technocrats;
- Separation of powers;
- Enhancement of institutional development and capacity building for responsive local governance; and
- Strengthening, co-ordination and harmonisation of interventions of all stakeholders in the implementation of decentralisation.

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Chapter Five

Fiscal Decentralization for Good Governance and Effective Service Delivery: Policies, Legal Frameworks and Implementation Strategies

Paul Smoke

Introduction

The last decade has witnessed a remarkable proliferation of decentralization and local government reform efforts around the world.[1] Disappointing progress in meeting national goals through centralized processes has induced many countries, including in the developing world, to think beyond top-down development and fiscal management strategies more seriously than they have in the past. Rapid political, economic, demographic and technological changes have fueled the trend to rely more heavily on lower levels of government for public sector activities.

Fiscal decentralization may appear to be a straightforward aspect of decentralization because it is not particularly difficult to assign expenditure and revenue powers to sub-national governments. The reality, however, is far more complex. Even under an officially sanctioned decentralization policy with a strong constitutional and/or legal basis, reluctant central agencies may slow the reform process. In addition, giving additional resources to sub-national governments that are politically, managerially and technically unprepared to use them responsibly can create enormous problems. Finally, the degree to which fiscal decentralization should be pursued is not always easy to determine. Empirical evidence to justify or discredit fiscal decentralization is limited and mixed. The claims on either extreme of the ongoing decentralization debate—that fiscal decentralization retards economic development and has undesirable macroeconomic effects; or that it improves local service delivery and enhances local government accountability—have not been adequately tested, so that much fiscal decentralization policy is based on presumed benefits.

The lack of solid evidence on fiscal decentralization in part reflects the great variety of context across developing countries, which complicates meaningful comparative research and generalization. First, systems differ in the number of levels of government and their constitutionally and legislatively mandated relationships. Second, there are variations in degree of political decentralization and grassroots legitimacy. In some countries sub-national governments have significant political power and are popularly elected, while others are appointed and follow directives of a more centralized level of government. Third, sub-national authorities differ in their degree of revenue and expenditure autonomy. Even in supposedly decentralized systems, the centre may continue to exert a degree of control that effectively undermines local autonomy. Finally, there are great differences in sub-national government managerial and fiscal capacity both across and within countries. These enormous differences in the way public sectors are structured and the way they share functions and resources across levels of government, combined with a lack of reliable data, have hindered the development of a clearer understanding of how to approach fiscal decentralization effectively.

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1. World Bank (1999), World Bank (2005).

Although substantial contextual variation complicates definitive generalization about fiscal decentralization, it is possible to outline basic elements of an effective and sustainable decentralized system and key factors that affect whether it can be realized. These elements should be reviewed in the context of each country to identify potential advantages and disadvantages of fiscal decentralization. The critical issue is not whether fiscal decentralization should occur—it is happening and will continue to happen in many countries; rather, the key is how to determine an appropriate level and how to structure a reasonable balance between local autonomy and central control, such that potential benefits of decentralization can be realized without undermining national objectives. Before going into more detail on fiscal decentralization, however, it is useful to briefly review the larger scope of decentralization, including the importance of the complex political-economic-institutional context in which it is unfolding.

I. The context of fiscal decentralization

Fiscal decentralization is not an end in itself; it is part of a larger, multi-faceted decentralization reform process that is expected to yield specific types of benefits. The complex environment in which reform is typically occurring, however, complicates the pursuit of decentralization in a way that will allow its desired goals to be realized. This section briefly reviews the expected goals/benefits of decentralization, considers its various interrelated dimensions, and suggests why it has been difficult to define and implement effectively.[2]

Goals/benefits of decentralization

There are many potential, sometimes conflicting goals of decentralization. The majority of the initially expected benefits can be broadly characterized as improvements in efficiency, governance, and/or equity in public service delivery processes and outcomes. These benefits, in turn, are often associated with the more ambitious medium and longer-term goals of stronger economic development and poverty reduction. Although improved responsiveness to citizens and more efficient and equitable public services can be realized by "deconcentrating" powers and functions to sub-national agents of the national government provided certain measures are put into place, the emphasis internationally in recent years has been more heavily on the "devolution" version of decentralization. This presumes appropriate assignment of powers and resources to reasonably autonomous sub-national governments, responsive governance through elected sub-national councils and other accountability mechanisms, development of adequate capacity of sub-national governments to meet their responsibilities, and cultivation of engaged citizens willing and able to influence sub-national decisions and outcomes.[3]

Dimensions of decentralization

Three fundamental and interrelated dimensions of decentralization—fiscal, institutional (local and intergovernmental) and political—may individually and collectively affect its success in meeting these goals. *Fiscal decentralization* comprises the assignment of responsibilities, including sectoral functions, as well as the assignment of own-source revenues to sub-national governments. Given the almost universal inadequacy of sub-national own-source revenues relative to assigned sub-national expenditures, intergovernmental

2. This section draws heavily on the discussion in Smoke (2003).
3. A number of recent reviews or comparative studies of decentralization consider evidence on various aspects of its performance, including Bahl and Linn (1992), Prud'homme (1995), Ter-Minassian (1997), Bird and Vaillancourt (1998), Litvack, Ahmad and Bird (1998), Allen (1999), Cohen and Peterson (1999), Manor (1999); Belshaw (2000); Blair (2000) McCarney (2000), Steffensen and Trollegaard (2000), Turner (2000),). Charlick (2001), Harbeson (2001), Smoke (2001), Wunsch (2001), UNCDF (2002), Bahl and Smoke (2003), Wunsch and Olowu (2003), and World Bank (2005).

transfers play a critical role in closing this fiscal gap, as well as in alleviating interregional resource disparities. Where appropriate, a framework to support responsible borrowing for development expenditures is also a key element of fiscal decentralization. Clearly, without properly defined fiscal decentralization, political and institutional decentralization would not be very meaningful. Poorly articulated roles and serious resource deficiencies can cripple sub-national governments and undermine incentives for sub-national officials and elected representatives to perform effectively. Similarly, if local people make the effort to participate in public decision-making processes and see no concrete result because sub-national officials have inadequate powers and resources to deliver services, decentralization will have little positive impact.

Institutional decentralization refers to the administrative bodies, systems, and mechanisms, both sub-national and intergovernmental, which help to manage and support decentralization. It also includes mechanisms that link formal government bodies to other key local actors—traditional local decision-making structures (where they exist), non-governmental organizations, private sector partners, etc. This is the basic institutional foundation on which decentralization is built. Interaction among government levels must be structured to balance national imperatives with local priorities, creating incentives for appropriate behaviour and good performance by relevant actors at all levels. Similarly, sub-national government staff must have access to organizational structures and procedures that allow them to meet their obligations, including the development of a good working relationship with elected representative councils and adequate responsiveness to citizens. Without appropriately designed and implemented structures and processes, as well as adequate sub-national capacity to manage the political and fiscal functions of sub-national governments, decentralization cannot meet its intended goals.

Although fiscal and institutional decentralization are obviously critical, they cannot bring about the major goals of decentralization without adequate *political reform*. Even if sub-national governments are empowered with clear and appropriate functions and resources, as well as adequate institutional mechanisms and capacity, improvements in efficiency and equity depend on the ability of sub-national governments to understand and act on the needs and preferences of local citizens better than the central government. Without a well-developed and broadly inclusive local governance process, this is impossible, and fiscal and institutional decentralization will not meet their intended goals. Decentralization typically implies some reduction in the accountability of sub-national governments to the central government. If this is not replaced by a degree of accountability to local people, sub-national government officials may primarily look to themselves and influential local elites for direction, undermining inclusive service delivery. Elections are one important means to improve accountability, but they are neither sufficient by themselves nor absolutely essential to improve governance. Other mechanisms, such as public consultation, citizen complaint mechanisms, etc., can help to improve accountability, and these can have an impact with or without sub-national elections.

Challenges in understanding decentralization

Most of these basic ideas about decentralization are fairly well accepted, but knowledge about key aspects of decentralization and how they work together remains more limited than policy makers would like. Much of the international decentralization literature focuses primarily on normative design. Empirical work is predominantly country specific and often focuses on problematic performance. Positive reports tend to be based on anecdotal instances of success or enthusiastic rhetoric about expected benefits. Even much of the "best practice" literature does not provide generalizable guidance or lessons.

The limited empirical evidence to support decentralization and clarify how to reap its potential benefits results from a number of factors. One is that there is often a lack of clarity about what decentralization is intended to mean in practice. For example, the distinction between deconcentration (delegation of powers to sub-national arms of national agencies) and devolution (the handing down of powers to autonomous sub-national entities), is often blurred in decentralization debates and policies, and they are sometimes treated as mutually exclusive, whereas most countries have and need elements of each. Decentralization is also sometimes treated as a

unidirectional phenomenon that severely limits the role of the central government. In reality the role of the centre often remains significant, but it is altered from one of control to one of monitoring and support.

Perhaps the greatest challenges in analysing decentralization derive from its almost invariable complexity and a resulting need to tailor it to particular contexts, which requires both information and time. It is quite simply a difficult type of reform to design, to implement and to evaluate. Despite, or perhaps due to, this complexity, analysts tend to compartmentalize decentralization and deal with particular elements. Economists focus on fiscal and economic development issues, political scientists focus on intergovernmental relations, local elections and accountability mechanisms, and public administration experts work on institutional structures, processes and procedures. In reality, these various dimensions, as noted above, are integrated and must be considered together by policy analysts for effective decentralization.

Specialists within broad disciplines also create confusion by focusing on single and inconsistent messages that in fact represent different sides of tradeoffs that must be balanced in any decentralization initiative. For example, macro-economists preoccupied with maintaining public sector fiscal discipline highlight the potentially dangerous impact of fiscally irresponsible behaviour by unduly autonomous and empowered sub-national governments, while pro-decentralization economists promote potential improvements and greater inclusivity in local-level resource allocation. Similarly, some grassroots-oriented social scientists focus narrowly on the potential political empowerment benefits of decentralization, while others emphasize the common problems that result from giving free rein to (in some cases corrupt) local elites who may dominate autonomous local government decisions. This type of fragmented analysis often loses site of the broader range of issues that must be considered and balanced to make decentralization work in a particular case.

Another consequence of the complexity of decentralization means that it is a difficult concept to measure empirically, both for conceptual reasons and because required data are often lacking, unreliable or inconsistent within and across countries. For example, a commonly used measure is the percentage of total public expenditures or revenues undertaken by sub-national governments. This, definition, however, does not capture the level of autonomy or the degree of accountability with which lower levels of government function, and these are the very features that most critically determine whether decentralization can achieve its intended benefits.

Finally, there is the issue of political support for decentralization and how this affects the way it is defined and implemented. Various stakeholders in any country who are likely to benefit or suffer under decentralization understandably push their own views on its desirability. Local government officials who stand to gain from enhanced powers and resources support decentralization, while national government agencies that stand to lose their often considerable powers and resources wish to prevent or slow down reform. Similarly, community organizations that might benefit from a close association with newly empowered local governments will view decentralization favourably, while those that see resources being diverted from community-oriented support programmes to intergovernmental transfer systems that benefit sub-national governments will resist decentralization.

Thus, both within developing countries considering public sector reform and among international institutions and experts that support or study it, decentralization has often been considered in selective and sometimes biased ways that fail to provide a solid basis for making informed judgments about either its design or implementation. Policymakers are thus faced with the daunting task of making sense of this maze of conflicting views and information in their quest to understand how to structure decentralization to maximize potential benefits and minimize potential problems in a particular case.

This brief discussion necessarily covers territory that is familiar to those who work on decentralization. It cannot do justice to the complex relationships among the various key objectives, dimensions and challenges

of decentralization. It does, however, set the broader stage for taking a fuller and critical look at how fiscal decentralization is unfolding around the world.

II. Illustrating the importance of context

The discussion above demonstrates the critical role of context in defining appropriate decentralization reforms. In order to show how greatly fiscal systems differ across countries, this section briefly and selectively reviews the structure of fiscal decentralization in a number of countries in East and Southern Africa—Ethiopia,

Table 1: Selected East and Southern Africa Cases (2000)

	Ethiopia	**Kenya**	*South Africa*	*Uganda*
Structure of Sub-national Government	-State -Administrative tiers of state -Municipal	-Local (Municipal, Town, Urban, County)	-Provincial -Municipal (Type A, B, C)	-Local (Districts and four levels below)
Size of Sub-national Government	31% exp. 19% rev.	6% exp. 5% rev.	Provincial and Municipal > 60% expenditures < 15% revenues	28% exp. 8% rev.
Sub-national Government Expenditures	Social services, infrastructure (state) Local services	Local services and some infrastructure	Social services (provincial) Local services (municipal)	Social services Some infrastructure Local services
Sub-national Own-source Revenues	Enterprise Tax(state) Fees/charges Property tax(urban)	Property rates, User charges Agricultural cess (rural)	Road tax/fees, gambling (provincial) User charges, Property rates & RSC levy (local)	Graduated personal tax, Property rates, User charges
Inter-governmental Tax Sharing	Income, Sales, Business, Excise	Income (newly instituted fiscal year 2000)	Provided for provinces, not yet used;	None
Inter-governmental Transfer Programmes	Block Transfers (formula-based distribution of the proceeds of certain taxes)	Block Transfers (formula-based distribution of income tax share, but reform conditions placed on a portion)	Equitable Share (formula-based distribution of an annual ad hoc allocation) Various capital transfer programmes	Unconditional, Equalization, Conditional (separate formulae)
Sub-national Borrowing	None, except some at state level for short-term cash flow management	Once substantial, now virtually gone	Once substantial in metros, then declined, new framework in development	None

Central Government Oversight	PM Office, Ministry of Finance, Ministry of Works (Municipal)	Ministry of Local Government, Ministry of Finance	National Treasury, Department of Provincial and Local Government	Ministry of Local Government, Ministry of Finance, Planning and Economic Development
Sub-national Government Autonomy	Strong legally but weak in practice	Relatively strong but some control	Relatively strong legally and in practice	Strong legally, but weaker in practice
Sub-national Government Capacity	Weak, but some better than others	Mixed across urban and rural	Mixed (stronger metropolitan)	Mixed, generally better in urban

Kenya, South Africa, and Uganda, all of which are reputed to have implemented performance-oriented decentralization systems in Africa. The four countries under consideration are different in a number of ways that complicate adequate comparisons.[4] Some key differences are summarized in Table 1. The public expenditure-to-GDP ratios for Ethiopia, Kenya, South Africa, and Uganda are, respectively, 29 percent (2000), 30.2 percent (2000), 25.3 percent (2000) and 21.9 percent (2000). Their respective annual deficits in these years were 22.4 percent, 13.2 percent, 2.4 percent and 10.1 percent. Thus, the overall size of the public sector is moderate in all cases. All run recurrent deficits, with Ethiopia having the largest and South Africa the smallest.

The relative importance and fiscal independence of decentralized governments varies considerably across the four countries. Ethiopian decentralized governments (primarily states) accounted for 31.2 percent of total public expenditures (2000) and raised 18.9 percent of total public revenues[5], while Kenyan local governments accounted for less than 6 percent of expenditures and raised about 5 percent of revenues (2000).[6] In Uganda, local governments accounted for 28 percent of expenditures (2000), but they raised less than 8 percent of revenues.[7] South Africa has two sub-national government levels of importance. Provincial governments accounted for 46 percent of total expenditures (2000), but they raised an average of only 4 percent of their revenues, while municipal governments accounted for 25 percent of public expenditures, but they raised on average 92 percent of their revenues (more in large urban, less in small rural areas).

Functional responsibilities are quite different in these four cases. In the Ethiopia and South Africa cases, decentralized levels of government (primarily state/provincial) have dominant responsibility for social services (health, education, and in South Africa, welfare). In contrast, only a few large colonial-era municipalities are involved in health and education in Kenya—social service expenditures are almost entirely funded and provided by the central government and NGOs. In Uganda, local governments have

4. Most of the data reported here were taken from the most recent available IMF Government Finance Statistics Yearbook, country budget documents, or World Bank reports for the four countries being compared. Deficits reported do not include offsetting external grants.
5. The expenditure figure is probably understated, as it does not include some donor-financed programmes implemented by the state governments.
6. Kenya's local public sector has for years accounted for between 4 and 6 percent of the total public sector. In the year 2000, the central government began phasing in a new intergovernmental transfer system and terminating a main source of local government revenue, the local authority service charge. Data to fully document the impact, if any, on the overall size of the local government sector are not readily available.
7. In the Uganda case, these data include only recurrent expenditures, as the development budget has not yet been decentralized.

significant legal responsibilities for health and education, but many of them have been unable to deliver these services adequately due to capacity constraints.

The four countries also have dissimilar sub-national revenue structures. Ethiopian states rely on shared percentages of central taxes (personal income, business, excise, sales) and have only a few modest independent sources, especially enterprise profits and various charges and fees. Kenyan local governments have relied heavily since independence on a property tax, and since the late 1980s on the local authority service charge (LASC), a combination payroll and business tax. The LASC was abolished in 2000 and replaced by a transfer system explained below. South African provincial government main sources of revenue are motor vehicle fees, gambling revenue, and hospital user charges. Local governments rely very heavily on surpluses from trading services (mainly electricity and water), with urban areas also using property rates, and large metropolitan councils and districts using the Regional Service Council (RSC) levy, a productive but problematic combination of payroll levy and turnover tax. In Uganda, the most important source of local revenue (and outside of Kampala the dominant source, accounting on average for 70 percent of local revenues) is the graduated personal tax (GPT), an unusual and complex hybrid of a PAYE income tax, a presumptive income tax, a wealth tax and a poll tax.[8] Local governments have access to the property tax, but in practice few use it, and it is significant only in the large cities. Sub-national governments in all of the countries use various types of fees, licenses, and other minor local revenues.

Finally, the four countries have significantly varied approaches to intergovernmental transfers, both in terms of their relative importance and structure. In Ethiopia, there is a single block transfer programme based on a complex formula that accounts for more than 40 percent of the national budget (2000). Kenya for many years had no transfers except for teachers' salary grants to a few municipalities that provide primary education and very small grants to needy councils. A transfer system designed to eventually distribute five percent of central government income tax revenues to local governments was initiated in fiscal year 2000, as discussed more fully below. These transfers accounted for about 11 percent of local government revenues in the first year of operation. South Africa provides to provinces and municipalities a constitutionally mandated "equitable share" of national resources for recurrent expenditures. This transfer funds more than 95 percent of provincial expenditures, but less than 10 percent of municipal expenditures on average (much more in rural areas with poor revenue bases). They also have access to a variety of conditional transfers primarily for capital expenditures, some of which are off budget. Uganda's transfer system is designed to provide three types of grants, block, equalization and conditional. The system is not yet fully implemented, but it is already significant, representing nearly 24 percent of the central government budget and nearly 80 percent of local government revenues (less in large urban municipalities).

A few contextual issues that result from the historical evolution of institutional structures in the different countries affect the interpretation of these data. First, intermediate governments are the main sub-national fiscal actors in Ethiopia (states) and South Africa (provinces), whereas local governments are the principal units in Kenya and Uganda. Local governments do, however, also play an important role in South Africa and Ethiopia. Second, many Kenyan and South African local governments have capacity problems, but they are generally stronger than their counterparts in Ethiopia and Uganda. Large metropolitan municipalities in South Africa are particularly capable. Third, Kenyan local governments, even though they account for a smaller percentage of public activity than sub-national entities in Ethiopia and Uganda and provincial governments in South Africa, function with fewer restrictions and have historically been less dependent on the centre for financial and technical assistance. The larger and more capable municipal governments in South Africa tend to be left more on their own, but the centre

8. The GPT is productive but suffers from a number of serious weaknesses, including possibly severe efficiency and equity effects and major complexities in its administration.

does have considerable power over them. Fourth, the degrees of experience with local democracy vary widely, with South Africa and Kenya having somewhat more, Ethiopia the least experience, and Uganda somewhere in between.

These selective comparisons demonstrate significant differences in intergovernmental fiscal structure and the environment in which sub-national governments function, even across a few African countries, three of which have some comparable European colonial influences. Even with good data, no single framework could take full account of the highly complex issues involved in assessing an appropriate fiscal role for sub-national governments. Great variations in the internal context of developing countries along many dimensions can significantly influence the "optimal" assignment of public service responsibilities and revenue generating powers among levels of government, as well as the types of reforms required to deal with existing system deficiencies. Traditional economic concerns must, therefore, be balanced with careful consideration of the unique economic, cultural, institutional and political environment in a particular country and an understanding of how this affects the desirability of and possibilities for meeting the normative prescriptions of public finance theory. With this broad comparison as background, we now turn to a fuller discussion of the elements of fiscal decentralization.

III. The elements of fiscal decentralization: what do we know?

Several key elements are generally considered to be critical for a good fiscal decentralization programme.[9] These include an adequate enabling environment; assignment of an appropriate set of functions to local governments; assignment of an appropriate set of local own-source revenues to local governments; the establishment of an adequate intergovernmental fiscal transfer system; and the establishment of adequate access of local governments to development capital. Each of these is discussed in turn, first outlining a few principles, and then turning to a few commonly encountered problems and possible ways to reduce them.

The enabling environment

Fiscal decentralization can be initially sanctioned with constitutional or legal mandates for some minimum level of autonomy, rights and responsibilities for sub-national governments. Such mandates also need to provide for basic institutional structures and operating procedures that help to ensure transparency, accountability, and financial discipline (hard budget constraint). These provisions create a foundation on which to build decentralization, but they do not guarantee successful fiscal decentralization. There are many countries with constitutional clauses and laws on sub-national government that have not managed to decentralize successfully.[10]

A number of elements are said to be critical in establishing a sustainable enabling environment for fiscal decentralization. The first is adequate political will. International or central budgetary pressures have sometimes fueled decentralization programmes in the absence of genuine commitment. Although it is evident that political will—which may come from the central government or be forced on it by the people if pressures for democratization are great—is important for decentralization to succeed, it is not sufficient by itself. The second is a set of robust and clearly defined constitutional and/or legal provisions to support decentralization and stronger decentralized levels of government. Again, such provisions are important, but they have to be implemented and enforced. The third is an appropriately empowered mechanism for coordinating the complex activities typically associated with decentralization, without which competing and reluctant central agencies that have a role or stake in sub-national service delivery can work against

9. Some of the principles outlined in this section are developed more fully in Smoke (2001).
10. A good example is Indonesia, which became more fiscally centralized after a major decentralization law was passed in 1974. See Smoke and Lewis (1996). More recent decentralization legislation is being implemented, but in a somewhat problematic way. See Martinez and Alm (2004).

each other. Finally, the centre must recognize that effective sub-national governments need adequate resources and capacity to meet their responsibilities, a condition rarely met in cases where the impetus for fiscal decentralization has been a budgetary crisis that encouraged an offloading of functions to sub-national governments.

Good practice in this area is hard to define because a framework has so many elements, and having a good framework does not guarantee its implementation. South Africa and Uganda are examples of countries that have spent a great deal of time developing a solid framework and have made some substantial progress in implementing it. Thailand is a country that has perhaps the most developed decentralization framework of any country in East Asia, but progress with implementing it has been very slow. In the final analysis, a framework needs to be supported by a strategy to implement it, a topic discussed below.

Functional assignment

Basic principles for assignment of services to sub-national governments as developed in the fiscal federalism literature are fairly clear, and there is no need to elaborate on them here.[11] Many countries generally do follow these principles in a broad way.[12] Problems on the expenditure side are often more related to giving inadequate attention to implementation than to decentralizing inappropriate services. Two aspects are particularly worth noting. First, no matter what a constitution or enabling law says, central agencies rarely have a desire to decentralize services, thereby losing power and resources. Thus, they often try to slow the process down. Second, if too many sectors are decentralized too rapidly and sub-national governments cannot handle their new responsibilities, they will perform poorly, allowing central agencies hostile to decentralization to argue for keeping services centralized.[13]

This common scenario is directly linked to common concerns about the effects of sub-national government fiscal behaviour on national deficits and macroeconomic stability. Although poor fiscal performance of sub-national governments is often a genuine problem, this does not necessarily indicate that fiscal decentralization is inappropriate. It may simply mean that the fiscal decentralization is giving sub-national governments too much functional responsibility too rapidly and without appropriate capacity building, local governance development support, and mechanisms to enforce fiscal discipline.

In terms of good practice, many countries are fairly clear about the basic functions of sub-national governments, including, for example, Brazil, Indonesia and Uganda. But even in some of these cases, there is a level of generality in functional assignment such that much additional work is needed to define in concrete terms the specific functions of sub-national governments. Without follow-up regulations, the general provisions are often not operational. At present, for example, Indonesia is engaged in a lengthy and complex process of defining on a sector-by-sector basis the detailed functions of sub-national governments to implement the functional assignment provisions of the 1999 decentralization legislation.[14]

Revenue base

Revenue assignment principles for sub-national governments, like the service assignment principles discussed above, are well defined and generally appropriate. Many developing countries basically

11. The theory of fiscal federalism is set forth in detail in Oates (1972). A more recent reflection is provided in Oates (1999).
12. Bahl and Linn (1992); Shah (1994); World Bank (1999)**.**
13. Smoke and Lewis (1996); Bird and Vaillancourt (1998); J. Litvack, J. Ahmad, and R. Bird (1998); Smoke (2001).
14. Smoke (**2004)**.

follow these principles, with a few exceptions, such as the infamous South Asian *octroi*, a distortive tax on inter-jurisdictional movement of goods.[15] Thus, central governments generally attempt to assign sub-national governments revenue bases that are relatively immobile, that do not compete seriously with central tax bases, that establish a link between the taxes paid and the benefits received, etc.

Four particularly problematic concerns often remain on the revenue side. [16] First, assigned revenues are almost never adequate to meet the expenditure requirements, thus mandating intergovernmental transfers, which are discussed below. Second, sub-national governments often use too many unproductive revenue sources that barely cover the collection costs, and they sometimes attempt to tax bases that are already heavily taxed by higher levels. Third, individual local revenue sources suffer from serious design problems, such as stagnant bases, overly complex structures, and ineffective administration. Fourth, care must be taken to approach reform strategically, as attempts to implement many reforms at once can overwhelm the tolerance of local residents in terms of their willingness to pay taxes and charges and the capacity of local governments in terms of their ability to administer and collect revenues.

One of the most critical international lessons of local tax reform is that local governments should focus their energies on a few local sources of revenue that can provide substantial yields and do not compete with revenue generation activities of higher levels, paying much less attention to the many minor taxes that they typically have access to.[17] Given space limitations, the focus here is on property taxes and user charges, two of the most significant sources of revenue that many local governments might use more effectively in most developing countries.

The property tax is well known to suffer from a variety of obstacles, inequities and inefficiencies, particularly in developing countries.[18] First, there can be serious local political problems with adopting and enforcing it. Although the property tax is an appropriate local tax, it is also a very visible tax not hidden in deductions from income or in prices of goods consumed, and it notoriously difficult to administer. Local residents may be particularly reluctant to pay if they do not feel they are getting adequate local services or the ones that they want. In addition, powerful leaders often own a large proportion of property, and there is not much middle class housing to tax in some areas. Better local services, improved local political mechanisms, and more broadly based participation can help to alleviate political obstacles to more effective use of the property tax.

Second, there has been a tendency in some countries to tax business property too heavily through higher assessments and higher rates. This could lead to relocation or partially shifting the tax burden in the form of higher prices to the very residents the differential property taxation is trying to protect. There is an increasing tendency in property tax reform towards reducing or eliminating differentials in property tax rates on different classes of property. This minimizes incentives for tax avoidance and evasion, e.g., attempts to be classified as residential, seeking of special exemptions, plot subdivision, etc.

Third, valuation procedures tend to be too complex and too infrequently applied, such that the tax base stagnates for long periods. Simplified mass assessment procedures that use a limited, standard set of land and building classes--have been employed in successful property tax reforms throughout the world, improving yields and reducing administration costs. Provisions to revalue at regular intervals and to index between valuations can improve the buoyancy of the tax revenues.

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15. Bahl and Linn (1992); Shah (1994); Bird and Vaillancourt (1998); Litvack, Ahmad and Bird (1998).
16. Bahl and Linn (1992); Shah (1994); Bird and Vaillancourt (1998); Litvack, Ahmad and Bird (1998).
17. Bahl and Linn (1992); Shah (1994); Bird and Vaillancourt (1998); Litvack, Ahmad and Bird (1998).
18. Much of the discussion here is based in Bahl (1979); Bahl and Linn (1992); Dillinger (1992); Kelly (1993), Kelly (2000), Lewis (2003).

Fourth, collection is a major concern in most countries, and it often receives less attention than valuation reform. The successful property tax reform in Indonesia in the late 1980s and early 1990s was among the first to replace a valuation-led strategy with a collection-led reform. The logic was that improved valuation without improved collection could not bring about significant gains in yields. Some key elements of collection-led reforms include legal provisions that broadly define liability and allow renters to deduct property tax payments from rent; steps to make it easier for taxpayers to meet their obligations, such as more convenient payment points and simpler payment procedures; and measures to enhance enforcement, such as stiff penalties for nonpayment and seizure of properties in default.

Finally, implementation strategy is critical for successful property tax reform. Simple and more acceptable reforms should be undertaken before more complex and contentious ones. New systems should be tested in pilot areas, allowing the government to improve new procedures before using them more widely. Better linkages should also be created between the tax policy and tax administration officials. This would improve the ability to respond in a timely manner to unworkable rules and problems that develop during implementation. In addition, contentious reforms should be phased in, e.g., by gradually increasing assessment ratios over time and negotiating with taxpayers. Not all of these types of reforms that have worked in some countries are likely to be applicable everywhere, but the general strategies and principles involved can often strengthen a local tax that generally has considerable potential to support fiscal decentralization.

Another type of local government own-source revenue with considerable potential is user charges. There is general agreement among local finance experts that user fees are typically underutilized, but that they could be implemented to at least some degree for many types of services, even those that are routinely subsidized.[19]

There are powerful arguments for charging for services, including the potential benefits of creating a close connection between consumption and cost; and the potential ease of collection due to the direct nature of charges and the possibility of excluding people who do not pay. There are also, however, serious problems with instituting and increasing user charges for public services. These include: political sensitivity; the difficulty of choosing among marginal cost, average cost, and hybrid pricing schemes that have different implications for cost recovery and efficient resource use; a reluctance to raise charges over time, such that revenues may fall below costs in times of inflation; and equity concerns about the effects of charges on the poor.

While it is difficult to make specific recommendations regarding user charges without referring to the context of specific sectors and countries, successful reforms in a number of countries suggest several principles about user charges. First, it is obviously most appropriate and easiest to charge for services that have some private characteristics--particularly where benefits vary among individuals and people can be excluded from consumption if they do not pay. Second, even for more "public" goods, some level of charges can be appropriate to establish a link between consumption and costs and to discipline use of scarce resources. There is increasing evidence from many countries that people are willing to pay something for services if adequate quality and reliability are maintained. Third, equity must remain a key concern in setting charges; even so, cost recovery may still be possible if demand elasticities vary such that price discrimination can occur across users, which allows cross-subsidization of target groups. Fourth, public education and consultation schemes are normally required to get people to accept new and increased user charges. Fifth, user charges invariably need to be phased in over time to prevent

19. Good discussions of various aspects of local government user charges and willingness to pay may be found be: Mushkin (1972); Jimenez (1987); Anderson (1989); Jimenez (1990); Gertler and van der Gaag (1990); Bahl and Linn (1992); Whittington et. al. (1991); Crane (1994); Beede and Bloom (1995), Bird (2000).

harsh equity effects, undesirable changes in patterns of service use, administrative and political resistance, etc. If care is taken to follow these basic principles, user charges have great potential in many countries to provide substantial resources to support fiscal decentralization programmes in an efficient way.

Notably good practice is again hard to come by. Weak revenue generation and poorly designed sub-national revenue systems remain among the main decentralization reform weaknesses in developing countries. The positive experiences of industrialized countries often involve activities (e.g., complex computer-based valuation models for property taxation) that are difficult to adopt successfully in some developing countries. In addition, it is more common for individual elements of a sub-national government tax reform (e.g., self-declaration of property in parts of Brazil) to be successful than it is for an overall tax to work well. Indonesia's experience with property tax reform is sometimes referred to as a model for developing countries, as is Kenya's successful and productive consolidation of local government business licenses.[20]

Intergovernmental transfers

Virtually all countries have intergovernmental transfers. These serve multiple, often interrelated purposes, three of which are particularly important. First, they help to cover local government fiscal imbalances, supplementing inadequate local own-source revenues to improve the ability of local governments to meet their expenditure obligations. Second, they can be used to meet national redistributional objectives as discussed above, helping to offset fiscal disparities among local governments. Third, they can be used to encourage expenditures on particular goods and services that exhibit positive externalities or are considered to be basic needs that should be distributed less unequally than the ability to pay for them. Most transfer systems, even in developing countries, are intended, at least officially, to meet these objectives.[21]

There are several typical issues and problems involved in designing fiscal transfer programmes. First, macroeconomic problems can be created if too large a percentage of central resources are guaranteed to sub-national governments. However, the potential dangers must be balanced against the value of providing a stable sub-national revenue base and potential microeconomic gains of decentralized service delivery. The most likely solution is to start a fiscal decentralization effort with modest transfer programmes that involve substantial central control and monitoring. The significance and level of sub-national government autonomy in the use of transfers can be increased as local governments develop the capacity to deliver services and to behave in a fiscally responsible way. Some flexibility in determining the size of the transfer pool during crisis situations can give central governments the fiscal power they need to meet macroeconomic challenges.

Second, different types of transfers are appropriate in different circumstances. Unconditional grants, for example, are best for income redistribution purposes, while conditional grants are a cheaper way of encouraging expenditures on particular types of target services. If designed properly, both types can help to encourage local resource mobilization and to ensure over time the provision of a basic minimum of services in all local governments regardless of fiscal capacity.

Third, fiscal equalization grants are often considered important, but they are very difficult to design because of the technical and political complexities involved in defining an "optimal" distribution of income across decentralized jurisdictions and in determining a fair way to raise the revenues to be

20. Devas and Kelly (2003)
21. Much of the literature on this topic is reviewed in: Bahl and Linn (1992); Shah (1994); Ter-Minassian (1997); R. Bahl (2000a); Bird and Smart (2002) and Schroeder and Smoke (2003).

redistributed. Equal resources do not guarantee equal results, and there are often inequalities within recipient jurisdictions that may not at all be alleviated by transfers. In spite of these problems, redistributive grants can generally be designed to improve on the *status quo*.

Fourth, transfer programmes may have conflicting objectives or unintended results. For example, an equalizing grant may be offset by types of categorical grants that go to wealthier areas. Careful research prior to transfer system design can help to understand and minimize, as appropriate, such effects. Grants may also substitute for, rather than stimulate, local tax effort, thereby failing to increase public spending as much as expected. Including a simple local-tax-effort variable in a transfer allocation formula can alleviate, but not eliminate, this problem.

Fifth, multiple transfer programmes with different allocation criteria for a particular sector, particularly when fragmented across multiple central government agencies, can confuse local officials and provide incentives for unproductive competition and strategic behaviour. Consolidation and simplification can reduce such problems.

Finally, many transfer systems—by design or by manipulation--are allocated with a degree of subjectivity that undermines basic economic objectives. Given the political nature of transfers, it would be unreasonable to expect any system to be fully rationalized to achieve basic efficiency and equity goals. More objective and transparent distribution formulae, however, can help to move the system in the right direction.

It is difficult to make generalizable prescriptions about the appropriate structure of an intergovernmental transfer system, which should be expected to vary across country depending on national objectives, the extent of service and revenue functions assigned to local governments, the fiscal capacity of local governments, the extent of inequalities across local governments, etc. In a very basic system, such as the one under development in Cambodia, local governments need not initially be given specific mandatory responsibilities; instead the strategy has been to provide them with modest resources to deliver local services that are considered important by the community and are not currently being provided by the central government.[22] This approach can make local people better off and help to develop governance and capacity. Because the local governments will be responsible for such a small portion of public expenditures in a country with one of the lowest aggregate tax rates in the world, there is no conceivable threat to macroeconomic stability from the local public sector in this case.

In more advanced systems where local governments have significant service responsibilities and inadequate sources of revenue, such as South Africa, a considerably more substantial and sophisticated system of transfers is being developed. This system includes redistributive grants designed to alleviate fiscal inequalities and conditional grants designed to cover priority investment needs. In this case, local government revenues and local autonomy over certain taxes are being enhanced at the same time that transfer programmes are being reformed.[23] Under such conditions, where local governments have significant expenditure responsibilities and increasing control over major revenue sources, and where intergovernmental transfers are significant and growing, the National Treasury is justified in keeping a careful watch over the overall size and performance of the local fiscal system.[24] South Africa is also adopting other reforms commonly advocated by transfer experts--designing transfers to balance key objectives, consolidating unduly fragmented programmes, and adopting transparent allocation criteria that create incentives for good fiscal behaviour.

22. World Bank (2003).
23. Reschovsky and Smoke (1999).
24. Reschovsky and Smoke (1999); Bahl and Smoke (2003).

A few countries are developing intergovernmental transfer reforms incrementally and/or rewarding positive fiscal behaviour, increasing resources as sub-national governments adopt specific reforms and/or acquire capacity to behave in a fiscally responsible manner. An example is the new Local Authority Transfer Fund in Kenya and the evolving system of intergovernmental transfers in Uganda.

Investment capital

Sub-national governments in many developing countries get much of their capital budget from intergovernmental transfers, but some decentralized governments, typically states, provinces, and large cities, are able to borrow in certain countries.[25] Where local borrowing occurs, often through a municipal credit institution, loans may be allocated by political criteria, interest rates may be subsidized, and loan repayment is often inadequate. Recent economic and fiscal changes, however, as well as increasing evidence that subsidization does not primarily benefit those in need, have stimulated reforms, mostly through the development of more market-oriented mechanisms.[26]

A good fiscal decentralization programme requires the development of an appropriate *spectrum* of options to finance capital investment, from grants and subsidized loans for poorer sub-national governments and non-self-financing projects, to various types of loans and bonds for fiscally sound sub-national governments and self-financing projects. In cases where decentralized governments are relatively strong, efforts to develop direct access to capital markets make sense, but the central government must regulate municipal borrowing and enforce a hard budget constraint. In more typical developing country cases, where sub-national government responsibilities are smaller and they are fiscally weak, special credit institutions may be appropriate. Initial public management of these institutions gives the centre considerable control over sub-national borrowing, although this must be structured to minimize abuse. Such institutions can be increasingly privatized as sub-national governments develop creditworthiness. Serious impacts of sub-national debt on the broader economy can generally be avoided if municipal credit markets are properly structured, managed, and developed over time.[27]

Perhaps the most critical challenge in more advanced fiscal decentralization is how to "graduate" sub-national governments from extreme dependence on grants and subsidized loans to greater use of credit markets. This requires coordinated development of both grant and loan options.[28] It is critical to ensure that wealthy municipalities cannot use grants for self-financing projects, thereby diverting scarce resources from projects with weak revenue potential and from poorer local governments unable to borrow. At the same time, grants and subsidized lending mechanisms must create incentives for weaker sub-national governments to improve fiscal discipline and begin to borrow. A multi-faceted system that incorporates these critical elements could help to prevent the type of debt crisis feared by those suspicious of fiscal decentralization.

Few developing countries have made major progress in developing sub-national government access to credit, and there are examples, such as Argentina, Brazil and Russia, where irresponsible borrowing by sub-national governments nearly precipitated major fiscal crises. More typically, in countries where sub-national governments often have fewer borrowing powers and modest borrowing capacity, there has been a tendency to rely on state mechanisms. More successful countries have been ones that have been

25. Examples of the literature on developing local government credit markets include: Davey (1988); Ferguson (1993); Smoke (1999a); G. Peterson (2000); J. Peterson (2000).

26. Bahl and Linn (1992); Shah (1994); Dillinger (1995).

27. Peterson (2000).

28. See Smoke (1999a) for a discussion of grant-loan linkages.

able to increasingly involve the private sector in lending to sub-national governments, such as Colombia and a number of Eastern European countries.

IV. Obstacles to fiscal decentralization

If so much is known about the elements of fiscal decentralization, why have sub-national government reform efforts met with such modest success? Much of the answer to this questions centres on the nature of these reform efforts and the circumstances in which they have emerged. At least four areas of concern, some of which have already been mentioned briefly above, are often relevant: the perceived urgency of reform during political and economic crisis situations; the complex institutional context in which sub-national government reform must operate; the inappropriate focus and structure of reform schemes; and in some cases the institutional structure and objectives of international donor agencies. Each of these is discussed briefly in turn.

Reform under pressure

Recent decentralization and local government reform programmes in developing countries have often been undertaken during domestic political or economic crises, and some have been externally influenced by donors. Such efforts have been undertaken by central governments because they may feel they have no choice when faced with structural adjustment programmes, poorly performing economies, declining public service levels, and political unrest. Decentralization programmes adopted under pressure are often developed hastily. Rarely is sufficient attention given to cultivating consensus among the numerous stakeholders at all levels, which is critical for sustainable reform. Lack of consensus on the form and process of decentralization results in a poor understanding of basic principles, adoption of weak or inappropriate enabling frameworks, and apathetic support or outright opposition during implementation.

In addition, many decentralization programmes have been superficially based on programmes designed for dissimilar countries and/or textbook solutions derived from conceptual approaches favoured by donors, most frequently the fiscal federalism literature[29]. This literature provides a useful starting point for considering decentralization, but it has a narrow focus. Having been developed in the context of industrialized countries, it is somewhat culture and institution bound.[30] Equally important, the conceptual models focus on normatively desirable outcomes, but they say nothing about implementation requirements, which are often considerable, complex, and context specific.

Finally, high visibility donor-promoted reform trends, such as "stakeholder participation" and "sustainable development," often become cornerstones for decentralization programmes.[31] This is not inherently undesirable, but rarely is enough empirical evidence available to understand how to incorporate these aspects of reform effectively into the type of broader programme design discussed above. These aspects of reform can become dominant, resulting in uni-dimensional or unbalanced decentralization programmes, as discussed more fully below.

The preoccupation with speed and the design of reforms based on formal, potentially inappropriate, outcome-oriented models and high-profile donor trends is highly problematic. Programmes conceived in this way fail to recognize the greatest challenge to decentralization: attitudes about the way the public

29. These models originated with a few seminal works, including: Tiebout (1956) and Oates (1972). There is a large literature on how these basic models have been applied, expanded and empirically tested, but much of it is focused on industrialized countries.
30. Smoke (1989); Bahl and Linn (1992); Bird (1993); Smoke (1993); Smoke (1994); Prud'homme (1995); Tanzi (1995); Bird and Vaillancourt (1998); Smoke (2000).
31. Tendler (1997); Litvack, Ahmad and Bird (1998); Smoke (2000).

sector works (or could work) do not change overnight. All of the major actors involved in decentralization suffer from significant problems in this regard. Central government officials are used to making most major decisions unilaterally and controlling local authorities extensively. Local government officials are often quite comfortable with heavy subsidization from controlling central governments, and they are not accustomed to feeling accountable to citizens. Local government constituents are often unaccustomed to paying for services or to expecting much responsiveness from local governments. The mindsets and patterns of behaviour that have developed under such circumstances require years of patient consultation, capacity building, and improving local government performance to change.

Institutional realities

The institutional environment in which decentralization and local government fiscal reform programmes must be implemented suffers from a number of weaknesses that hinder success. Many of these are well known, but a brief summary of major concerns is included here for the sake of completeness in presenting this analysis.[32]

First, the institutional framework in which decentralization must be designed and implemented is complex and poorly coordinated. At a minimum, most developing countries have a central agency with local government oversight responsibilities, such as a Ministry of Local Government, a Ministry of Home Affairs, or a Ministry of the Interior. Often various sectoral ministries also have some say over local government provision of services that fall under their general responsibilities and expertise. Finally, multi-sectoral or coordinating ministries, such as Planning and Finance, or even Foreign Affairs in cases where substantial external resources are being provided, often have some control over decentralization. The situation is particularly problematic when major responsibilities for local development are highly dispersed across several agencies with different views of what decentralization means.

Second, whatever the economic or political impetus to decentralize, there are rarely strong central government bureaucratic incentives to do so. Ministries generally do not want to decentralize major responsibilities, thereby undermining their own control over substantial resources. There are also few, if any incentives for the key central agencies involved in decentralization to work cooperatively with each other.

Third, there is a pervasive lack of adequately developed procedures and performance incentives in the public sectors of developing countries. Good performance is often not well defined, and there are few real rewards to encourage it. Poor performance is rarely punished, and job satisfaction is often low. [33]

Fourth, managerial and technical capacity tends to be limited at all levels of government. Weak skills and inadequate training are pervasive, and capacity building is a slow process. Moreover, there is the common problem of skilled civil servants fleeing to the private sector for better compensation after being trained with public funds.

32. These weaknesses are elaborated in: Leonard (1987); Wunsch and Olowu (1990); Olowu and Smoke (1992); Tendler (1997); Bird and Vaillancourt (1998); Cohen and Peterson (1999); Smoke (1999b)

33. Although there have been civil service reform initiatives in many developing countries, the focus was long simplistic and partial, focusing on public sector downsizing and the adoption of market proxies, such as higher wages and discipline for nonperformance. More attention is now being given to how to bring about a more sophisticated restructuring of procedures, incentives, and the overall working environment, which is intended to improve system performance and increase employee job satisfaction.

Fifth, local government accountability to a constituency is limited in many developing countries.[34] Even in countries where local government councils are at least partially elected, they may not possess genuine political or bureaucratic independence, and they may be dominated by clientelistic local elites. Perhaps most critically, local accountability means little if the center can override the results of local democratic processes, which is not infrequently the case in developing countries.

Under these institutional circumstances, it is not surprising that decentralization programmes are difficult to define and implement. Some of the problems outlined here are partially incorporated to some degree in reform programmes, but few receive adequate attention.

Design of decentralization initiatives

Decentralization initiatives can generally be classified into two basic types. The first type is unworkably comprehensive, overwhelming capacity at both the central and local level, and threatening bureaucratic and political tolerance at the centre.[35] To make matters worse, many of these sweeping initiatives have been placed under the leadership of a single central agency that is perceived as a rival by other agencies whose cooperation is required for success. The second type focuses on limited (often technical) activities that are not developed as part of a broader decentralization agenda. An example of this latter type of effort would be a programme designed exclusively to reform local government budgeting or accounting procedures. While such reforms may be critical to support broader reform efforts and may occasionally serve as a catalyst for decentralization, rarely can they take a system very far on their own.

A second serious design concern is that both comprehensive and limited decentralization programmes tend to treat all local governments (or classes--large urban, small urban, rural, etc.), sometimes by default, as if they were similar in capacity and staffing. In fact, there are great differences among local governments in most countries, even among those of a particular type. Treating those with weak capacity as if they can handle new responsibilities invites failure. Providing technical assistance to capable local authorities that do not need it wastes resources. The failure to recognize differences among local governments is manifested in standardized decentralization reform programmes that have similar expectations of all or most local governments and tend to define performance in terms of following specific technocratic steps. The circumstances under which local government managers and staff are functioning, however, may differ widely, and rigid standardization may undermine their ability to achieve reform objectives.

A final important structural weakness of many recent decentralization programmes is that there has been an excessive focus on the demand side, primarily through the promotion of citizen participation. Few observers of local governments in developing countries would deny the need to increase inclusiveness and to improve accountability, but this demand-side emphasis has sometimes come at the expense of dealing with the often considerable supply-side deficiencies in public service provision, some of which were outlined above.

The role of international donors

In spite of current rhetoric about institution building, the interests of international donors are also not always well served by decentralization and coordination. As noted above, such efforts are time consuming and difficult, and, therefore, likely to cause substantial delays in donor efforts to bring new projects on line and to move funds. Given the pressure on donor programme officers to keep to expenditure

34. See, for example, Manor (1998) and Blair (2000).
35. See, for example, World Bank (1989); Smoke (1994); Litvack, Ahmad and Bird (1998); Cohen and Peterson (1999).

schedules, substantial funds continue to flow for investment expenditures, even when it is clear that recipient governments do not have the capacity to ensure that funds are well spent and that new facilities will be well operated and maintained.

Donors often try to avoid the difficult problem of sectoral and jurisdictional coordination by defining their projects in terms of particular sectors or local governments. Donors often require the sectors and local units they support to adopt their own preferred procedures. The use of inconsistent procedures can undermine the process of building a unified decentralized system.[36] Moreover, because individual donors often develop client relationships with particular ministries, they may exacerbate the interagency competition discussed above.

Donor agencies have been talking for a number of years about focusing more on institution building than on moving money, and they have also raised concerns about donor coordination. Some serious efforts have been launched in recent years to deal with these concerns, but much more needs to be done.[37]

V. Confronting fiscal decentralization challenges

Given the diverse and complex contexts in which decentralization is taking place and the considerable challenges involved in designing and implementing related reforms, there is clearly no single best way to determine the appropriate extent of fiscal decentralization or decide how to realize it in practice. At the same time, it is possible to outline some key principles and considerations that should generally be taken into account.[38]

The basic framework

Prior to implementing fiscal decentralization, consideration needs to be given to the appropriate role of sub-national governments in a particular case. Fiscal decentralization is appropriate from an economic perspective when there are inter-jurisdictional variations in service demand, and benefits of local provision are not offset by scale economies or inter-jurisdictional externalities. Such factors are not easy to measure and balance in practice, but careful analysis can set boundaries for assigning functions. In addition, the gains from decentralization must be balanced against the often considerable "start-up" costs of decentralizing and possible negative macroeconomic effects that may occur under certain circumstances. Finally, it is also important to recognize that decentralization gives primary responsibility to sub-national governments, but they may benefit from a framework that allows them to contract private providers for delivery.

Assuming macroeconomic concerns are not serious or can be controlled through appropriate mechanisms to encourage fiscal discipline and establish a hard budget constraint, three "prerequisites" must be in place or be developed to maximize the expected benefits of fiscal decentralization. First and often ignored, there must be a viable political mechanism to determine local preferences and establish accountability. Second, local governments must have the institutional, technical, and managerial capacity to deliver services demanded by their constituents. Third, local governments must have access to adequate financial

36. Donors support competing and uncoordinated decentralization support schemes in many countries. In recent years, this has been a problem, for example, in Cambodia, Indonesia, and Uganda.
37. An example of a recent innovation is the World Bank's flexible lending mechanism. Under this mechanism, the bank commits loosely to a long-term program of reform, but initial projects and disbursements are small and are designed to build capacity before making larger loans for investment. Donor coordination is also receiving more serious attention in some countries, such as Uganda.
38. This section is heavily based on the concluding section in Smoke (2001).

resources to meet their responsibilities. These conditions are only weakly or unevenly met in many developing countries.

The local autonomy-central control balance is perhaps the most fundamental, as well as the most complex and contentious, matter. On the one hand, the alleged benefits of decentralization should not be expected in the absence of adequate local autonomy. At the same time, these benefits cannot be realized without adequate sub-national capacity and genuine accountability of sub-national governments to their constituents. Central intervention is often required to help to develop these features. In all cases, national governments need some control over major instruments of tax and expenditure policy in order to have the flexibility to shape macro-economic and stabilization policy and meet key national development goals.

The bottom line is that even if analysts use the economic, spatial and demographic characteristics of a country to appropriately balance the key tradeoffs involved and to determine an "ideal" degree of fiscal decentralization and an "ideal" structure of local governments, such a system is not going to appear unless the basic prerequisites outlined above are built over time. A number of related concerns should be considered with respect to the design and implementation of fiscal decentralization.

The critical importance of process

The normative fiscal principles advocated by international experts and donor agencies are unlikely to be the starting point for many of the national actors making decisions about fiscal decentralization in any country. Different institutions will typically have different perspectives on how far to push decentralization and what form it should take. There will often be political and bureaucratic resistance to even the most carefully defined fiscal decentralization programme. As discussed earlier, competing central government agencies that would lose power and resources under a fiscal decentralization programme may try to undermine progress. At the very least, different central agencies with different mandates will have conflicting visions of decentralization. In some cases, sub-national governments may also resist decentralization if they are comfortable being sustained by the centre.

When such conditions exist, there is a need to develop a political negotiation process for defining fiscal decentralization goals and a strategy for realizing them. Getting a consensus from key institutional actors on how to define fiscal decentralization may in many cases be more critical than the specific form the intergovernmental system initially takes. If the process is fair, it should result in a system with at least some basic checks and balances among various organizations and individual employees within key institutions, so that no agency or individual with interests at stake are too powerful in the process of defining what fiscal decentralization means or controlling its implementation.

Identifying the entry point

Even if a broad consensus can be forged on the type of intergovernmental fiscal system a country would ultimately like to have, there is significant work involved in developing fiscally effective and responsive sub-national governments. Decentralization must be seen as a lengthy process in which attitudes of key actors at all levels must be changed and capacity at all levels must be built. Thus, effective fiscal decentralization requires a strategic implementation approach designed to phase in reforms in a gradual, pragmatic way. Initial steps should be undertaken in sectors and functions for which rapid success is most likely. This requires prioritizing reforms, focusing on simple tasks that do not immediately threaten central actors or overwhelm sub-national capacity. Even if initial reforms are defined modestly, however, they should be based on a broader conception of what the government ultimately wants to accomplish.

A second component of the starting point is the possible need for asymmetric decentralization. There are great differences among local governments in most countries, even among those of a particular size or classification. It will generally be more effective, if politically and administratively difficult, to differentiate among local governments. Treating those with weak capacity as if they can handle responsibilities invites failure. Unduly controlling and providing technical assistance to capable local governments wastes resources. The value of such an approach is increasingly being recognized internationally.

Crafting an Integrated Implementation Strategy

A fiscal decentralization implementation strategy must be carefully built on the starting point outlined above. There are two key concerns in this regard. First, the individual elements of fiscal decentralization programmes must be closely linked. Local sources of revenue should have some relation to service responsibilities. Intergovernmental transfer systems should target differences in local expenditure needs relative to local fiscal capacity. Local government lending mechanisms cannot be defined independently of local fiscal capacity and transfer programmes. Fiscal mechanisms cannot work if there is not an adequate degree of local political development and accountability. The historical tendency in many countries to deal with these elements as separate aspects of intergovernmental reform has resulted in imbalances between expenditure responsibilities and sources of revenues, transfer programmes that undermine incentives to collect local revenues, unnecessary grant financing of local governments that can afford to tap capital markets, and award of loans to local governments without adequate managerial and fiscal capacity to repay them.

Second, the key elements of fiscal decentralization reforms should also be linked to central government efforts to build capacity and performance progressively. These reforms can be implemented in a way that makes it clear to local governments exactly what they must do before they will be assigned additional responsibility or resources. Specific steps should be designed in a way that helps to build local political and institutional capacity. This in effect means that the "prerequisites" noted above should more accurately be considered key elements or building blocks of a strategic fiscal decentralization programme rather than features that must be in place before any progress can be made. The central government normally has considerable leverage in helping to build capacity and governance. In this regard, the centre can strategically use access to grants, loans and technical assistance to encourage development of political/accountability mechanisms, adoption of new organizational structures and procedures, and the implementation of other key reforms.

VI. Conclusion

Decentralization has clearly become a global phenomenon, and financing sub-national governments is clearly an essential aspect of this trend. Much is known about the elements of fiscal decentralization and the associated "prerequisites," such as developed institutions and procedures, adequate capacity, transparency and accountability mechanisms, etc. Less is known about how to pull all of these elements together in a way that will have a sustained impact on improved service delivery and quality of life. It is clear, however, that the typically substantial attention to system design must be integrated and accompanied by considerably greater attention to an appropriate and dynamic process of implementation reform.

The type of gradual, strategic, integrated approach to fiscal decentralization briefly outlined above will inevitably require a different and slower path to fiscal decentralization than is generally expected from the

more conventional normative, technocratic approach.[39] It would, however, seem better to embed political compromises in a fiscal decentralization process from the beginning than to risk having powerful forces sabotage it, perhaps effectively removing decentralization from the policy agenda. Such an approach also raises the prospects for early success in service delivery and building local political credibility, creating a solid base on which to build additional reforms and to incrementally improve performance. Finally, by slowing the fiscal decentralization process and building capacity in a relatively controlled and monitored way, this type of approach reduces the likelihood that the negative macroeconomic effects sometimes attributed to fiscal decentralization will materialize. Although much more work clearly needs to be done, policy makers can improve on fiscal decentralization programmes by thinking about and acting on these critical dimensions of effective fiscal decentralization in the context of their own countries.

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Chapter Six

Decentralization and Gender: the Ghana Experience

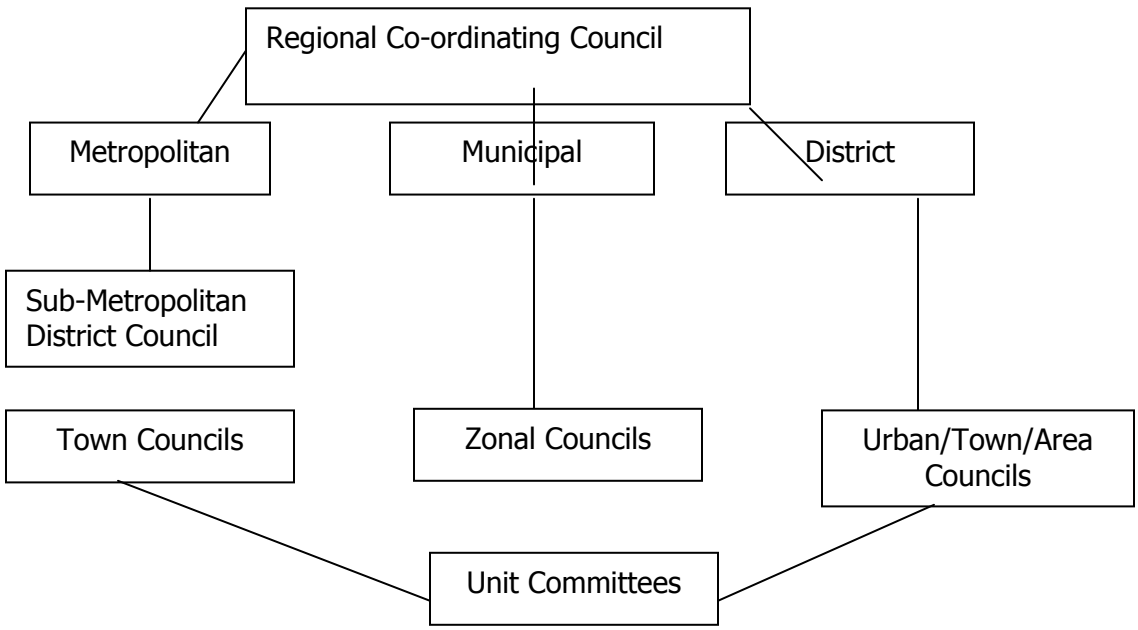
Kwasi Ameyaw Cheremeh

Introduction

Over the past one and half decades, Ghana has embarked on a process of extensive decentralization of administrative and political power and authority to the local (district) level. The Provisional National Defence Council (PNDC) Law 207 of 1988 provided the legal framework for the decentralization process. This was given a constitutional backing by a chapter (Chapter 20) in the 1992 Fourth Republican Constitution of Ghana. Other supporting legislations include the Local Government Act, Civil Service Law, National Development Planning System Act, National Development Planning Commission Act, District Assemblies Common Fund Act, Institute of Local Government Studies Act, Local government Service Act and other legislative instruments.

I. Local governance structure

The local government system in Ghana is made up of a Regional Coordinating Council and a four-tier Metropolitan and three-tier municipal/District Assemblies. The structure is reproduced diagrammatically below:



The Regional Coordinating Council (RCC) consists of the Regional Minister as Chairman and his or her Deputies, the Presiding Member of each District Assembly and the District Chief Executive of each district in the region, two chiefs from the Regional House of Chiefs and the regional heads of the decentralized ministries. All members (except the regional heads of decentralized ministries) have voting rights.

II. Composition of local governance organs

The District Assembly consists of the District Chief Executive, two-thirds of the members directly elected by universal adult suffrage, the MP or MPs representing the constituencies within the district and one third of the members appointed by the President in consultation with Traditional Authorities and interest groups in the district. The District Chief Executive is nominated by the President, approved by two-thirds of the members of the District Assembly present and voting. The District Chief Executive is thus an appointee of the President. The District Assembly has a Presiding Member who is elected from amongst its members and must enjoy the support of two-thirds of all the members of the Assembly. He or she convenes, and presides at, all meetings of the Assembly.

The sub-Metropolitan District Councils consist of not less than twenty-five and not more than thirty members. It is made up of all elected members of the Assembly in that sub-Metropolitan District Area and such other persons resident in the Area appointed by the President.

The Urban Council consists of not less than twenty-five and not more than thirty members made up of not more than eight persons elected from among the members of the relevant District Assembly, not more than twelve representatives from the Unit Committees in the area of authority of the Urban Council and not more than ten persons ordinarily resident in the urban area.

The Zonal Council consists of not less than fifteen and not more than twenty members. This number includes not more than five persons elected from among the members of the relevant Municipal Assembly, not more than ten representatives from the Unit Committees, and not more than five persons ordinarily resident in the zone.

The Town/Area Councils consist of not less than fifteen and not more than twenty members. The membership of the Council comprises not more than five persons elected from among the members of the relevant Assembly, not more than ten representatives from the Unit Committees and not more than five other persons ordinarily resident in the town or area.

The Unit Committee consists of not more than fifteen persons made up of ten elected persons ordinarily resident in the unit and not more than five other persons resident in the unit and nominated by the District Chief Executive, acting on behalf of the President.

Elections to all local government bodies are on a non-partisan basis; the elections are state-sponsored and conducted by the Electoral Commission every four years.

The rationale for Ghana's decentralization exercise is mainly to provide a more accountable, effective and responsive governance by ensuring that plans are formulated, decisions are taken, and programmes are implemented at the grass-root/local level.

The process also seeks to facilitate greater participation in the development process by the people whose livelihood are dependent on those decisions. It is envisaged that by ensuring a non-partisan political activity at the district level it would be possible to recruit critical local talents, and provide a training or nurturing ground for Ghanaians for national level political activities. The intention is to ensure equitable participation in the process and equitable distribution of the benefits for all men and women. It is also assumed that adopting a "non-partisan" approach at the local level would foster a vision of teamwork and integration in promoting development. The decentralization programme is expected to democratize the system of government to achieve a more equitable allocation of power and wealth in the development process.

Under Ghana's decentralization process, decision-making is expected to follow the bottom-up approach – that is, starting from the local to the national and back to the local level.

Role of women

Theoretically, women and men should benefit from and participate equitably in the decentralization process. However, to a large extent, this has not happened. Even though the decentralization policy and the resulting district assembly system did not necessarily have gender concerns during its formulation, the process has had to address this issue in the course if implementation. The process aims at bridging the rural-urban gap and increasing access to political participation and decision-making for Ghanaians by working in units within their communities. It is expected to offer opportunities which both sexes could take advantage of. The opportunities expand with the policy empowering the President to appoint one-third of the members of each district assembly. This route is intended to provide the assembly with certain technical experts and insights into development and ensures the inclusion of various sections of the community in the public decision-making and legislative processes.

These opportunities notwithstanding, women have not been able to take advantage of their potential to shape decisions. Although they they constitute the majority (51%) of total population of the country, women are still underrepresented in key positions.

Indeed, the participation of women in decentralization and local governance has been limited. In 1994, less than 3% of the elected members of the district assemblies (nationally) were women. The percentage increased to 5 and 7 percent in 1998 and 2002 respectively. The table below illustrates the regional representation of elected assembly members for 1994, 1998 and 2002 Local Government (District Assemblies) Elections.

REGION	**1994**			**1998**			**2002**		
	Total	Male (%)	Female (%)	Total	Male (%)	Female (%)	Total	Male (%)	Female %
Greater Accra	236	93	7	236	94.96	5.1	236	89.1	10.9
Volta	444	96.4	3.6	515	96	4	517	90.7	9.3
Ashanti	841	96.7	3	840	95	5	846	91.1	8.9
Brong Ahafo	575	98.3	1.7	582	93	7	582	93.6	6.4
Western	452	97.8	2.2	452	96	4	452	93.6	6.4
Central	498	96.8	3.2	498	94	6	497	92.1	7.9
Upper West	198	99.5	0.5	198	97	3	198	91.9	8.1
Upper East	269	97.4	2.6	270	97	3	270	94.4	5.6
Northern	545	96.3	3.7	545	97	3	300	98.7	1.3
Eastern	691	96.7	3.3	691	94	6	691	91.6	8.4
Total	**4,204**	**97.1**	**2.9**	**4,282**	**95**	**5**	**4,589**	**92.4**	**7.6**

Among the factors responsible for the low participation of women in local level politics are cultural, social, traditional, religious, financial, absence of support, and low literacy levels, amongst others.

The situation is no better as regards appointment of women to positions in the district assemblies. In 1998 as part of the response to the Beijing Platform For Action (PFA) that emerged from the Fourth United Nations World Women's Conference in 1995, the Government of Ghana in a directive reserved 30% of the appointed membership of assemblies for women. In 1998 the proportion of appointed members revealed that women appointees were just around 30% even though that was supposed to be the minimum. To further improve the situation government in 2002 made it a policy to reserve 50% of the posts for women. It is interesting to note that only 6 out of the 103 district assemblies that were constituted after the elections could fulfill this requirement. On the whole, out of the 1843 appointees in 2002, only 655 (35.5%) were women.

Furthermore, women constituted 10% of District Chief Executives (Mayors) in 1998. In 2002, the proportion reduced to about 6.%, with only seven (7) women occupying the office of mayor out of the total number (110).

To redress the situation where Ghanaian women remain on the fringes of decision – making, particularly at the local level, government, civil society organizations, NGOs and other social partners have instituted and are instituting various measures. These include:

- The National Plan of Action that aspires to achieve 50% representation for women at all decision-making levels.
- Increased effort by both government and civil society organizations to encourage women's participation both as candidates and voters.
- The institution of Best Gender Sensitive District Award Scheme by NALAG to reward District Assemblies that particularly demonstrate sensitivity to issues affecting the development of women and their inclusion in decision-making.
- The preparation of a gender handbook by NALAG to serve as a reference book for promoting gender sensitivity and women participation in local governance.
- The preparation and launching of the Women's Manifesto for Ghana, a document that articulates the issues of concern to women in Ghana and makes demands for addressing them.

Conclusion

If Ghana is to achieve sustainable development, women should be encouraged and assisted to take active part in the decision-making process. Fairness and equity require that women should not be left on the fringes of decision-making. Positive action to bridge the gaps between women and their male counterparts must be ensured, and this calls for the involvement and support of the national government, local government institutions at both national and district levels, NGOs and civil society organizations. Finally, it appears that the battle to create gender equity in decision-making would not succeed unless governments demonstrate real political commitment to gender issues in their areas of jurisdiction.

Chapter Seven

Cross-Border Local Government Cooperation for Poverty Reduction in Africa[1]

John-Mary Kauzya

Introduction

The topic of decentralized governance for effective, responsive and accountable service delivery is an important one that will continue for a long time to generate interest in both academic and policy circles. The subject is of particular significance for Africa where poverty constitutes a formidable challenge, and decentralization is perceived as an effective strategy in meeting the challenge. Besides the United Nations Millennium Declaration, African Leaders had embarked on major efforts to develop the continent and to improve the standards of living of the people. One measure that has consistently been accorded high priority is the improvement of the quality and standards of essential public services – particularly, the services required by the poor and weak sections of society. The commitment to quality service is clearly spelt out in the "New Partnership for Africa's Development" (NEPAD). There is remarkable congruency between the two development aspirations (NEPAD and the Millennium Declaration) especially in as far as the Declaration emphasizes a specific goal and measures for meeting the special needs of Africa. The United Nations is very encouraged in this endeavour, especially by the fact that there is now greater resolve by the African leadership to take ownership and control over the continent's destiny. Africa and the rest of the world are increasingly becoming convinced that local initiatives driven by local stakeholders provide a better chance of success.

The relevance of the topic "Cross-Border Local Government Cooperation for Poverty Reduction in Africa" lies in its contribution to efforts at the attainment of the strategic development aspirations expressed in the "United Nations Millennium Declaration" and in the "New Partnership for Africa's Development". The aim is to engage all the stakeholders in a dialogue thereby contributing to efforts at strengthening collaboration and cooperation among local communities, leaders and other governance partners across national borders to address poverty. It complements the resolve of African leaders, this time at local government level, to directly face the challenges of developing their communities.

Poverty on the African continent, being itself multi-dimensional, must be fought with multi-level, multi-sector approaches with strongly coordinated efforts and the participation of the various stakeholders and players at all levels. Local communities, local authorities, national governments, regional bodies and international organizations and agencies should all cooperate towards the development of Africa, and the place to start is at the local community level. Although economic strategies are certainly important, equally crucial are governance and public administration capacities at community, local government, national, regional and international levels.

Local governance should benefit the communities at the grass-roots level, especially in mobilizing their energies and resources to develop themselves. Cross-border local government cooperation can only be meaningful in this if it provides opportunities for local communities to collaborate and cooperate among themselves beyond their national borders in order to address the obstacles that stand in the way of their development, or to tap and harness opportunities to reduce poverty. It is our belief that there is nothing local in any activity at the local level if the activity does not benefit local communities.

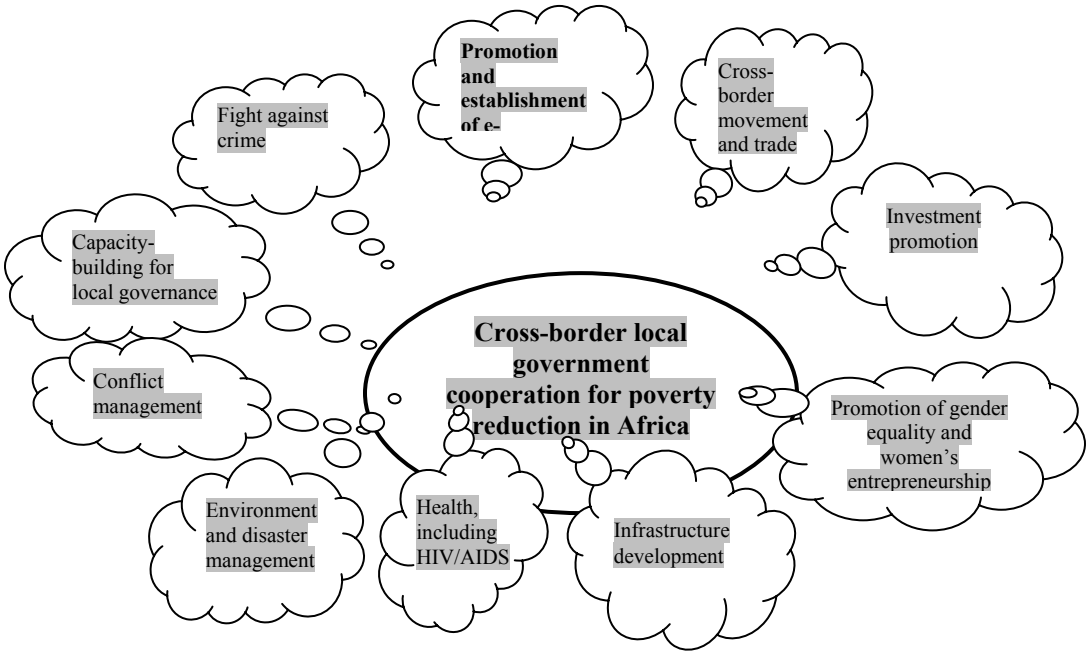
[1] This paper reflects the outcomes of a meeting on Cross-border local governments cooperation for poverty reduction in Africa held in Maputo in 2002.

A number of questions still remain to be addressed in order to promote strong cooperation among local governments across national borders. To what extent is the political resolve guaranteed to support cross-border cooperation among local governments? Are the requisite capacities (institutional, human, material and financial) available not only to support the planning of such cooperation but also to ensure its impact and effectiveness? Through what mechanisms should development partners and relevant stakeholders promote and encourage this cooperation? These and other questions should occupy the discussion.

Development issues around which cross-border local government cooperation should be built and supported

Cross border local governments' cooperation can take place in a number of areas of activity. Noting that cooperation is best promoted when it seeks to advance a development issue of common concern to all entities, it is essential that cross-border local government cooperation be built and promoted around the following issues:

Proposed areas for cross-border local government cooperation



Constraints/obstacles to effective local government cooperation across borders

A number of constraints/obstacles stand in the way of cross-border local government cooperation for poverty reduction in Africa. They include following:

- Divergent legislation relating to decentralized local governance, as well as business;
- Cultural and language barriers;
- Lack of a common vision coupled with stakeholders' initiatives that are not harmonized;
- Socio-economic disparities within and among countries;
- Inadequate capacities (including weak institutions and management systems; inadequate facilities, equipment and tools; gaps in skills and knowledge, underdeveloped ICT infrastructure and

facilities, etc.) in local governments, private enterprises, civil society, and often in central government ministries and agencies;
- Lack of political will, particularly, the will to confer autonomy on local governments and to empower local government to seek and cooperate with partners across national borders;
- Inadequate involvement of the private sector and civil society in the initiation and planning of poverty reduction programmes and activities.

Recommendations for promoting cross-border local government cooperation

Given the importance of cross-border local government cooperation in poverty reduction in Africa and the constraints militating against it, as noted above following are some of the measures that would form a basis for strategic actions to promote it.

Concerning Local government cooperation and unlocking local-level wealth creation: Poverty is being perpetuated in Africa by over-centralized policies that lock the potential of the local communities for wealth creation. Common opportunities should generate equal opportunities for all partners. The following strategic actions could contribute to unlocking opportunities for local level wealth creation through local government cross-border cooperation.

- Strengthening further decentralization policies and local governance;
- Putting in place free trade zones, reducing discrepancies in trade conditions across borders, and creating incentives for improvements in the infrastructure;
- Having forums that bring together local government leaders across national borders for sharing knowledge, ideas and skills;
- Building on and using existing structures (e.g., regional bodies, treaties, etc.) to lobby for increased cooperation among local governments across country borders;
- Developing information technology infrastructure and the capacity to apply the technology to poverty reduction (an example of the measure to institute in realization of this objective is the establishment of tele-centres, as an affordable means of sharing information among stakeholders such as local governments, and communities);
- Coordinating resource mobilization by stakeholders and earmarking the resources for projects cutting across borders;
- Linking and integrating initiatives for local government cross-border cooperation with the New Partnership for Africa's Development (NEPAD);
- Increasing communication links and minimizing the red tape for the issuance of permits (and possibly, visas) needed to operate across borders;
- Maintaining adequate surveillance to ensure that criminal gangs (including drug and human traffickers, weapon smugglers, and the like) do not take undue advantage of relaxed customs and immigration formalities;
- Facilitating cross-border subsistence economic activities and informal small-scale businesses to improve the conditions of the poor and reduce the incidence of poverty;
- Tapping opportunities such as cultural and family ties across borders to learn from one another, and share good practices;
- Emphasizing wealth at the micro-level through tapping common strengths, controlling of shared assets across borders, and responding to micro-market demands;
- Harmonizing interventions and strategies, including application of harmonized public and community participation approaches;
- Engaging the communities, including supporting active collaboration with civil society organizations and the private sector.

The strategic actions proposed for unlocking opportunities for local-level wealth creation are in harmonization, developing a vision and plan through structured stakeholders' dialogue, getting strategic plans recognized and accepted by a broad cross section of stakeholders, coordinating resource mobilization and local information support centre services, as well as involving civil society and the private sector in local governance and cooperation.

Concerning developing comprehensive capacity: It should be recognized that for cross-border cooperation among local governments to be effective, there has to be adequate capacities, including environment capacity (policy, legal frameworks, and good governance practices) as well as institutional capacities in terms of human, material, financial and information resources. Capacity-building activities should always be conceived holistically to include capacities for all actors and in all aspects. The following strategic actions are pertinent for comprehensive capacity-building:

- Put in place clearly articulated regional, national and local policy on cross-border local government cooperation;
- Put in place clear enabling legal frameworks at relevant spheres of government to create a conducive environment not only for decentralized governance and cross-border local government cooperation but also for poverty reduction and wealth creation;
- Elaborate well-defined shared vision, mission, strategy and objectives towards effective local government cooperation;
- Conduct capacity-assessment to establish what capacities are already in place and which ones are lacking;
- Establish clear communication strategy and capacity for effective sharing of information among all stakeholders;
- Establish good corporate governance (transparency, accountability and integrity) within each local government to boost confidence among national, regional and international private sector entrepreneurs;
- Develop a framework and mechanisms for cross-border cooperation;
- Establish working and credible institutions for capacity-building in cross-border cooperation;
- Establish and or strengthen cross-border cooperation secretariats to serve as administrative focal points for coordinating all activities of cross-border local government cooperation;
- Through the secretariats, harmonize on-going initiatives and interventions;
- Through the secretariats, devise means to developing SMART partnerships, mobilize funding, and development activities;
- The secretariats should have effective monitoring and evaluation mechanisms.

It should be noted that while it is important to have individual champions to spearhead the initiation and advocacy of cross-border local government cooperation for poverty reduction, it is equally crucial to ensure sustainability for such initiatives through practices which involve the people at the local community level.

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Chapter Eight

Effects of Decentralization and Democratization on the Delivery of Public Services in Latin America

Geraldo Machado

I. Issues in decentralization and democratization

Since the 1980s countries of Latin America and the Caribbean have been making efforts to democratize, employing various modes of decentralization. In the process, countries formally organized as federations (such as Brazil, Argentina, Mexico and Venezuela) as well as countries with unitary political systems (Chile and Colombia), embarked on measures aimed principally at promoting fiscal decentralization. The impact of the reforms has varied with the political, economic, and institutional environment prevailing in each country.

In most Latin American countries, fiscal decentralization is seen, above all, as a tool of economic policy. It is generally a federal government programme, and it tends to be implemented *top down*, the primary motive being the search for greater efficiency and efficacy in allocating public monies. The process has also been marked by efforts at reducing spending, streamlining central government finances and fostering self-financing by state and local governments (Afonso and Lobo, 1996).

Understood as the growing participation by government at the intermediate and/or local level in generating and allocating public funds and especially in making decisions about government action, fiscal decentralization has been one of the most continuous processes of State reform. There is no doubt that when the State is engulfed in a grave fiscal crisis, it would be unable to finance social spending, hire workers, or reach its beneficiaries in city outskirts, small towns, rural areas, and other locations. Where the state is highly centralized, and remains the main provider of essential services, and particularly, when its actions are based on clientilist and paternalistic policies, with strong political party influences, it cannot respond to social demands. It is against this backdrop that the huge deficits run up by the State in some Latin American countries should be viewed. The deficits constrain the ability of the state to provide quality services to its clients and to reach the entire population.

The experience being studied here is that of Brazilia, a country reputed to be one of the most decentralized in the developing world (Souza, 2004). The year 1988 was an important milestone for the democratization and decentralization movement in Brazil. With the promulgation of the new Constitutional Charter, the redemocratization of the country was consolidated, which meant, among other things, a commitment to decentralization, and the conferment of greater autonomy on states and municipalities.

Decentralization in Brazil has always been a highly emotive issue considering the fact that it implied a redefinition of the balance of power among the members of the federation. states. Added to this is the fact that municipalities are increasingly demanding fiscal, political, and administrative prerogatives, as well as a reduction in the high degree of centralization in Brazilian public policies, including social policies (Draibe, 1998). Thus greater autonomy was granted to states and municipalities to generate and control spending, and to play a more active role in delivering public services, mainly in the social area.

In this regard, decentralization, viewed as a tool for democratization and a strategy for consolidating social rights and extending citizens' rights to the bulk of the population, played a central role in the

political agenda of the 1980s and 1990s. Decentralization brought with it commitments to equity, improvement in public services, and efficient and efficacious allocation of resources.

The democratization process, then, was contemplated as a series of changes which strengthened the role of state and local governments in social issues. In specific terms, the process entailed:

- Modernization and expansion of the scope of **Social Welfare'**s action, transforming it into a comprehensive Social Security system of pensions, health, and social assistance;
- decentralization of free and universal public **education** at the pre-school, primary and secondary levels;
- Unification and decentralization of the new national **health** system, one capable of reaching the whole population;
- decentralization and regionalization of national programs of sanitation and public housing;
- declaration of municipal **social assistance** as a citizen's right.

Once implemented, these changes increased the state and local governments' competence to charge taxes, generate revenue from other sources and increase spending. States and municipalities together collect revenue equivalent to approximately 32% of the national GDP. The municipalities' share is still small compared to the GDP, but it has doubled since 1980. It should be stressed that the municipalities' source of revenue varies greatly and that few have revenue of their own greater than transfers from the federal government. Table 1 shows that between 1960 and 2000 the municipalities' available tax revenue increased from1.1 to 5.6%.

Table 1:
Evolution of tax revenue in Brazil (by government level), 1960-2000

	1960	1980	1988	2000p	1960	1980	1988	2000p
	% GDP				% of Total			
Direct Tax Collection								
Federal Government	11.1	18.5	15.8	22.6	64,0	75.1	70.5	67.7
States	5.5	5.4	6.0	9.1	31.3	22.0	26.5	27.2
Municipalities[1]	0.8	0.7	0.7	1.7	4.8	2.9	2.9	5.1
Total	17.4	24.6	22.4	33.4	100	100	100	100
Revenue Available								
Federal Government	10.4	17.0	14.0	19.1	59.4	69.2	62.3	57.3
States	5.9	5.5	6.0	8.6	34.0	22.2	26.9	25.9
Municipalities[1]	1.1	2.1	2.4	5.6	6.6	8.6	10.8	16.9
Total	17.4	24.6	22.4	33.4	100.0	100.0	100.0	100.0

Source: Receita Federal, STN, IBGE, FGV, MINIFAZ, Ministério da Previdência, CEF, ABRASF, Subnational and local Governments. It includes all the Social Welfare contributions

[1] Since 1998, the municipalities' tax collection has been estimated based on the main cities' revenue and on the 1977 collection
P = Preliminary Estimates

II. Influences of the democratization and decentralization process on the delivery of public services

Today the municipalities' greatest challenges are how to avoid hiring additional personnel, balance their budget, streamline public accounts[1], encourage improvement in public spending, and increase the mobilization of their own funds.

Municipal decentralization meant, on one hand, the transfer of funds guaranteed by the Constitution, and on the other hand, more recently, the transfer of federal funds to implement specific social programmes.

The problem is that decentralization in Brazil is taking place in a terrain characterized by diversity. It is difficult keeping the commitments to efficiency and quality service in light of the immense regional differences, disparities in access to resources, and in income.

Diversity is not confined to the area of human and financial resources, but is also noticeable in the 'civic culture'. The differences in the democratic culture, in particular, has produced different institutional patterns and service delivery modalities. These factors make them too fragile to carry out the programmes' decentralized functions in an autonomous and efficient way or to make advances in democracy (Draibe, 1998; Souza, 2004).

To illustrate the municipalities' heterogeneous nature, some authors have identified three models of municipal management: (1) one that seeks efficiency in providing local public services; (2) one that encourages community participation in formulating policies, mainly for allocating budget resources; and finally (3) one whose local political institutions are still so fragile that they are vulnerable to local policies which favour cronies and major property owners (Souza, 2004).

A recent experience in the city of São Paulo is worth noting. This city of 10,677,019 inhabitants collects more money in local taxes than 17 Brazilian states put together. Under the PT (Labor Party) administration, the city government decided to decentralize its management by creating 31 "sub city halls." In order to strengthen the presence of the State in poorer areas, the city transferred not only services but also decision-making power to government offices closer to users in remote suburbs of Sao Paulo.

Despite this scenario of enormous disparities, the decentralization process has transformed local governments into the main providers of universal public services. In fact, there has been greater participation at this level of government in financing social programmes and a decrease in the volume of federal funds for the same purpose (Draibe, 1998, Souza, 2004).

In practice, however, decentralization of social policies to the municipalities has not been coupled with the transfer of decision-making capacity, but it has been linked to delegating responsibility regarding the implementation of some of these policies. This means an increase in their implementation role, not the capacity to decide where and how to invest funds. Additionally, this increased participation by local governments has necessitated further financial assistance from the federal government, principally for municipalities with limited capacities.

In addition to not having diminished, the regional and social inequalities are affecting the results of democratization and decentralization. Despite efforts by state and local governments to maintain or

[1] Due to excessive municipal debt, the Law for Fiscal Responsibility was passed in 2000, requiring municipal administrations to balance their budgets and be accountable for both their finances and for their actions.

increase their participation in social services delivery, their quality has been quite uneven. As mentioned, the financial and management capabilities of each municipality vary enormously.

Therefore the success of the decentralization process has not met expectations. There is no doubt, however, that there have been significant positive results in the health and primary education areas, where local governments have been more supportive.

The involvement of municipalities in the provision of health services and primary education, modeled after federal programmes, is a response to the pressing need to insure a minimum standard of services for the population as a whole.

In education, decentralization has practically ensured access to basic and universal education. In 1994, the available infrastructure and enrollment rates for the 7 to 14 age- range reached 90 per cent. Although they depend greatly on federal and state funding, an increased participation in municipal spending on education occurred between 1980 and 1994 (Draibe, 1998).

Despite new policies designed to combat truancy and failure, as well as to improve the quality of teaching, the challenge is still to extend universal education to the upper levels. Secondary education is still handicapped by lack of infrastructure.There are also distortions at the university level. Another challenge is to ensure efficient allocation of resources while at the same time maintaining high standards..

With regard to universal access policies, there are municipal programmes geared toward guaranteeing expanded access, which ranges from providing more openings, furnishing transportation, and adjusting the school calendar to local farming activities.

Another benefit of involving municipalities in education has been the municipalities' role in promoting distributive equity. There is a minimum amount to be spent per student, and when the earmarked state and municipal funds (25 per cent) do not cover the minimum, the federal government supplements the difference.

The decentralization of health, modeled after the "Sanitation Reform Movement", was based on an expanded concept of health related to general living conditions such as housing, sanitation, nutrition, working conditions, education, and entertainment. It includes the transfer of policy and managerial decision-making as well as resource allocation authority to lower-level institutions. The process also provides a wide scope for community participation in the management of the comprehensive health programme. To make this operational, the Unified Health System (**Sistema Único de Saúde – SUS**) was put in place, with principles embracing the doctrines of universality, equity, and integration.

Although it does not yet guarantee all Brazilians effective and high quality health services, this decentralized model has had some positive effects, such as (a) an increased technical base, (b) the emergence of innovative modes of participative management, (c) the involvement of new people in the political process, (d) the enhancement of local power, and (e) the dissemination of sanitation awareness.

Under this new health system, the municipalities began to take direct responsibility for planning and organizing local health systems by administering services; input; and human, material and financial resources. Due to the municipal governments' inability to render wide-scale services or to finance more specialized health services, various inter-municipal consortiums were established, leading to new relationships among governments at the same level.

The involvement of municipalities in the management of the health programme also opened the door to a few innovative experiments, such as the Family Health Programs and the Health Agents, which began giving priority to preventive (as against curative) measures,.

While the results are still inconclusive, state governments and, even more so, municipal governments are promoting changes in the way public policies in the social area are being implemented, breaking with the traditional characteristics of Brazilian public intervention in this area.

It is true that favoritism persists in various municipalities, but it is important to note that new political and public administration measures are being implemented with impact on equity and greater efficiency in government action (Farah, 1998.)

An early change is the establishment of new relationship patterns between the state and civil society, featuring, first of all, the trend to include new actors in the formulation and implemention of public policies. In fact, many local governments are implementing or consolidating various experiments, which include participation by the people, for instance the Sectorial Municipal Councils and the Participatory Budget (PB), inspired by the pilot experiment in Porto Alegre. It should be pointed out that the process of institutionalizing participation (through municipal councils) has been highlighted in literature as an important feature of the so-called *deliberative democracy* (Habermas, 1997; Bohman & Rehg, 1997).

The **municipal councils**, set up as required by federal law, are permanent deliberative bodies composed of a collection of people who meet regularly to discuss programme proposals, allocate resources, and oversee policy implementation. There is a different council for each social policy. Besides representing the community in discussions about specific policies, their purpose is to ensure the participation of various segments of society.

The municipal councils vary in form. There are sector policy councils which seek to enforce universal rights, such as councils for health, education, social assistance, environment, culture. The second type includes the thematic councils which focus on rights and behavior of individuals and society as a whole (e.g. councils for children, adolescents, African-Brazilians, the disabled, seniors). The third category comprises the territorial councils, which are active in formulating and managing territorial policies such as councils for neighborhoods, districts. Finally, there are councils with broad mandates, for example, mandates for regional development and urban development.

According to the Basic Survey of Municipal Information (IBGE, 2002), in 2001, there were in all 5,561 municipalities in Brazil. These had among them, over 22,000 municipal councils which comprised 5,426 health councils, 5,178 social assistance councils, 4,036 children's and adolescents' rights councils, and 4,072 education councils.

The problem is in ascertaining whether these councils really are an instrument for citizen empowerment. According to research, their existence does not seem to be enough to give the community meaningful participation in making decisions about policies and resource allocation. Côrtes (2000, *Apud* Souza, 2004) proposes a typology of municipal councils which clearly illustrates the diversity of distribution of power and consequently their potential effectiveness. The first type of council identified is one whose members have a real decision-making role, not just a voice. In the second type, the local government is the main decision maker, and civil society participants act merely as intermediaries for different demands and interests. The third type of council is made up of reform specialists (*policy community*) who have a major platform for expressing demands, but no real power to decide. Decisions are made by the government or interest groups. A fourth type is one which is generally found in small impoverished communities, where members are named by local leaders, usually the mayor, and whose role is to approve the decisions made by the local Executive.

One important aspect for the councils to work well is autonomy, which involves issues of infrastructure, financial resources, and management models. Another aspect is that many council members lack specialized training, are not conversant with the law, and are unable to grasp the big picture.

As is the case with the councils, the **participatory budget** (PB) is a form of participative policy, but created by local government initiative, not because federal law requires it. Together with the councils, it is constituted as a privileged *locus* of constant contact between the state and society. Implemented for the first time in Porto Alegre in 1990, the participatory budget aims to meet the demands of the less privileged segments of the urban population by distributing public assets more justly. It is structured as a mechanism of citizen participation in which average citizens are included in the process of negotiating and deliberating how to allocate part of the local budget resources. The first stage of the process provides for the direct participation by those who are interested, while in the second stage, participation occurs through a constituted delegate council. Investment priorities are decided upon after a series of meetings.

With national and international acclaim as an example of good governance, the PB has been adopted, according to 2002 statistics, in 140 municipalities. It should be stressed that the relative amount of funds earmarked for collective deliberation corresponding to investments is quite limited.

These experiments in participative policies, although of the *top-down* sort, have helped promote the consolidation of democracy by empowering local communities in making decisions about public policies.

Regarding the inclusion of new actors to participate in the policy formulating and implementing process, one can observe the emergence of networks of entities and institutions which are mobilized and interconnected in the interest of the public.

With regard to the delivery and management of public services, some initiatives taken by state governments, and more recently by municipal governments have attempted to do away with the inconvenience caused by spread out services and by fragmented assistance in order to cut out the run around from one government office to another and from window to window in each office, a typical feature of people's treatment by the public bureaucracy. Thus the **integrated centers for citizen assistance** were set up to provide a wide range of citizen services furnished by various levels and branches of government, all in the same well-equipped location. They operate as a kind of public services shopping centres where citizens can take care of a good deal of their government-related problems and demands without needing to go all over the city. The service centres are located at convenient spots such as shopping malls, neighbourhoods, or by mobile units.

These integrated centres for citizen assistance**,** an example being SAC, in the State of Bahia, are not just an architectural solution with a simple system for serving the public. In practice, they comprise a set of administrative and information processing innovations which allow public services to relate directly to each citizen at a high level of quality and efficiency. This direct relationship also puts citizens in the centre of the whole administrative process, which requires and engenders successive gains in efficiency and quality.

Furthermore, under the influence of the democratization and decentralization process of public policies, one can observe the implementation of local programmes geared to segments of the population traditionally left out of public services, such as seniors, the disabled, African-Brazilian communities, women, and so on, giving clear evidence of a move toward a more inclusive arena (Farah, 1998).

The Brazilian and some Latin American experiences, according to some theorists, allow us to identify a clear trend towards decentralization. The movement to decentralize is directly related to efforts at the consolidation of democracy in the region (Afonso, 1994, Afonso e Lobo, 1996).

In conclusion, it is possible to argue that the impact of decentralization on the efficiency of the public sector has been positive. In Brazil and various Latin American and Caribbean countries, public administration still suffers from inefficiency, waste, and corruption, but the wide-spread decentralization which has occurred over the past decade has improved administrative efficiency as a whole, and also the quality of public services. Decentralization has had an important role in improved governance as well.

The main challenge that Brazil and indeed all countries in the region currently face is not only to bring service delivery up to the same level, but, most of all, to insure that decentralization does not dilute responsibility or weaken the central government's functions of promoting equity and social justice.

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Chapter Nine

Capacity-Building Approaches and Strategies: Human Resources Development for Effective Local Government Performance in Africa

George Matovu

Introduction

Capacity is a dominant issue in local government in Africa. Local governments serve little purpose unless they have the skills as well as managerial and professional competencies to execute effectively the responsibilities and functions devolved to them. There are several national and regional organizations which are involved in building the capacity of local governments through various programmes and approaches. Today, the issue is not so much of lack of trained professionals, but rather, the challenge is to make better use of the existing human resources through improved governance and managerial structures (UNHABITAT 2004). Participatory consultation and decision-making, conflict resolution, project management, monitoring and evaluation are just some of the core skills which are lacking in many local authorities.

The challenges facing local governments within the context of capacity building[1] are many and complex. They include the following:

- How the competencies of local governments can be improved to better deliver services, alleviate urban and rural poverty, create jobs, promote peace and security, prevent the spread of HIV/AIDS, and foster sustainable development;
- The conditions under which local government officials should be expected to apply their competencies and skills.
- The kind of capacity building programmes that respond to the needs of local governments.
- The kind of institutions that should be involved in delivering such programmes and who should be targeted; and
- How local governments can be encouraged to take advantage of capacity building opportunities when they are made available.
- How to effectively link all the above to emerging continental opportunities like the New Partnership for Africa Development (NEPAD) and challenges posed by the Millennium Development Goals.

Focusing mainly on Anglophone Africa, this paper discusses issues in capacity building and human resource development – issues germane to the effective performance of local governance institutions. As outlined by the organizers of this expert group meeting, managing decentralization for effective delivery of services needs adequate capacities in terms of institutions, systems, organization structures, facilities and equipment, human resources, data and information, networks and alliances, as well as a conducive legal and policy environment. The paper draws on the experience of Municipal Development Partnership

[1] Peter Morgan (1999: 14).described capacity building as *"involves identifying the constraints and helping those need to improve their ability to carry out certain functions or achieve certain objectives"*

(hereafter referred to as MDP) as a continental institution mandated to promote decentralization and engage in capacity building initiatives for decentralized governance in Sub-Saharan Africa.

The paper gives a brief overview of the key challenges in decentralized governance as well as the scope and relevance of capacity building. It further examines regional perspectives on capacity building, capacity building target groups, and the role of training institutions and trainers. Besides highlighting strategic issues in capacity building, the paper flags lessons that need to be taken into account in the design and implementation of decentralization capacity building programmes.

I. Development challenges and decentralized governance: capacity building implications

The challenges facing the Africa continent highlight not only the role of decentralized institutions but also the relevance of capacity building programmes. One of the major challenges facing most central and local governments Africa is poverty, which manifests itself in different ways. It is estimated that 340 million people, or half the Africa's population, live on less than US $ 1 per day. The mortality rate of children under five years of age is 140 per 1000, and life expectancy at birth is only 54 years. In Africa, rural poverty is so widespread to be noticeable and acknowledged. This is not the case with urban poverty, which is often perceived as less entrenched than its rural counterpart. In fact, the general assumption is that those living in cities will automatically have better access to services. Unfortunately for the majority of urban dwellers, this is not necessarily so. Many live in abject poverty and are often far worse off than their rural counterparts.

As rightly observed by Richard Stren (2001), there are very strong reasons why government must fight poverty. He points out that:

- Poor people cannot pay taxes or support public services without substantial levels of government funding;
- The very poor cannot contribute in a productive manner to the development of a pool of skilled human resources necessary to generate goods and services in the modern competitive economy; and
- The poor cannot easily participate in community activities in order to provide facilities and organizational structures at the neighbourhood level.

It is important to note, however, that efforts are already underway in several Africa countries to address poverty, with a deliberate focus on urban poverty. For example, the strategic goals for local development in Ethiopia, Kenya and Uganda, as set out in their respective PRSPs are in line with the Millennium Development Goals (MDGs). In Ethiopia the targets for poverty reduction set out in the PRSP are: (i) a reduction in income poverty by about half by 2015, and from 44% in 1999/2000 to 40% in 2004/05; (ii) a reduction in infant mortality from 97 per thousand in 1999/2000 to 85 per thousand by 2004/05; and (iii) an increase in the gross primary school enrolment rate from 57% in 2000/01 to 65% by 2004/05 (Government of Ethiopia, 2000).

In Kenya, the poverty reduction strategy comprises five elements namely: (a) to facilitate sustained, rapid economic growth;(b) to improve governance and security; (c) to increase the ability of the poor to raise their incomes; (d) to improve the quality of life of the poor; and (e) to improve equity and participation (Government of Kenya, 2000).

Unfortunately, going by current statistics, it is increasingly becoming clear that halving poverty by 2015 - whether at global or national level cannot be achieved. At the 2003 Spring Meeting of the World Bank and International Monetary Fund, the World Bank made it clear that an annual sum of US$ 100 billion was required to attain this goal (Eckhard, 2003:336).

The poverty situation is being exacerbated by the prevalence of the HIV / AIDS pandemic. Sub-Saharan Africa is by far the region most affected by HIV / AIDS in the world. The region which represents only 10 per cent of the world's population, accounts for 70 per cent of the people living with HIV/AIDS worldwide, 83 per cent of the deaths related to AIDS, and 95 per cent of the orphans due to AIDS (UNAIDS 2002). The prevalence of HIV/AIDS is very high in countries such as Botswana, Swaziland and Zimbabwe where more than 30 per cent of the adult population are living with HIV / AIDS. The impact of HIV/AIDS on central and local systems is daunting. The epidemic has: (a) increased the demand on the health care systems, (b) reduced life expectancy to 38 years and increased infant mortality, (c) reduced the ability of citizens to pay for services and taxes, (d) threatened productivity due to absenteeism and loss of skills, and (e) increased the number of orphans and child-headed households.

Growing inequality is another challenge confronting Africa. There is apparent sectarianism and elitism on the part of the urban area politicians and administrators. In 400 BC, Plato (as cited by Molly O'Meara 2001: 337) observed that "any city, however small, is in fact divided into two, one the city of the poor, the other the city of the rich". This observation is still as valid as it was in 400 BC. In the African context the gulf between the rich and the poor is widening. There is a pervasive perception of "us and them". Most top city administrators in urban areas seem to regard the urban poor largely as aliens in the urban areas who should return to the rural areas to till the land. Most often they seem to forget that the urban areas equally belong to these administrators as it does to the urban poor.

In any case, most urban authorities in Sub-Sahara Africa are having difficulties building and maintaining their infrastructure partly due to the high cost of imported inputs. In many places, the infrastructure that was left behind by the colonial masters has crumbled without any new ones built. It is generally accepted, however, that the deteriorating terms of trade against primary exports and massive devaluations and exchange rate depreciations in structurally adjusting countries has had a negative impact on the municipalities' ability to construct and maintain their infrastructure.

Whereas it is true that municipalities lack financial, human and organizational capacities, several questions have been raised about the styles of governance and management in many African cities. For example, in 2000 Arsene Balihuta asked; "…why is it that during the colonial era urban governments were able to build and maintain more infrastructure when they had relatively less real resources than their counterparts today"? He attributed this to current city fathers and managers who are probably less visionary, more corrupt, less efficient and less altruistic than colonial predecessors.

Not withstanding the answer to Balihuta's question, there is no doubt that most of urban areas south of the Sahara, apparently lack financial, human and organizational capacities. Cities usually rely on central government grants, property rates and levies, sales and income taxes. In theory, this means that, other things being equal, the wealthier the community (in other words, the more productive and the higher the level of economic activities), the higher the amount of financial resources that will be available to the city administration. Outside South Africa, none of these conditions appear to be hold. Council administrations in various countries have less money with which to attract skilled workers and administrators, acquire equipment for building and maintaining their physical infrastructure, and provide the services valued by their clients.

Against overwhelming odds, governments in Sub-Saharan Africa are undergoing a process of political, functional and fiscal decentralization and democratization. Through this process, regional and municipal governments have gained increased importance in provision of basic urban services as well as promotion of local development. The process of democratic decentralization is moving apace at a time when the Africa region is urbanizing at one of the most rapid rates in the world. Unfortunately, however, the capacity to plan, manage and administer local development programmes has been overwhelmed by the

rapid population growth which is rated at an average of 5 per cent. Urban planners and managers have not been able to adjust well to this growth. The problems are so complex that conventional methods and traditional solutions can no longer work. Management of cities is often made more difficult by speculative practices especially in land management, lack of reliable information, financial resource constraints, inadequate human resources, and discriminatory practices associated with gender, ethnicity, race religion, or social status.

A number of factors (among them, poverty, bad governance, and poor infrastructure) have undermined the capacity of local governments to discharge their obligations and provide essential services. This capacity constraint has in turn constituted a significant barrier to Africa's economic growth, and has prevented the continent from tapping into global opportunities, resources, and technological advancements.

II. Scope and relevance of capacity-building

At the minimum, capacity building entails creating an enabling environment and providing the necessary tools for the performance of assigned tasks. Capacity building is more than just improving the skills and competencies of those involved in providing services. In 1991, Professor Akin Mobugunje pointed out that "…to spend substantial sums of money training officials only for them to come back to find that they cannot operate effectively because the local government has no working vehicle or telephone, or typewriter can seriously undermine morale"[2].

Capacity building thus requires a clear and shared vision, unity of purpose and goals, and aspirations by stakeholders and proper planning to attain the stated goals. Deborah Eade (2001) pointed that "It does not help to train individuals when the organisational vision is unclear, organisational culture is unhelpful, and structure is confusing or obtuse. It does not help to secure resources when the organisation is not equipped to carry out its tasks. It does not help to develop information management systems when the basic organisational attitude is one which rejects learning through monitoring and evaluation in favor of frantic activity".

Capacity building further requires removing obstacles and dealing with negative attitudes and behaviour fostered by outdated laws and regulations. Kim Forss and Pelenomi Venson (1999) argue that …capacity building is subject to a variety of interpretations. "Capacity building is not necessarily growth and expansion. It is also about removing obstacles (such as outdated bye-laws) and altering processes and approaches".

Above all, capacity building requires positive incentives to minimise institutional failures. Institutional failures in service delivery are not only the result of a lack of technical knowledge on the part of local government staff, but also reflect built-in constraints and perverse incentives confronting local personnel and the political leadership. These in turn are often caused by problems in the relationship between central and local governments. (The World Bank, 1995).

III. Regional perspectives in capacity-building

Over the past two decades, a wide range of approaches to capacity building in African local governments has been discussed and experimented. Perceptions on capacity building and areas of emphases have varied from year to year depending on the challenges of the day as well as the preferences of those behind

[2] See also Balogun, M J, 1997, "Economic Recovery and Self-sustaining Development in Sub Saharan Africa: a Review of Capacity Building Implications", *Africa Development,* Vol. XXII, No. 2, 1997.

each initiative. In the following section, an attempt is made to outline some of the perspectives and ideas that have dominated capacity building in the last two decades.

Capacity building and "down-sizing"

At an early stage, institution capacity building was considered critical to galvanizing transformations. When African countries were obliged to embark on economic structural adjustment programmes in the early and mid-1980s, the focus was on 'institution capacity building' or 'strengthening'. This entailed, among other things, reviewing and adjusting internal organizational structures (organizational re-engineering), systems, strategy and skills of individuals in public sector organizations. The emphasis was on down-sizing, through the transformation of sprawling agencies into "lean and mean" organizations. The rationale was that once the organizational structures are right, performance would naturally follow. The second aspect of re-engineering was the rehabilitation of institutions such as universities, hospitals, roads, or the establishment of new organizations in place of the existing ones. Such interventions tended to be supply-, and donor-driven, and to rely on expatriate technical assistance personnel.

Capacity-building as "skills transfer"

The initial attempts at building capacity for local management involved bringing in young expatriates who were expected to transfer skills and competencies to nationals. For their own part, the nationals were expected to understudy their foreign counterparts in preparation for ultimate assumption of responsibility. The expectations turned out to be unrealistic. Skill and knowledge transfer was inhibited partly by the half-hearted methods to share the skills and the knowledge, and by the local staff's conviction that they had little to learn from their "young" and "inexperienced" tutors. As a result, performance in infrastructure and service provision remained largely unsatisfactory, and the impact on the target populations, especially the poor, left much to be desired.

Another capacity building mode was the award of scholarships to enable young professionals to study abroad and acquire not only knowledge but also the right attitudes and work culture. However, there was no guarantee that this approach would produce the kind capacity needed to address the emerging critical issues. Many beneficiaries of scholarships did not return to their countries. Thus instead of enabling African institutions acquire capacity, award of scholarships sometimes ended with a net loss in capacity. Secondly, the retention capacity in public service institutions was constrained by the low level of salaries and bad working conditions. Many well-qualified individuals resigned from the civil service to join either non-governmental organizations (NGOs) or the private sector. Others opted for self-employment or explored career opportunities in international organizations or academic institutions.

Suffice it to say that the institutional development approach was badly flawed. It was criticized for failing to address the malaise crippling public offices – a malaise whose symptoms include cronyism, corruption, laziness, bad time keeping, abstenteeism, rudeness and lack of courtesy to members of the public, laxity and indifference. At the local levels, the following flaws were observed. For example in 2001, Mila Freire pointed out that in order to achieve sustainable urban development in infrastructure and service provision, it was imperative first, to have a more integrated approach across the physical planning, and to link capacity building to the issues of governance. Neither of these two conditions prevailed in all local government jurisdictions. Besides, there was no meaningful beneficiary or community participation in decision making – including decisions impacting directly on their life. There was no appreciation of corporate governance based on a shared vision. The values of transparency, accountability, honesty and integrity, and professionalism were not fully entrenched.

Capacity-building for poverty alleviation

As poverty became widespread, and as the socio-economic costs of structural adjustment began to mount, governments and donors started to give attention to capacity building measures targeted towards the alleviation of poverty. The first generation of structural adjustment programmes was devoid of a "human face". It did not only make the poor poorer but created a significant group of the new poor. Starting from the early 1990s, attention shifted to the formulation of poverty reduction strategy papers (PRSPs), and to the design of the complementary capacity building programmes. A significant feature of the capacity building programmes is the emphasis on the exchange of experiences and innovative practices on how local authorities might address issues of poverty and its various manifestations – crime and violence, corruption in official transactions, prostitution, child vagrancy etc. The programmes made an effort to strengthen the capacity of central and local government agencies and NGOs to formulate and implement policies, programmes and projects aimed at sustained reduction of poverty and at promoting the participation of the poor and vulnerable groups in activities which would improve their standards of living.

The shift towards poverty alleviation highlighted the importance of decentralization reforms initiated earlier in the 1980s. In the 1990s, decentralization was considered an effective tool for building capacity for good governance and for improving the quality of life of the urban and rural poor. Building on past efforts, central governments (with external donor support) instituted measures designed to (a) decentralize/devolve powers and responsibilities to local government, (b) entrench the principles of good governance with emphasis on accountability, transparency, and integrity; (c) promote democratic governance; (d) ensure meaningful community participation (e) give concrete expression to the principle of subsidiarity; (f) create space for the involvement of non-state actors (from civil society, NGO sector and private sector) in local governance, local development, and delivery of services; and (g) implement a variety of capacity building programmes.

The implementation of wide ranging economic and decentralization reforms particularly brought to the fore the need for a clearly articulated capacity building programme for decentralized governance, and for a review of conventional approaches. It soon emerged that no matter whether it is restricted to a specific governmental function or a public service agency, decentralization is a multi-faceted and complex political process. Following from this realization, it was increasingly accepted that decentralization required a multi-sectoral approach, and dictated the need for coordination among the various government departments, and between the center and the periphery. Decentralization emerged as a complex process which transcended narrow departmental concerns. It involved, at the minimum, managing change in every sense of the term – that is, change at the political, institutional, managerial, fiscal, budgeting and accounting levels.

A holistic view of capacity-building

Another important development is the growing awareness that decentralization connoted more than "delegation", de-concentration, devolution, or delinking, and that the process combined all these, and possibly, other attributes. Rather than being perceived as a trade-off between central and local government, decentralization was increasingly viewed as requiring the active participation of civic bodies, and the private sector. As civic engagement assumed increasing importance, formal governance institutions at the central and local levels had to acquire the capacity to work with non-state actors and stakeholders. In view of the different and conflicting interests that need to be reconciled, decentralization is a complex process. The different interests include reform minded politicians and the opponents of change, external donors and national policy makers, the "suppliers" of local government services and the "consumers", the political functionaries, and members of the career public service. Consequently, the implementation of decentralization policies requires, amongst other things, a sound institutional

architecture that is culturally and politically sensitive and allows for detailed planning and coordination, a sound human resources base, one that understands the demands and complexity of the challenges, and a capacity building strategy that is capable of accommodating the complexity of views and interests.

Capacity and ingrained attitudes

As decentralization progressed, it became clear that there was urgent need to pay attention to attitudinal and behavioural aspects at various levels. Even where, as in Tanzania, Uganda, and Zimbabwe, policies were clear and guidelines were in place, both elected and appointed officials as well as the active citizenry reacted in different ways. For example, central government officials (particularly from sector ministries such as education, health, works, environment) were accustomed to making policy decisions and passing them over to local authorities for implementation. In that regard, central officials resisted decentralization because of the fear of losing power, influence, as well as personal gains. Devolution might also mean loss of opportunity to pay on site visits to projects hitherto controlled by Ministry headquarters. There was a perception that decentralization would erode the power, authority, and legitimacy of senior officials. For their own part, junior officials resist decentralization because they loathed the prospects of being posted to field offices. The transfer to a field office was perceived to be a demotion or as a separation from centers of power, that is, the head office.

The problem of attitude was highlighted almost by all ministers at the 1999 Ministers conference that took place in Victoria Falls in Zimbabwe. Honourable Jaberi Bidandi Ssali, former Minister of Local Government in Uganda, noted as follows:

> …there was need to generate adequate attitudinal change among central bureaucrats to give the decentralisation programme unquestioned commitment and support[3].

Honourable Kingunge Ngombale-Mwiru, former Minister of Local Government in Tanzania put it thus;

> "Devolution of powers and resources to local government authorities in essence means taking away the same from Government ministries and institutions, which is in it-self a big challenge. No ministry or centralised institution will willingly give up power and resources. In order for decentralisation to succeed, serious sensitisation of the entire political leadership should be undertaken, and a common vision of the model of decentralisation should be agreed upon and guided by law. The community should also be sensitised and mobilised so that they understand the benefits which go with decentralisation and empowerment, so that they will own and cherish the process"[4].

Civic engagement in decentralized governance raised other questions – notably, the pattern of relations between local government and its civil society partners. In a number of countries, particularly in Eastern Africa, local officials were (and still are) not accustomed to being accountable to local residents but to central authorities. In Southern Africa, local people were not used to paying for public services and had the mentality that government was fully responsible for their livelihood and well being. As Richard Bird once pointed out (Bird, 2001:171), to many people, the very idea of charging for public services seemed ridiculous. How capacity building programmes could address such ingrained, long-held attitudes is a major challenge.

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[3] See paper presented by Minister Bidandi Ssali See also Balogun, M J, "The Nature and Effectiveness of Training for Decentralized Administrative Systems in Africa", *The International Journal of Public Sector Management,* Vol. 1, No. 1, 1988.

[4] See paper presented by Minister Kingunge Ngombale-Mwiru of Tanzania. Also see the paper presented by Dr. Dele Olowu

Local governance capacity and ethical violations

Another major component of capacity building that had been omitted until the 1990s was the need to develop local integrity systems to fight corruption (the misuse of public resources for private gain) at local levels. As Rtd. Col. Ng'andwe, former President of the International Union of Local Authorities (IULA),[5] rightly points out (Ng'andwe, 2003:12), no amount of resources or effort can yield sustainable development and satisfactory service delivery in the absence of local integrity systems which prevent the scourge of corruption. Economic hardships that public servants experienced as a result of structural adjustment programmes resulted in unprecedented corruption that adversely affected the capacity of central and local authorities to deliver services. Decline in various aspects of integrity at various levels of governance significantly started undermining the decentralization, democratization and socio-economic development process. Studies in Eastern and Southern Africa revealed that however small the level of corruption, the practices resulted in inducing wrong decisions and projects, unqualified individuals being awarded contracts, delivery of sub-standard services, and ultimately erosion of public confidence in public service and in formal governance institutions.

It was against this background that the Municipal Development Partnership (MDP) introduced programmes aimed, among other things at (i) raising awareness of the effects of corruption with regard to services delivery; (ii) embarking on service delivery surveys (to seek citizen opinions (satisfaction / dissatisfaction) of citizens regarding corrupt tendencies in their local authorities and to set benchmarks against which the progress in fighting corruption can be measured); (iii) empowering the key local government stakeholders through exposure to integrity-related topics at workshops and seminars; (iv) developing leadership codes of conduct; (v) developing public procurement processes which are understandable, transparent, open, competitive, and fair; and (vi) promoting the elaboration of local governance integrity charters.

Building the capacity to respond to the "demand side" of local governance

As Dele Olowu (2001) points out, decentralization is not confined to the vertical transfer of responsibilities and resources from central to local governments. It includes the development of horizontal networks among the various sectors, and between local government and non-state actors (the private sector, civil society, and international organisations). Capacity building from this perspective is needed to improve coordination and consultation and to enable the various actors interact in unison for the benefit of the clients.

Given the complexity of urban issues, it is vital to promote a multi-disciplinary approach to capacity building for sustainable development. Specialized training in fields such as engineering, law, medicine, and economics will continue to be an important way of providing a human resource base for development. However, experience across the region shows that professionals tend to be deployed to handle narrow, specialized issues, and they continue to operate in highly compartmentalized ways. The result is the constant failure to see the "big picture", and to design programmes that enable the citizen-customer to enjoy the benefits of "seamless service". Contemporary poverty alleviation measures have proved ineffective due largely to the "solo raids" mounted by the various organs of government and their counterparts in the NGO sector (Balogun, 2000:162-170, Stren, 1996). Vanquishing corruption, stemming the spread of HIV/AIDS, and improving urban and rural populations' access to potable water and electricity, require at the minimum, that government and non-governmental organizations pool their resources.

[5] In May 2004, the name changed to United Cities and Local Government (UCLG).

It cannot be overemphasized that promoting civic participation in local governance means promoting productive working relations between those who govern and those who are governed. At the end of the 1990s, more attention was given to strengthening civic participation in local governance when it became increasingly clear that local governments were failing to deliver services and needed additional civil society resources and support. There emerged a genuine need to strengthen the capacities of both civil society and local governments to work together more productively to design and implement development programmes. Civic participation was viewed to be an effective way of moving from top-down approaches to decision making to a genuinely participative system. Among the possible benefits of participation are (i) efficiency and effectiveness in allocation of resources and delivery of municipal services; (ii) the establishment of cost-sharing arrangements; (iii) empowerment of local communities; (iv) sustainability of programmes and projects; (v) accountability and; and (v) equity in access to public amenities. Community capacity building would include areas such as understanding how municipal governments operate (Plummer, 1999), participatory planning and budgeting, as well as the rights, obligations and responsibilities of the citizen (Balogun, 2000). On the other hand, municipal officials would need political, community relations, partnership building, and managerial skills to handle the challenges of local governance, and facilitate the involvement of non-state actors in the process.

Private sector involvement is also needed to enhance efficiency in service delivery. The reforms in public administration in the 1980s highlighted the role of the private sector. Local governments particularly the urban ones, came under pressure to create space for the involvement of the private sector in service delivery as a reaction to accusations of inefficiency and corruption in public institutions. Local authorities also came under pressure to start running their institutions along "business lines" and in accordance with sound business principles – subject to the proviso that they do not compromise their social and equity obligations, or ignore vital electoral signals. In a way, local governments were required to begin to view the citizens or the voters as their "customers" or "clients", and to treat them in a more responsive fashion (Mila Freire and Richard Stren 2001:194). This led to major changes in local government. For instance, executive mayors, directly elected by the urban citizens, came into existence and assumed the new title of city managers. Town clerks were appointed on contractual terms and came to be known as municipal directors (in Tanzania), chief executive officers (in Malawi), or urban managers (in South Africa). With these changes, local managers needed to be acquire the capacities to: (a) establish an enabling environment and conditions for private sector involvement; (b) become facilitators of, rather than impediments to, change; (c) regulate competition; (d) promote fair public-private partnerships; (e) negotiate for and on behalf of the local government; (f) handle tendering and contracting in a transparent and accountable manner; (h) prepare feasibility studies; (i) prepare and manage service contracts; (j) price public goods and services, and administer cost recovery projects; (k) handle labour issues, (l) protect the environment, enforce zoning laws, and maintain high sanitation standards; and (m) evaluate performance etc.

Central-local nexus in capacity building

Understanding central-local relations is a necessary condition for enhancing local capacity to undertake the decentralized functions. The main problem here is reaching a common understanding on the institutional and legal frameworks governing the relations between the central and sub-national levels of governance. In Zimbabwe for example, local government is a legislative rather than a constitutional issue while in Uganda and South Africa, local government is a creature of the constitution. In the case of Zimbabwe, local government has no independent constitutional existence. One can safely say that it is an appendage of central government. Its birth, development and death are almost entirely in the hands of the central government. As Eldred Masunungure (2003) observes, something urgently needs to be done about central-local relations to improve local governance.

Building and improving local financial capacity is crucial to improving local governance, and to successful democratic decentralization. Indeed, central to any successful scheme of decentralization is a sound fiscal decentralization policy and a sustainable system of intergovernmental fiscal transfers from the centre to regional and local jurisdictions, as well as conferment of authority to raise local revenues. The design of the system of transfers can make an important contribution to efficiency, equity, poverty alleviation, accountability and the consolidation of democratic reforms. Local governments need to be strengthened to put in place sound financial management systems, particularly, systems relating to how to manage, and account for revenue sources and expenditures. The following conditions, amongst others, should be met:

- Transparent and predictable intergovernmental transfers;
- Clear and internally consistent systems for recording and reporting local revenues and expenditure;
- Prudent conditions for municipal borrowing;
- Generally accepted financial accounting practices;
- Sound assets management (an accurate register for all assets; a repair and maintenance policy designed to keep assets in good condition);
- Transparent tendering and procurement practices.

Civic education and local governance

Improving the quality of local governance hinges largely on how far civic society is empowered to hold policy makers and senior managers to account. In this respect, civic education should be regarded as a significant component of the local capacity building strategy. The focus should be on raising the general level of awareness about local governance, and by so doing, countering apathy and indifference to the management of community affairs. The mobilization of communities would at the very least put local governance under the spotlight, strengthen the legitimacy of local leaders, and further the cause of good governance. Apathy by definition is reluctance by citizens to participate in the electoral and overall governance process. Apathy manifests as attitudes of despair and depression, and as total resignation to "fate" or political circumstances. It is caused by a number of factors, among them, confiscation of the sovereign powers of the state and imposition of dictatorial rule, cronyism and corruption, internecine power struggles, and unfulfilled electoral promises.

To check apathetic tendencies, it is essential to develop a civic education programme addressing the capacity building needs of the key actors – particularly, civic groups, community based organizations, trade unions, professional associations, citizens and tax payers. The programme should strive to enhance the capacities of the various groups, and should expose the target groups to the essence of democratic participation, decentralized governance challenges, and strategies for promoting cooperation and coordination in the planning and implementation of local development programmes. Voter education is another important component of civic education that the capacity building programme needs to target.

Research and consultation

The experience of MDP since its launching is that one of the major impediments to effective decentralization and effective service delivery in municipalities is the absence of action based research that can inform policy analysis and formulation as well as monitoring and evaluation of impact. The research should emphasize a multidisciplinary approach as well as participation of policy makers and beneficiaries to ensure ownership and maximum utilization of findings and recommendations. The current MDP agenda supported by the Government of the Netherlands seeks to strengthen the capacity of urban local governments for service delivery and poverty reduction. Besides, a two year study on access to land by the urban poor for urban agriculture funded by the International Development Research Centre (IDRC) is

underway with a view to assisting urban local governments incorporate urban agriculture in urban policy making, planning and management.

IV. Capacity Building Target Groups

The potential beneficiaries of local governance capacity building initiatives are many and varied. They can be classified under the following headings:

Councilors and Mayors

Councilors are key actors in democratized local government. They represent the citizens and are supposed to provide political leadership, have an appreciable level of civic knowledge needed to effectively manage public affairs. However, until late 1980s, it was never conceived that a councilor representing "ordinary people" needed to have extraordinary skills (Allen, 1990:80). Moreover, the councilor's engagement was on a part time basis. Experience has proved that many elected councilors come to local authorities without prior management skills or knowledge of local government systems. A region-wide consultation to establish the capacity building needs of newly elected mayors revealed that mayors are interested in learning about how to: (a) engage residents in municipal affairs meaningfully; (b) improve the resource base for their local authority; (c) prepare strategic plans; (d) attract investors; (e) establish enabling policy and institutional environments; (f) guard against corruption; (g) handle street vendors; (h) promote private sector investment in local areas; (i) commercialize, or determine the prices of, municipal services; (j) play a meaningful role in preventing the spread of HIV/AIDS; (k) respond to the needs of AIDS victims; (l) protect the environment; (m) protect children and women against abuse and violence; and (n) rehabilitate and resettle street children.

Chief Officers

While a number of professional training programmes have been offered for professional staff like finance officers, engineers, planners, etc, it is frequently assumed that skills in fostering participation and transparency would be acquired as one rises through ranks or by observing and learning from the practical experience of older members of staff (Allen, 1990:80). There is need to equip managers with formal knowledge, skills and attributes that are crucial for the effective performance of local governance institutions.

Citizens

Citizens' participation, especially the poor, in local government affairs is essential if local governments are to be properly held accountable for their actions and if public business could be transaction in a transparent manner. By participating in planning and decision making processes, demanding quality services, and holding local officials accountable, citizens can ensure that government truly represents their interests.

Citizens need to be aware of the cost of infrastructure, social services, and of the need to performance their civic duties such as payment of tax, and ensuring that public assets are not vandalized. They need to be trained in participatory processes such as planning and budgeting, implementation and monitoring. They must also be conscious of the accountability of the elected and appointed officials to them, and their role in ensuring the integrity of local governance institutions.

Community leaders

Community leaders also need appropriate training to enable them foster citizen participation in decisions of concern to them. Community leaders need to develop knowledge about local power relationships (who controls what or whom, where do the funds come from, roles and responsibilities of citizens etc) and about local resource mobilization and allocation processes. They also need to learn how to collect information and present facts, how to prepare projects, how to mobilize the community to demand services and participate in their implementation, how to influence changes in policy contents and directions.

Ministers and top officials

Ministers, top public officials and policy advisers of central government ministries responsible for and / or involved with local government also need to "training". Whilst central government officials still control various resources, they lack adequate skills and mechanisms for consulting with local authorities.

Ministers need to be exposed to ideas and exchange of views on current central/local government policy issues so that they may appreciate the role of local government in development and in promoting good governance.

Local government associations

Local government associations bring together those who work in local government to share information and experiences, build support network, initiate policy dialogue, present a common platform for the review of local government policy and management processes. Strong national associations can play an important role by identifying the needs of their members and could constitute a source of information on good local government practices.

In order for national associations to play their advocacy role effectively, they need to know how to collect information and present facts, how to prepare policy and project proposals, and mobilize their members to influence changes in policy, programmes, and service delivery systems.
Professional Associations

Formation of professional Associations is also considered to be an effective way of building local government capacity. Examples abound across the region - the Namibia Association of Local Authority Officers (NALAO), the Kenya Association of Chief Executive Officers (KACEO), the Town Clerks Forum of Zimbabwe (TFZ), the Zimbabwe Institute of Planners (ZIMIP).

Donors and development partners

There is a growing concern that the development partners come with preconceived ideas and objectives which contradict national aspirations. It is argued that development partners bypass central governments and initiate unsustainable projects at local level. When such projects fail, both local communities and the central government are blamed for being "incapable" of understanding their own needs or sustaining development projects. There is need to develop the partner's capacities to appreciate local values and to work in collaboration with local partners – the central government, included.

V. Role of Training Institutions and Trainers in Capacity-Building

There are few trainers or training institutions that can claim to have a clear appreciation of local governance capacity building needs. To start with, the training institutions are themselves confronted with monumental capacity challenges. Erwin Schwella (1990) observed that whilst conventional educational and professional training institutions in Africa are doing their best, they can not close gaps in

performance. Training programmes in conventional schools and institutes of public administration and management are not dynamic enough to keep abreast of developments or cater to changing needs. Most of the courses are academic in their content and the training methods do not reflect the realities on ground. Besides, the trainers are not well grounded in participatory training techniques, such as simulation, role playing, and case studies.

Besides, training institutions have yet to go beyond "professional" and management training to training in areas such as ethics, integrity, transparency, and corruption. If training in accountability, transparency, and participation is to gain importance, it is essential that the current training curricula and programmes be drastically reviewed. The review should, however, be preceded by a comprehensive and systematic needs assessment.

In addition, training institutions need to stem the rapid increase in staff turn-over – a situation caused by poor terms and conditions of service for faculty staff, inadequate funding, decaying infrastructures, and paucity of training material (including books, journal articles, CD-ROMs, and other multimedia presentation devices).

Conclusion

To be effective, a local governance capacity building strategy should not be limited to the formally constituted local authorities, as was the case in the 1970s, 1980s and 1990s. The CBOs, NGOs, the private sector have assumed a centre stage in many facets of local governance. Their contributions are critical to the success of local service delivery, job creation, and economic development efforts. It is therefore necessary and essential that capacity building should be extended to such non-state actors down to the village levels to ensure sustainable development.

It should be recognized that capacity building is part of a whole and can not be developed in isolation. In that regard, it should go along with other reforms in local governance – particularly, reform of rules governing local-central relations, the interaction between central and local institutions as well as among local institutions, management processes, budgeting and accounting practices, information management systems, etc.

Capacity building for local governments should not be viewed only in terms of attending seminars and formal training events. It is a broader challenge that encompasses issues such as the capacity to conduct research, empowerment of civil society stakeholders, re-tooling of policy and management processes, networking and information sharing. As observed by UNHabitat, the current capacity building programmes for local government do not reflect the complexity of local governance. It is argued that if for instance good governance is about creating an effective political framework conducive to economic growth, the rule of law, efficient administration, and a strong civil society, then good governance is rooted in blending the capacities of governmental and non-governmental actors at the local level. Building partnerships between often competing interests is a daunting challenge. It is perhaps not surprising that such efforts fail more often than they succeed.

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Chapter Ten

Decentralized Governance for Effective Grassroot Service Delivery: Rwanda's Experience

Protais Musoni

Introduction

Decentralized governance entails empowering sub-national levels of society to ensure that local people participate in, and benefit from, their own governance institutions and development projects. Giving more responsibilities to sub-national governments may not necessarily improve service delivery. It depends upon the original reason for decentralizing, which may be political, fiscal or service improvement reform, or a combination of all these. In the case of Rwanda, the decentralization programme was designed to empower the citizens to participate in the political process, to improve service delivery, to facilitate national reconciliation, and to promote sustainable development.

In post-conflict situations such as that of Rwanda, the accountability relationships and other linkages between and among government policymakers, citizens and service providers tend to be weak. Government capacities to make policy, set standards and finance services are limited; the necessary infrastructure, skills and ethics of service providers are generally lacking; and the capacity of citizens to control service providers and the quality of service is low.

In examining decentralized governance for effective grass-roots service delivery, the first section of this paper will examine the socio-politico-economic problems that Rwanda sought to tackle with the aid of decentralized governance. The section will further outline the main features of Rwanda's decentralization policy. In the second section, this paper is going to concentrate on service delivery and look at (a) the pre-requisites for effective service delivery, (b) structural arrangements that are put in place to facilitate the involvement of the population (c) useful proactive partnerships developed between stakeholders in the country, (d) monitoring and evaluation and lasting lessons learned from the experience in Rwanda that might benefit other countries.

I. Challenges of Service Delivery in Poor Post-Conflict Countries

Rwanda's poverty is attributable to both economic and historical factors. Between April and July 1994, there was a systematic campaign of genocide aimed at completely eliminating a substantial section of the population, and killing many others who opposed the genocidal ideology. A Government of National Unity was installed in July 1994. The new Government was confronted by the following challenges, among others:

- Lawlessness and the failure of the state machinery;
- Shattered economy and empty coffers (as fleeing state officials stole all bank notes);

- Insecurity from both within and without the country;
- Destroyed infrastructure;
- Disintegration of the public service system;
- Displaced and traumatized population - many Rwandans flew to neighbouring countries and lived as refugees;
- A deeply divided society

The Government of National Unity immediately embarked on executing emergency programmes aimed at stabilizing the nation. The government has succeeded in rehabilitating government infrastructure, restoring the provision of public services, resettling the returned populations, re-establishing a credible government in the eyes of both the people of Rwanda and the international community and stabilizing the economy.

The genocide was the most devastating result of bad governance and authoritarian rule. Good governance involves respect for human rights, guarantee of security of life, limb, and property (so that citizens can live without fear), and assurance of political stability by allowing the people to participate in a meaningful way in the decisions that affect their lives. Good governance also includes observance of the rule of law and of the principles of justice and fairness, the independence of the judiciary, fully functioning legislative organs, and an executive branch that operates in a transparent, accountable, and responsive manner. Civic engagement is in any case critical to the survival of democracy, and therefore to good governance. In a nutshell, the universally accepted principles of good governance include:

- Sovereignty of the People (power resides in the People, but may be delegated to their elected representatives);
- Free and fair elections;
- The doctrine of separation of powers (that is, separation of the powers exercised by the executive, the legislative, and the judicial branches of government);
- Independence of the judiciary;
- Respect for the rule of law;
- Respect for individual and civic rights as well as freedoms (including right to fair hearing, to dignity, to decent and humane treatment, and freedom of speech, assembly, and association);
- Civil society participation in decision making;
- Transparency, accountability and integrity in public life;
- Efficiency and effectiveness of public service operations;
- Justice, fairness, and equity.

During the years after the war, in spite of government efforts, the Rwandese system was largely centralized. Among the lingering problems then were the following:

i) Inadequate participation of the majority of the population in decisions that concern their livelihood;
ii) Inadequate financial and other resources at the lower levels;
iii) Management structures at local administrative levels that inhibited transparency and accountability;

iv) Concentration of power in one person both at the central and local levels;
v) Passivity, Indifference, and dependency syndrome on the part of the majority of the population
vi) Excessive bureaucratization which erodes the people's capacity to have a say in the management of their affairs; the system was generally accountable to central government instead of being accountable to the people.

Beginning of Consultations

Between November 1996 and March 1999, consultative meetings were held throughout the country at the grassroot, commune, prefecture and national levels. The focus of the meetings was mainly on the best form of governance that would not only help to solve the problems of the day, but would also lay a firm foundation for future sustainable development. As to be expected, the people expressed a desire for a system which would allow them to have a say in how they were governed. Sequel to these meetings, that is, in May 2000, the Government of National Unity adopted the National Decentralization Policy and its Implementation Strategy.

II. Features of Decentralization Policy and Strategy

The global objective of the Decentralization Policy of 2000 is '*to ensure political, economic, social, managerial/administrative and technical empowerment of the local populations to fight poverty by participating in planning and management of their development process.'*

Specific Objectives

In specific terms, the Policy seeks to:

i) enable and energize local people to participate in initiating, making, implementing and monitoring decisions and plans that concern them, taking into consideration their local needs, priorities, capacities and resources by transferring power, authority, and resources from central to local government and lower levels.

ii) strengthen accountability and transparency in Rwanda by making local leaders directly accountable to the communities they serve and by establishing a clear linkage between the taxes people pay and the services that are financed by these taxes.

iii) enhance the sensitivity and responsiveness of public administration to the local environment by placing the planning, financing, management and control of service provision at the point where services are provided and by enabling local leadership to develop organization structures and capacities that take into consideration the local environment and needs.
iv) develop sustainable economic planning and management capacity at local levels that will serve as the driving force for mobilization and for the implementation of social, political and economic development programmes to alleviate poverty.

v) enhance effectiveness and efficiency in the planning, monitoring and delivery of services by reducing the burden placed on central government officials who are, in any case, distant from the communities in need of services, and from the service delivery points.

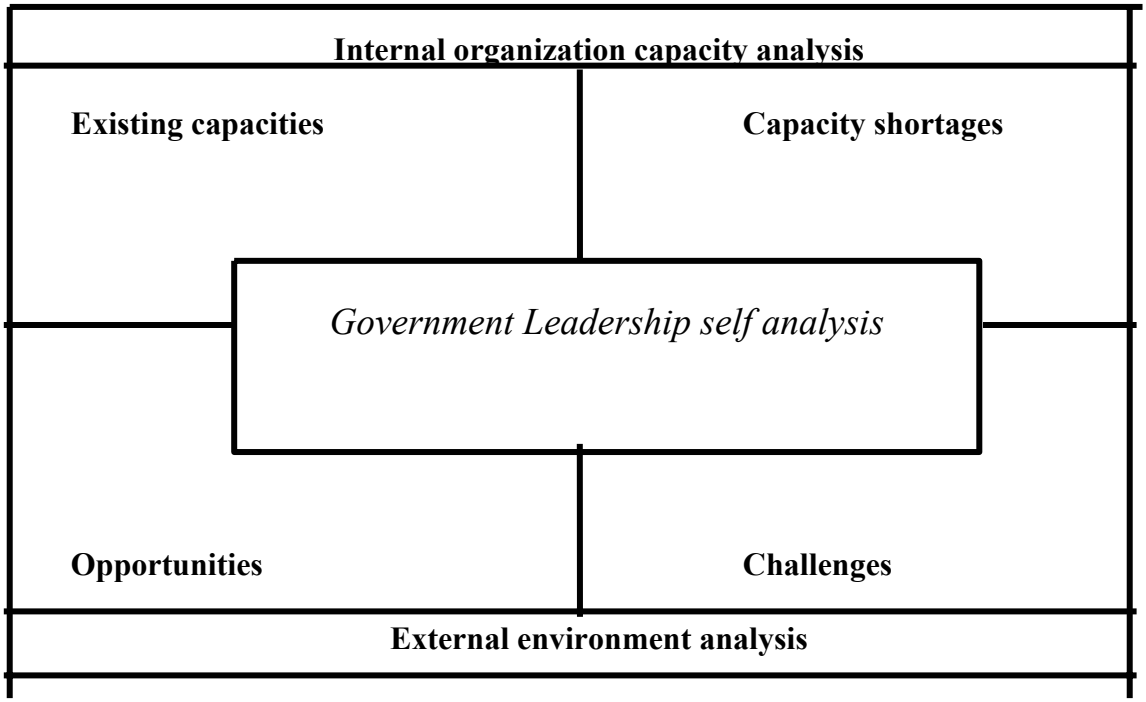
Underlying Principles

There are several principles which guide the implementation of the decentralization policy. Among the underlying principles are:

- the quest for national unity, indivisibility and development;
- acknowledgement of diversity of interests and identities;
- conferment of local autonomy;
- separation of political responsibility from purely technocratic (i.e., administrative, professional and technical) authority;
- matching of devolved responsibilities with the transfer of commensurate financial, human and material resources.

Strategies and Approaches

Before designing the Implementation Strategy for the National Decentralization Policy, a clear appreciation of the capacities at both central and local administration levels, as well as the opportunities and challenges posed by the environment, was crucial. To this end, a SWOT analysis was carried out, in a meeting that brought together all stakeholders, using the following analytical framework:



Although the Government of National Unity was committed to installing a decentralized and citizen-focused local government system, it had to bear in mind that the highly centralized and dictatorial systems of the past had not built the right capacities at local levels. In response to this situation, the Government opted for an incremental strategy, that is, the Implementation Strategy for National Decentralization Policy that, among other things, states as follows:

> "Decentralisation and local governance in Rwanda will be planned, implemented, monitored and evaluated using basically two approaches: the consultative and participatory approach and the incremental approach, which are mutually supportive".

(i) **The consultative and participatory approach**: Decentralization is designed to promote the participation of the local communities in the management of their political, social, and economic affairs. Everyone involved in the process of its implementation, monitoring, and evaluation must practise what they preach so that the process of implementing decentralization becomes the arena at which the people get acquainted and acclimatized with the imperatives of participation. Accordingly, stakeholders will be identified, consulted, and encouraged to participate in the process of decentralization. The structures put in place to steer and manage it will be designed with consultation and participation in mind.

(ii) **The incremental approach**: Over-enthusiasm can be as destructive as complacence. Even if decentralization is designed to transfer powers, functions, responsibilities, and resources from central to local governments, it should not mean that the central government just dumps power, functions, responsibilities, and resources on to local communities abruptly. Planned, gradual, and incremental transfer will be used to avoid slide-back effect or spectacular failure. The approach will also help local communities to gradually discover and get used to the vicissitudes of handling political and economic power, responsibilities and resources while at the same time allowing space and time for capacity development.

The strategy advocated the effective management of the decentralization process, with a careful blend of de-concentration (where resistance was high and local capacities low), delegation and devolution, with constant review to correcting mistakes and reinforcing good practices. It should be noted that local governments are also encouraged to engage in innovation and to share best practices between and among themselves.

III. Decentralization Programmes

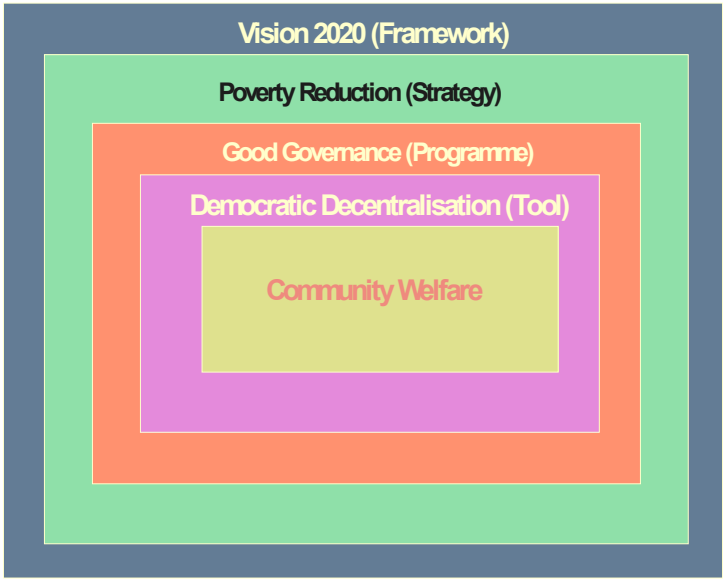
It was envisaged that the Decentralization Policy would be implemented in three phases, i.e.:

i) Institutionalization of decentralization, by adopting, refining, and enacting the decentralization policy, developing and establishing the legal framework, sensitising the population, and conducting local government elections, followed by functional capacity building. This phase was implemented from 2001 to 2003.
ii) Consolidation and integration of the decentralization programme, and the reconfiguration of public administration structures, so as to realign the structures with

the new roles. This phase is envisaged to take five years, i.e., to span the period 2004-08. The critical activities to undertake within this phase are the following:

- Enhance institutional development and capacity building for responsive local governance;
- Develop an efficient, transparent and accountable fiscal and financial management system at local government and grassroots level;
- Strengthen participatory and inclusive local government planning for local ownership of the development process;
- Effectively undertake sectoral decentralization ensuring quality service delivery to the people for improvement of their social well-being;
- Enhance the local governments' capacities for including cross-cutting issues in the planning and implementation of the decentralization process;
- Strengthen coordination and harmonization of interventions of all stakeholders in the implementation of decentralization;
- Institutionalize and develop a monitoring and evaluation system for successful implementation of decentralization nation wide.

It is of interest to note that the five-year Decentralization Implementation Programme was designed after the evaluation of the first phase. Therefore, the above-listed measures were instituted in response to the outstanding challenges. However, the decentralization policy endeavours to integrate with other social, political and economic visions and strategies, such as Vision 2020 and the Poverty Reduction Strategy. Decentralization is seen as a tool to implement the strategies, as indicated in the diagram below:



In this phase, special attention will be given to those areas, processes and procedures that:

(a) facilitate greater participation of the citizens in decision making, planning and implementation of their development programmes and projects;

(b) facilitate greater allocation of resources to the local governments and grass root councils for utilization in the processes of self liberation from the poverty traps, to enhance productive capacities, and improve access to health services, education, information;

(c) ensure greater linkages to other political, social, judicial, administrative and economic reforms;

(d) allow better co-ordination of stakeholder interventions in the decentralization programme and activities to create synergy in interventions and progressively shift from project support to programme support that would best bring about even development throughout the whole country as well as help to raise the national capacities to manage the reform process.

Particular attention will also be given to crosscutting issues of HIV/AIDS, gender, environment, and ICT-development in the implementation of this programme.

The third phase (which is in progress and is continuous) will build on the successes of the previous phases to restructure the governance structures, processes, and procedures, and by so doing, bring government even closer to the people.

IV. Prerequisites for Effective Decentralized Service Delivery

The essence of decentralization is to devolve service delivery responsibilities to levels where beneficiaries can best access them, that is, close to where they live. The progress in sectoral decentralization is to be measured by the extent to which local governments take over the responsibilities for delivering services and the adequacy of their resources for doing so, as well as the extent to which local communities are satisfied and hold their leaders accountable. This goes in line with the thinking that decentralization will be succeed when two conditions hold, that is, the extent to which local governments take over the roles that are legally decentralized to them, and the efficiency and effectiveness with which they perform these roles and responsibilities.

Essentially, one can say that there are three prerequisites for effective decentralized service delivery. These are the roles assigned to the different tiers of government, the resources at the disposal of each tier, and accountability patterns and relationships.

Roles of different tiers of Government

For services to be effectively delivered, the roles of different tiers of government, of the service providers, and of the citizens/clients should be well-clarified. Every actor should be cognisant of his/her role and the roles of all other actors in service provision, as well as how they relate to one another. All actors, especially development partners, have to intervene in a collaborative and complementary manner, always ensuring synergy of efforts and avoiding duplication of functions and responsibilities.

In Rwanda, the Decentralization Policy clearly spells out the roles and functions of Central and Local Governments, and of provincial, sector and cell administrations. While the five-year Decentralization Implementation Programme spells out general responsibilities and roles of different stakeholders, there is still a lot to be done to ensure that local governments take up the implementation of sector services (education, health, infrastructure, agriculture, and information dissemination on available services).

Resources

Adequate resources should be made available to local governments to effectively provide services to the citizens. They must have the right quantities and quality of human, material, financial, logistical, information, and infrastructural resources to respond to on-going challenges and serve the citizens.

The fiscal decentralization policy in Rwanda recognizes four sources of revenue for local governments, viz:

- Internally generated resources: Internal sources are the most dependable and reliable. Efforts have been made to increase revenue from this source by conferring on local government power to levy three types of tax (property tax, tax on rent and trading licence tax). However, due to the poverty levels and subsistence modes of production in rural areas, these devolved taxes have not adequately financed the operations of rural local governments. Therefore, there is still a reliance on intergovernmental transfers.

- Intergovernmental Transfers: there are three types of intergovernmental transfers:
    a) Budget Support (unconditional) - the law on Local Government Finance stipulates that the Central Government should assign 3% of National Domestic Revenue to Local Government budgets. A distribution formula has been worked out, based on area, population, fiscal performance, and poverty levels.
    b) CDF Funding (conditional) - the law on Local Government Finance stipulates that the Central Government assign 10% of the previous year's National Domestic Revenue to Local Governments for development purposes on a project basis. The Government is currently formulating a distribution formula, which will soon be passed into decree. The formula is based on Local Government population; income generating activities (such as markets and slaughterhouses); areas affected by environmental factors and natural

calamities; infrastructure development activities (such as bridges, roads, schools, hospitals and other public facility construction works and improvements); societal wealth; surface area; poverty category (based on welfare measures); and development project performance.

c) Delegated Sectoral Funds - sectoral funds have been delegated to the Provinces. With increased capacities at Local Government level, discussions are underway to devolve part of the sectoral funds to the Local Governments for service delivery. So far, only funds for education and health for vulnerable persons have been devolved to the Local Governments, to support District education funds, and community health insurance (*mutuelles de sante).*

- Credit/loans: In Rwanda, Local Governments can access loans for development purposes. However, the Law on Local Government Finance limits the amount they can borrow, so as not to create inflationary pressures in the country. Local Governments can obtain a loan of up to RWF10mn without Central Government authorization; the City of Kigali can go up to RWF500mn.

- Donations: there has been donor development support at Local Government level. Efforts have been made to coordinate such support at Provincial level, but now the CDF mechanism aims to further improve coordination and harmonization of donor support.

For human resources, Local Governments are empowered to recruit their own personnel, according to their own needs. However, because of their limited financial resources, local governments in Rwanda are currently not attracting the right quality of skilled personnel, and the Central Government still deploys some workers to Local Government level. Efforts are thus underway for sector Ministries to channel the salaries for specialized personnel through the local government budgets, so as to increase the level of control that local governments have over their personnel. Resource development is a government priority.

To bring services closer to the people, a decree decentralizing administrative and management services to sector level has been passed. Meanwhile, the Government is building the necessary infrastructure to allow the field offices of sector ministries to deliver those services. Indeed, infrastructure development, particularly ICT infrastructure, is a crucial part of decentralization. Progess in this area will allow the field office to become a centre for information collection and distribution.

Accountability Relationships

For effective service delivery, accountability relationships need to be developed among three main actors: the policymakers (politicians), the service providers/delivery agents, and the clients (citizens). The policymakers need to be politically sensitive and responsive to people's needs. This accords with the expectations under a representative democracy, and explains why Rwanda opted for a democratic model of decentralization. Second, the policymakers should have adequate policy analytic and research resources, be able to mobilize financial resources for service delivery, and should have in place strong monitoring mechanisms.

The service providers should possess adequate professional capacity to deliver services to the satisfaction of their diverse clientele. It is also necessary to develop codes of conduct for the service delivery agents and "front office" staff. Adherence to the basic public service ethics (e.g., of professionalism, transparency, accountability, impartiality, and integrity) should be rigorously enforced, and compliance should be regularly monitored. In addition, the service providers must be sensitive to the demands of their clients, and be accountable to the populations they serve. A mechanism of social audit – that is, audit by civil society actors - must be put established, and deviations from standards should be promptly dealt with. It is also necessary to widen the scope for consumer choice, and to ensure that service provision is demand-led. Inadequate service providers should be exposed to the consequences of their actions – including, if possible, being forced out of the market.

However, the laws of competition (and of the market) are often difficult to enforce in a country as poor as Rwanda. For one thing, private service providers are unlikely to enter the market unless they feel that there are adequate returns for their investment. Therefore, as an acknowledgment of this reality, the government of Rwanda is steadily transferring resources to the community level to match the resources contributed by various communities towards the provision of essential services such as health and education. The ultimate aim is to enable this communities to exercise a broad measure of control over, and monitor, the services. Already, parent-teacher associations run primary schools and *mutelle de sante* committees run dispensaries.

The citizens (as clients) need to be politically empowered, to influence the policymakers, and also need to be financially capable of paying for services, so as to influence the quality of services provided. Where clients are very poor, it may be necessary for them to form associations or cooperatives, so that they can enhance their bargaining power. The formation of civil society organizations can also prove helpful when monitoring the quality of services provided.

V. Structural Arrangements to Facilitate Service Delivery at Grassroots Level and Enlist Citizen Confidence

Poor, post-conflict countries, with a history of centralized rule (such as Rwanda), are often characterised by a citizenry that is submissive to state authority and dependent on orders from above. Such a citizenry cannot easily influence the level and quality of services that it receives. In most cases, the policies, institutions and processes are alien to them. To increase their level of commitment, ownership and control, there is a need to revert to recognized and appreciated cultural values that they are comfortable with, and to integrate these familiar institutions in the management of service delivery.

In Rwanda, several structural arrangements have been put in place to facilitate the involvement of the people in the process of planning, implementation, monitoring and evaluation of delivery of services at the grassroots. Such cultural values and structural arrangements include:

i) *Inyangamugayo*: the quality of 'uprightness' and integrity has been put as a precondition for election of public representatives and recruitment of public officials;

ii) *Umusanzu*: the concept of voluntary social contribution - that every citizen has a responsibility to contribute to the social good. This is the basis for contributions to education funds, insurance, water, local defence and community policing. Recently, in 2003, the citizenry contributed to the cost of national elections, when the Electoral Commission was unable to raise sufficient funds from the Central Government and from donors agencies.

iii) *Ubudehe:* this is the traditional Rwandan practice and cultural value of working together to help a community member cultivate his/her land. The new *Ubudehe* programme involves the participatory planning and funding of a priority project in every cellule in the country. Under this programme, communities come together to design and implement a project of their choice – mostly a project with a visible impact on the conditions of the poor. All cellules also carry out a household level action plan for a poor family as an attempt to reverse its depressing living conditions. The *Ubudehe* process should be the tool through which the cellule – and thus the Rwandan people at the grassroots level – can influence policy making and sustain the ongoing participatory poverty assessment process. The output of such a process should be the basis of district strategic plans, annual plans and the Medium Term Expenditure Frameworks (MTEF). The district strategic plans through the provincial coordination committee can result in provincial and City (e.g. City of Kigali) strategic plans. These can then be adopted and harmonized into national development plans.

iv) *Umuganda*: this is the practice of collective action to construct or repair a public infrastructure. It forms the basis of the construction and maintenance of community roads, wells, schools, dispensaries and environmental protection This increases the level of community ownership of the public infrastructures.

v) *Gacaca*: to deal with the horrific aftermath of the Genocide and begin the reconciliation process, an innovative method of bringing the vast number of people involved in the crimes to justice was needed. As such, Rwanda has drawn on *Gacaca*, which is a traditional community practice of delivering social justice, based on community participation. In a way, this system meant to deal with the Genocide cases is evolving into a form of decentralization of justice administration. Rwanda, after extensive consultation, has also come up with an innovative practice of establishing mediatory committees. Called *Abunzi*, the committees operate at Sector level. These were established by Article 159 of the Constitution, and the election of *Abunzi* took place in May of this year. To quote Article 159:

> "There is hereby established in each Sector a mediation committee responsible for mediating between parties certain disputes involving matters determined by law prior to the filing of case with the court of first instance. The mediation committee shall comprise of twelve residents of a Sector, who are persons of integrity, and are acknowledged for their mediating skills. They shall be elected by the Executive Committee and Councils of Sectors, from among persons who are not members of decentralised Local Government or judicial organs, for a term of three years, which may be extended. Parties to a dispute shall choose three mediators to whom they will submit their case for mediation…"

Together, the *Gacaca* and the *Abunzi* shall bring justice closer to the people, reduce the cost of justice administration, improve the poor's access to justice, and most importantly, raise the level of awareness and confidence of the communities.

Raising Citizen Income

For citizens to influence service providers positively, they need to be able to pay for the services. Poor, uneducated peasants (that constitute roughly 90 per cent of the population in Rwanda) earn their incomes only at harvest time. Since they do not have skills to contract out for regular income, special programmes must be implemented targeting the asset they have: labour. Accordingly, a five-year labour-intensive public works programme has been developed, aimed at increasing the incomes of the poor, and therefore improve their access to services. The programme also has a skills upgrading component – one meant to raise the skills of the poor and make them more marketable.

There is also a savings scheme which enables the people to anticipate their commitments, and provide in advance for essential services such as education and health. The labour-intensive public works programme will graduate into a development strategy, that can be integrated into other initiatives, such as the Common Development Fund, Progress Sector Report, and Rural Development Programmes.

Linkages have also been developed between *Ubudehe*, labour-intensive public works, and the CDF. Hopefully, with the infrastructure development provided by CDF, the community empowerment brought about through *Ubudehe*, and the financial access afforded by the labout-intensive programme, services will be made available to the poor in rural areas.

Imidugudu ('villagization')

The villagization policy in Rwanda dates back to the Arusha Protocol of June 1993. As provided for under the policy, those who had been away for more than ten years would not claim back their property but would, instead be assisted by government to settle in villages. The Ministerial directive of 9 January 1997 made *Imidugudu* the only legal rural settlement, and prohibited building on other plots. The potential advantages of *Imidugudu* include delivery of services at lower cost, reliance on fewer service providers, increase in the number of beneficiaries, and decreasing reliance on government and donor resources. The grouped settlement policy is not an end in itself but one meant to create an enabling environment for community participation in governance. Success will depend on dialogue and participation involving all stakeholders, who should share views and ideas concerning implementation of the policy.

V. Proactive Partnerships

Partnerships between and among different levels of government, the private sector, civil society and other stakeholders can contribute to effective service delivery, successful decentralization, good governance and poverty reduction.

The programmes and strategies discussed above could not have been successfully formulated and implemented had it not been for the assistance the Rwandan government has received from both its international partners and the private sector and civil society.

Rwanda uses a participatory and coordinated policy implementation system, whereby all the different stakeholders are involved throughout the process.

National Level Partnerships

Since 2000, Rwanda has been holding Annual Donor Meetings, whereby the Government can present a report to all its international partners setting out what was achieved over the previous year and what it intends to achieve, given support. In turn, these meetings allow donors, private sector, civil society and local government stakeholders to be aware of the Government's priority programmes. After such conferences, partners are better prepared to negotiate with Government in areas of intervention and the best mechanisms for such intervention.

The Government of Rwanda has developed Memoranda of Understanding with a number of countries. This then allows predictable and long-term funding to be provided to the Government, and thus makes long-term service provision planning easier. In addition, the partners can influence policy direction toward better service delivery. The Government, together with partners, is working on sector-wide approaches (SWAPs) and, to this end, Cluster Meeting strategies have been developed, where partners and Government institutions can discuss funding mechanisms. To date, there are eight clusters: Infrastructure and ICT, Agriculture and Rural Development, Social Sectors, Human Resources and Capacity Building, Private Sector, Governance, Decentralization/CDF, and HIV/AIDS.

In order to create a dialogue between different partners and coordinate and harmonise interventions in decentralisation, Focal Points, Decentralisation Support Units within Sector Ministries, and the National Decentralisation Steering Committee have been established at a national level. This is illustrated in Annex 4.

Provincial Level

There are a number of interesting initiatives at Provincial level, that will soon be discussed for more scaling up, into all Provinces. For example, the Local Governments in the Province of Cyangugu have formed a Local Government Association, which will be making contracts with health service providers, while in return international NGO MEMISA provides funding to the Local Government Association. Thereafter, community-based associations will be contacted to monitor the service provision. In Gitarama, a joint evaluation committee has been launched. The members of this committee are all service providers, who meet at the beginning of the year, to indicate what they expect to accomplish, and the level of resources at their disposal. Mid-year meetings are also held for the purpose of self- and peer-evaluation. This process has managed to weed out non-performers, and at the same time, has created a very successful harmonization tool.

Local Government Level

Community Development Committees (CDCs) are technical co-ordinators of the community's development. However, this does not imply that they replace technicians and other actors in development (NGOs, CBOs, private sector etc.) who are specialized in one particular field. Instead they serve as the coordinating core of all local development activities.

Monitoring and Evaluation

Ideally, citizens' accountability initiatives need to seek partnership with the state in order to be effective and have an impact beyond the local level. Initiatives such as citizen's report cards serve to increase the accountability of the state to the communities in terms of service access and delivery. User feedback is a cost-effective way for a government to find out whether its services are reaching the people, especially the poor. Users of a public service can tell the Government a lot about the quality and value of a service. The follow up to the PRSP is the introduction of Citizens' Report Cards in Rwanda, to provide feedback to the providers of services about the satisfaction of users. A citizen report card on public services is not just one more opinion poll. Report cards reflect the actual experience of people with a wide range of public services. The survey on which a report card is based covers only those who have had experiences in the use of specific services, and interactions with the relevant public agencies. Users possess fairly accurate information, for example, on whether a public agency actually solved their problems or whether they had to pay bribes to officials.

Conclusion

Rwandese society has a number of positive features, including traditional institutions of social organization, which can be harnessed for improved service delivery. *Umuganda* the tradition of work on public projects, *Ubudehe* the tradition of mutual assistance on which the 'Ubudehe Programme' is centred, *Gacaca* and *Abunzi* the traditions of communal resolution of disputes, and *Umusanzu* the tradition of support for the needy and contribution to the achievement of a common goal. Using these traditional practices to fight poverty and also as good governance tools has so far proven to be a success, and it is advised that other post-conflict nations draw on good practices within their own culture that people are familiar with.

The key to making decentralization or any other civil service reform work is political will. Genuine devolution begins at the centre but must find equally willing expression at all levels if it is to cascade down to local government. In the Rwandan case, all levels of government have embraced decentralization.

Decentralization programmes must be carefully designed and implemented to avoid the mistake of Central Government leaving off service delivery before Local Governments are capable of taking it up, and to minimise the opportunistic behaviour that can go along with greater autonomy for Local Governments, and which can stifle the increased accountability and other benefits of decentralisation. It is also necessary to ensure that the accountability mechanisms between the three key actors in decentralised service provision (i.e. the policymakers, service providers and service clients) are appropriately designed and articulated, to allow transparency

and accountability. Furthermore, to increase clients' power to negotiate and influence outcomes within poor post-conflict societies, citizen confidence-raising programmes and processes are needed.

Over the last eight years, Rwanda has made some remarkable achievements in its quest to use governance and public administrative reform for poverty reduction and improved service delivery. Even though there is still a long way to go, the political will to make decentralisation work for the poor is there, and with the sustainable partnerships that the Government of Rwanda has built, a lot is expected to be accomplished in the near future.

Moving forward, if access to high-quality services is to be improved in Rwanda, it is crucial that the country continues to build on its work of recent years. In particular, the decentralisation process must be continued, consolidated and deepened, participation by all stakeholders in all fields must be encouraged, and service provision must be deregulated at local levels, so as to allow more competitive service delivery. However, as was stressed above, it is crucial that the overall process of decentralising service delivery is carried out in a comprehensive and careful manner, if the ultimate goals of empowering Rwandan citizens, and improving their access to services, as well as the quality of services received, are to be realised.

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Chapter Eleven

Monitoring and Evaluation of Service Delivery in Decentralized Governance Institutions

Stefan Rummel-Shapiro

I. UNCDF: Piloting M&E systems for local governance programmes

The United Nations Capital Development Fund (hereafter referred to simply as UNCDF) sponsors a range of innovations aimed at improving the basic infrastructure and service delivery capacity of rural and urban local governments. The focus is on the capacity to implement poverty reduction policies effectively. The strategy adopted under the UNCDF-supported Local Development Programmes (LDP) is, on the one hand, to link financing mechanisms with measures to improve infrastructure and service delivery procedures and systems within local governments (LG), and on the other hand, to enhance the performance of this level of government with special emphasis on effectiveness, efficiency and accountability.

UNCDF's particular funding conditions – providing small grants over a very limited time (five years) - require a rigid monitoring of programme performance. The aim is to ensure that high standards that could be replicated elsewhere are achieved, and that decentralized service delivery impacts positively on poverty reduction efforts.

The current debates on target achievements within the Millennium Development Goals (MDGs) and their support to poverty reduction strategies (PRSP) underscore the significance of decentralized service delivery, and of the need to improve management processes and within local governments. The importance of M&E systems as a management support tool is fairly well acknowledged. However, the institutionalization of M&E systems remains weak. One reason is the complexity of the institutional environment, or the lack of accountability mechanisms that support the use of M&E data. Another reason is the diversity of approaches to monitoring key performance indicators leading very often to a huge amount of M&E data that are hardly manageable with local capacities.

The development of software-supported information systems offers new opportunities for more efficient data processing. Data sources can be easily aggregated and analyzed according to the needs of the final users at lower cost and less time. In order for planning, monitoring and reporting tools to support management efforts, they need to be well 'packaged' according to the need at the local and central levels. Even if these information systems are mainly designed for local government users, data aggregation can provide substantive benefits to other users at regional and national levels as well.

II. Designing Local Governments M&E systems: underlying considerations and approaches

There are three conceptually distinct M&E levels that must be considered in the design of an M&E system for decentralized service delivery:

- Within Local Governments: for monitoring the performance of delivery of public goods and services as well as for assessing overall accountability of compliance with legislation and regulations about LG organization and functioning.

- Within Central Government: for monitoring the financial oversight and control of Local Governments considering the importance of fiscal transfers as one source of LG income, as well as assessing LG compliance with statutory prescriptions.

- Within civil society: for enhancing the accountability of local government to society in general, and clients of services, in particular.

A useful step in designing and providing support for an LG M&E system is to assess what (if anything) has been provided for in legislation and regulations. In some countries, there may be little – but in others there can often be surprisingly significant provisions for LG M&E. Among the examples are the regulations in Uganda, Malawi, Tanzania, and Mali referring to who is in charge, and what to monitor (e.g. to report on the implementation of the district development plan, on effects of each project, on repair and maintenance of roads or similar projects). Where such provisions for LG monitoring exist, they should be taken as the starting point. That said, it is most likely that statutory M&E provisions represent the bare minimum.

The next step is to look at the information needs of the main users of the M&E systems within the LGs (e.g. mayors, councilors, programme managers, budget analysts and budget executors, civic action groups, "consumers" of specific services or goods, tax payers, and voters). The information needs should be matched with the range of M&E activities that are currently being undertaken by the central and local governments. An analysis of these will allow one to determine the extent to which current LG practices are compliant with statutory provisions and/or adequately meeting the basic M&E needs. A focus on accounting procedures, for instance, will enable the monitors to assess not only the adequacy of the procedures, but also the level of disbursements under each account code).

III. Institutional framework for M&E at Local Government level

The key question that this heading raises is "Who is to be involved in M&E activities?" Again, existing legislation and regulations may have provided an answer. In Uganda, for example, legislation provides for the setting up of several committees for M&E purposes – mostly the Supervision and Monitoring committees within District Development Councils. In other countries (Tanzania, Malawi), the responsibility for undertaking direct M&E activities is held by LG planning units (particular for higher tier LGs), although financial M&E often remains the responsibilities of other units. Where legislation and regulations do specify which bodies are to be responsible for tracking LG performance, M&E responsibilities should be situated rather within this framework than trying to create or promote parallel arrangements.

Where there are no statutory provisions for M&E bodies within LG, when introducing institutional innovations, a number of considerations should be kept in mind:

- M&E bodies should report to those who are in a position to do something about their observations and analysis. In general, this will be both the executive (the mayor or council chairman's office) and the 'legislative' (Councils, Assemblies) of LGs. There is little point in devoting time and resources to monitoring LG performance unless this information is matched by the effective capacity to trigger change and improvement;

- It may be useful to have two or more M&E bodies, with different responsibilities but with all of them reporting to the same people. One committee, for example, might cover financial matters (revenue and expenditure), while another might cover planning and service delivery.

- In order to meet an agreed M&E reporting schedule, the roles and responsibilities of 'data provider' and 'data user' must be clearly assigned in advance (with clear guidelines on "when", by whom, to whom and how the roles should be undertaken). The roles should, in addition, be monitored by an oversight institution. How well an M&E system will perform depends to a large extent on each actor respecting the basic M&E rules - rules that comply with the reporting standards and specify the indicators for tracking not only achievement rates over time, but also the relationship between measurable outputs and the overall outcomes or impact.

LGs need to monitor their compliance with national legislation and regulations in terms of their structure and functioning. The integrity and performance of key institutions thus need to be constantly monitored. The relevant questions to pose include the following: Are statutory councils, committees, commissions and other bodies fully established, and are they functioning properly? Is their composition (e.g. the representation of women, ethnic minorities etc.) in accordance with legal and other provisions? Do the statutory bodies meet as provided for under their enabling laws and at prescribed periods? Are office opening hours respected as scheduled and made known to the population?

Part of this has simply to do with respect for legality – but where access to funding is based on compliance to minimum conditions, many of which will in turn be based on laws and regulations, LGs have an added interest in tracking their structure and functioning. In addition, LGs may need to monitor and evaluate their staff – both in terms of numbers and performance.

IV. Key areas for M&E at the LG level

The key areas for LG monitoring and reporting systems are very similar. However, the specific issues addressed within these areas are likely to vary from country to country - depending on the pace and status achieved in the decentralization process, and on the cultural context. M&E data can be used either for monitoring LG performance (especially, their capacity to implement their mandate) or the performance of local service providers in their effort to deliver local government services on target, at least cost, and of the right quality. For both, it will be essential to establish a 'performance framework' in the key areas outlined below against which the effectiveness, efficiency and overall accountability and impact of service delivery can be measured by objectively quantifiable indicators.

Some basic administrative functions, like the provision of birth- and death certificates, marriage registers, and the like, are traditional functions of LGs and seem to be more accurately monitored than development-oriented activities.

Development-oriented M&E will, however, give LGs indications on weaknesses in performing statutory functions, that is, assuming that the assessment of LGs performance on service provision will cover not only capital investments but also yield information on the services provided by local governments to the communities in general.

An important prerequisite for systematically assessing the statutory administrative functions of LGs is having a clear definition of these functions and of performance criteria as well.

With regard to development projects, the following distinct areas are among those to focus on to monitor and evaluate the key processes in the planning and budgeting cycle:

Planning: Participatory planning processes should generate at the end, 'better' plans in terms of clearly defined objectives based on local needs with quantifiable multi-annual and annual quantitative targets and a consistent budget framework as a platform for monitoring its successful implementation. While the achievement of the final product of the planning process can be easily assessed (e.g.

'Annual Investment Plan approved), it is much more challenging to develop a common standard for the assessment of the plan quality. Quality criteria need to be clearly specified and based on a scoring system that defines exactly the minimum requirements that a 'good' plan have to fulfill. In most cases, the quality assessment is related to a combination of several criteria such as the coherence of the plan and its linkage to a solid budget framework, poverty-oriented investment priorities, consideration of cross-sectoral priorities, or gender concerns.

Another key monitoring issue is the process of plan approval with regard to the transparency of the decision making for the selection of the investments approved. The public posting of previously approved investment plans have proven to be effective mechanisms to ensure accountability and transparency of decision-making processes.

Funding: A key innovation in the funding mechanism piloted in UNCDF programmes is it linkages to LG performance. The performance of the programmes should not be measured against ideal standards of effectiveness, inclusiveness or probity, but against the performance of alternative institutional options for service delivery (central governments agencies, NGOs, project teams). The UNCDF strategy is to link financing mechanisms with performance, and with measures to improve service delivery standards within local government institutions. The underlying aim is the enhancement of performance (defined in such a way to include, effectiveness, efficiency, accountability, and impact). Where this linkage has been introduced, there are generally two basic elements that are crucial for monitoring:

- Establishing minimum conditions for access to block grants that aim at promoting compliance with basic statutory and regulatory prescriptions for LG administration. Those prescriptions are designed to ensure minimum conditions for sound public expenditure management and good governance and they must be in place at the start of each funding cycle

- Establishing performance measures to adjust the basic block grant allocation.

Investment & maintenance: Once a contractor has been selected through the tendering/bidding process, the LG unit that is financing the investment will need to ensure adequate supervision of project implementation. The essence of contract supervision is both to ensure that actual construction matches the agreed designs, or adjusted appropriately for unforeseen circumstances. On site supervision also ensures that materials used are of high quality, and that the standard of workmanship is acceptable. Experience has demonstrated that without adequate supervision, the quality of completed work can be compromised. Among the issues to be monitored in contract management are the transparency of the bidding process, the extent to which services are delivered within expected time and approved budget limits, and how far the operation and maintenance costs are covered by internally generated funds and within budget commitments.

Monitoring of commissioned projects

LGs need to have sufficient information on how intensively completed infrastructure projects is used and maintained by the final beneficiaries. The usage, maintenance and satisfaction of the communities with the facilities provided and supported by LGs can be assessed in two ways:

- In most countries, line departments collect sector-specific information on the number of beneficiaries that utilize 'their' services to communities; this can be used as secondary information to assess the usage of capital investments at the community level;

- In addition to information on intensity of use, there is need for another category of information – one focusing on the degree of the final beneficiaries' *satisfaction* with the provided service. In contrast to the former which is quantitative, the latter category of information is *qualitative,* addressing issues such as level of community participation, transparency of processes, equity, accountability for the use of funds, materials and inventory management practices, quality of the services, timeliness of delivery, courtesy of service providers, cost effectiveness, adequacy of operation and maintenance arrangements, and overall perception of impact (Balogun, 2003).

Whilst the ideal would be for LGs to carry out such beneficiary assessment themselves as a way of focusing on the 'customers' of the services that they provide, this may prove difficult in certain cases – in particular for very small LG units (*communes* in Mali, *communautés rurales* in Senegal). Smaller LGs may simply not have the resources or the capacity to carry out their own beneficiary assessments. Under such conditions, it might be more appropriate for civil society organizations to undertake these exercises and then make the information publicly available.

The efficiency and effectiveness of service delivery

The assessment of LGs performance (including efficiency and effectiveness) is an integral part of UNCDF programmes. It is an annual exercise which consists of the following steps:

- Definition of performance criteria for the different management areas (that is, criteria for assessing the performance of project contractors, of institutions, of staff, and of processes);

- Organizational analysis (i.e., analysis of the prevailing organization set up, including broad allocation of responsibilities, definition of reporting and accountability relationships, and allocation of resources);

- Identification of capacity-building and organizational development needs and implementation of capacity-building and organizational development measures;

- Annual reflection on the effectiveness/efficiency of LGs in performing their tasks on the basis of the defined performance criteria. Particular emphasis should be on improvements in the field of horizontal and vertical communication.

The effectiveness of LG coordination of sectoral services

Decentralization efforts imply that LGs take over more and more of the responsibilities for the coordination of development work within their mandate. This implies holistic, area-based, development planning that goes well beyond traditional sectoral responsibilities.

However, few countries have gone beyond the notional delegation of functions from line departments to LGs. Most sector functions remain largely the responsibility of line departments. Among the reasons this are limited LG capacities, entrenched bureaucratic interests, and administrative inertia. At best, the majority of countries are going through a transitional period, with sector staff being technically accountable to the respective line departments and administratively accountable to LG officials. For the time being, instead of building up an LG M&E system that covers service provision by all line departments, LGs need easier access to information about the activities undertaken by line departments. Ensuring that sector programmes are taken into account will at least improve the local planning process. At best, it will help kick start the process of effective decentralization whereby LGs pro-actively assume

broad oversight responsibility over line department activities rather than passively 'waiting' for genuine devolution.

Impact on higher level indicators

Impact is defined here as the positive or negative effects of LG interventions. One impact (or outcome) that needs to be monitored is the effect of local government programmes and projects on higher-level poverty indicators such as poverty reduction, food security, income, literacy rate, mortality rates etc. Such impact assessments are very time-consuming and methodologically complicated (Balogun, 2002). Given the limited resources, staff shortage and limited M&E skills, it is unrealistic to expect that LGs have the capacity to monitor high level poverty indicators. This task should therefore remain the responsibility of central governments. Again, the focus of a LG M&E system should be put on assessing specific poverty dimensions ('accessibility to public services').

V. Situating M&E responsibilities at the central level

Different government branches and agencies share M&E responsibilities and their efforts should sum-up and form a coherent image of LG activities. The distribution of M&E responsibilities follows a common pattern:

The Ministry of Local Government (MoLG) or its equivalent, has the broad mandate to oversee LG activities and monitor compliance with statutory provisions concerning LGs. In some cases (in particular in Francophone countries), the MoLG exercises 'tutelle' over Local Governments through appointed Governors or Prefets;

Decentralization Secretariats (or their equivalent), sometimes within MoLG or particularly in the early stages of decentralization reporting to the Cabinet via the Prime Minister's or President's office, usually have a mandate to formulate policy and are thus involved in monitoring the effectiveness of Local Governments institutions;

The Ministry of Finance (MoF) has a mandate to monitor LG expenditure and revenues and often functions as 'cashier' for LG transactions (payments, receipts etc.) and coordinating audits at local level

The Ministry of Planning generally has the mandate to monitor LG planning and in LG compliance with the implementation of national policy priorities

Considering the institutional mapping, keeping M&E for decentralized governance 'simple' and 'pragmatic' is a challenge per se. The monitoring of a policy experiment requires higher M&E inputs. 'In-depth analysis' depends on reliable and updated data that are mostly provided by key players of Line Ministries. As it cannot be assumed that LGs can take the lead in the coordination and management of cross sectoral data, it should be within the responsibility of Central Governments to secure easy data access at local and national levels.

VI. Key areas for M&E at the level of Central Government

In general, there are two main areas for M&E at national level - policy and institutional development on the one hand, and LG performance assessments, on the other. In terms of policy and institutional development, the strengthening of M&E capacities of central governments should focus on the tracking of the implementation of decentralization policies, and on lessons learnt in the implementation process – lessons that should then inform policy reformulation or other choices deemed necessary.

In Uganda for example, the Ministry of Local Government (MoLG) has the primary for the coordination and general oversight of LG activities. Line ministries ensure the implementation of national policies and adherence to national standards, inspecting, monitoring, providing support supervision, and training.

With regard to monitoring & evaluation of LG performance, this is closely linked to the performance-based funding system that UNCDF, through the Local Development Programmes (LDP), promotes. Here, the issues are relatively clear – identifying an appropriate institution to conduct performance monitoring, ensuring that it has the means to do this job, and providing methodological and technical support (e.g. annual performance assessment in Uganda).

Even if the various bodies at national levels have different areas of responsibility, there is a body of data which is of common interest to all of them. Most of the data sources are located at LG level, and they respond to local information needs as well. The main issue is how different users can easily access the same data source, and how the data can be processed in a 'user-friendly' form, and in a way that supports the effective use of information. For example, while data on access to basic services in the different sectors can be used for the LGs' internal performance assessments, the same data, if properly packaged and presented, will respond to the need of national institutions engaged in comparative analysis of performance prior to embarking on new policy or strategic directions.

Any kind of data aggregation for the monitoring of the effectiveness of institutional development of LGs demands a high level of data management at regional and national levels. Accordingly, ensuring good data quality at the lower levels is essential to the effective steering of the decentralization process.

VII. Key issues in the successful implementation of M&E systems

The use of M&E data on local government activities and resources (inputs, planning, budgeting, expenditure etc.) is essential both at local level – to inform local constituents and to encourage public participation if high quality in the political process – and at the central level – to monitor and supervise local activities funded by central sources. However, to date, there still is little evidence that the previous process-driven systems have given way to a more 'result-oriented approach' in M&E efforts. With the adoption of the MDGs (and particularly with the focus on quantifiable poverty reduction and service delivery targets) the stage would appear to be set for establishing an overall M&E framework that is relevant to key decision-making at macro and local levels.

The MDGs' planned achievements need to be analysed in relation to the means for reaching them. In this regard, M&E data from performance assessments of LGs can be easily disaggregated and used for assessing performance in service delivery, and, with the indicators provided, evaluating the impact on poverty reduction efforts. LGs might become, in this regard, an important local service provider for M&E data and data validation. The multiple use of data for local purposes in a disaggregated form and providing aggregated data for poverty surveys at higher level (region, province) saves significant time and resources. However, the success of the M&E efforts will largely depend on the capacity to coordinate data management needs of line Ministries and the data provided by LGs. In order to support efficient data management, software supported data processing systems need to be introduced on a large scale.

M&E capacities at local level are on average very low and available funds often times do not meet local requirements. In this regard, two possibilities may be considered to develop and sustain a pragmatic M&E approach. First, M&E budget allocation can be held to a minimum where it is possible to 'outsource' M&E tasks to other services. For instance, budget for planning units can be expended at the same time on monitoring key issues of the planning process without requiring additional funds for M&E tasks.

Second, financial data that exist at local levels have the potential of being used beyond primary accounting purposes for the generation of status reports on budget expenditures within an agreed timeline (monthly, quarterly, and annual). The calculation of key ratios for budget expenditures and their connection to planned figures, on an annual or multi-annual time frame, offers a significant added value in the use of financial information, and again, without requiring additional funds.

VIII. Lessons learned on effective functioning of an M&E system

In a multi-tier LG system, M&E procedures should be designed on the basis of the available information and the reporting needs at the different LG levels. This implies the development of a systemic approach, able to aggregate information inputs from each level of government up to the highest level of decision makers in order to meet the specific reporting requirements at each level;

Again, there are likely to be overlaps in M&E at these different levels as much of the information that is collected for purposes of LG M&E, will be also relevant for Central Government (CG), and for the beneficiaries at the lowest level. Accordingly, many of the indicators that are used at one level are likely to be the same as those used at other levels. However, each level has a slightly different focus and rational that needs to be considered separately. Connecting the systems to each other will save time and budget. The successful use of monitoring and evaluating depends above all on an appropriate and consistent data structure that supports the analysis of the 'mean-end relationship' of inputs, outputs, outcomes and impacts.

Any M&E system must be based on a clear and agreed upon set of indicators and the correspondent 'means of verification'. LGs need to know what is to be evaluated (e.g. performance assessment) for which purposes (e.g. performance based budget allocation) and by whom (e.g. MoLG), and how they can monitor their own performance accordingly at any time in order to achieve the expected results. In addition, the information that is to be collected for M&E purposes needs to be defined precisely, so as to avoid ambiguities (e.g. do the number of people using new wells' mean 'number of households' or 'number of individuals'?). The number of indicators used for LG M&E should be kept to the minimum possible so as to avoid overburdening the system or placing too many demands on the limited capacity at lower levels.

The M&E system should allow easy access to information not only for purposes of reporting to LG officials, but also for the purpose of comparative analysis for different decision making levels (e.g. CG, regional, district level, etc.). To do so, the introduction of standard procedures for the whole 'information chain' (data collection, processing and reporting) is vital;

The methods, procedures and tools of the M&E system should allow a good part of self-monitoring by local communities themselves. This will create ownership for M&E results, strengthen the analytical capacity of key actors of the M&E system, and at the same time, build incentives to collect and use M&E data for their own benefits.

Given the likely capacity shortfalls of LGs, the M&E system should be as simple as possible at the outset. However, the system should to be implemented in a 'modular' way, enabling it to expand and to become progressively more comprehensive and complex as LG M&E capacities improve and are strengthened, and as further responsibilities are devolved to LGs by sector departments;

Performance-linked incentives not only have a significant positive impact on LGs in their capacity to deliver services, but also on the timely provision of M&E data and their quality. The systematic improvement of management skills is a pre-condition to achieve a 'demand driven use' of M&E data by decision makers that is crucial for the functionality of an M&E system.

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Annex One

Declaration of the Conference of the European and African Regional Assemblies, Florence, September 2004

The "First Conference of Regional European and African Assemblies" held in Florence on the 17-18 September 2004 to discuss the theme of "Decentralization, The New Dimension of Peace, Democracy and Development" attracted more than 100 participants, among them representatives of European and African regional and local assemblies, national Ministers, Governors, representatives of international organizations, international and national local government associations, NGOs, spiritual leaders, academicians, and experts on decentralization.

The conference contributed concretely to its initial objectives, namely:

- to foster and deepen the debate over strategies and models of decentralization;
- to support the process of decentralization as a necessary condition to strengthen good governance, democracy, the rule of law and the promotion of peace and development at the local level;
- to create partnerships and strengthen existing links among regional and local actors in Europe and Africa;
- to develop a framework to support decentralization processes
- to contribute to the modernization of the States and their administration.

While Europe enjoys a tradition of decentralization, only in recent years most African countries have initiated political, administrative and fiscal reforms geared to decentralization. Though still weak in many countries, this process is one of the major political developments in Africa.

As is the European case, African countries have adopted various models reflecting their different political, social and economic characteristics, as well as cultural diversity. For it, the participants did not embrace any specific decentralization model. However they stressed the critical importance of decentralization processes that allow local communities and individual citizens to transform from passive beneficiaries into positive actors of human development.

More specifically, the following points have emerged during the discussion:

- decentralization, when supported by clear political will and if effectively managed, is an instrument of democratization, reconciliation, social integration, as well as a tool to promote sustainable human development and good governance; and
- it is also instrumental in reducing poverty and achieving the millennium development goals;
- participation of local communities and all citizens in the decision making process at the regional and local level is essential for the identification of local development goals;
- Women play a crucial role in making decentralization successful; at the same time, decentralization represents an opportunity to strengthen women's participation and representation and to foster gender promotion;
- decentralization is instrumental in protecting and promoting cultural diversity which, in turn, enriches participatory democracy;
- decentralization can improve service delivery, especially in the field of health and education, therefore representing an important tool in the fight against HIV-AIDS;
- forms and modalities of cooperation and partnerships in institutional and capacity building, in training and sharing of experiences should be given serious consideration.

During the conference the following recommendations emerged:

National Governments should :

1) make every effort to initiate decentralization processes and real transfer of responsibilities to the regional and local level with a view to establishing a credible and effective regional and local self-government system;

2) prioritise capacity building of regional and local authorities as to enable them to carry out their responsibilities effectively;

3) guarantee sufficient financial resources to local authorities for fulfilling their responsibility;

4) establish effective coordination and consultative mechanisms among the various levels of government, taking into consideration their respective responsibilities and the principle of subsidiarity;

5) recognize the fundamental function of regional and local authorities in the proccess of decentralization.

Regional and local authorities should:

6) participate effectively, competently and in a transparent manner in the process of decentralization and establish appropriate accountability systems towards the civil society and all citizens;

7) actively pursue partnerships with the central government and other regional and local authorities, also by strengthening the role of national local government associations.

International Organizations and the international community should:

8) renew their commitments to support decentralization processes through concrete initiatives in this field;

9) strengthen cooperation between the United Nations and local authorities and their associations in the framework of national development strategies and plans;

10) recognize the potential contribution of the new information and communication technologies (ICTs) to effective decentralization as well as the role to be played by regional and local authorities in promoting universal access to ICTs. In this respect they should fully support the important role of the Digital Solidarity Fund as a tool to bridge the digital divide in the African communities.

Bilateral and multilateral donors, such as the World Bank, the African Development Bank and the European Union, should:

11) increase the level of resources directed to initiatives aimed at strengthening regional and local governments;

12) pay more attention to the impact that cooperation programs have at the regional and local level and involve regional and local authorities in the planning, execution and evaluation of their projects;

13) make available increasing level of resources for decentralized cooperation with the purpose of fostering social inclusion and participatory development;

14) support institutional capacity building and training to allow regional and local authorities to better perform their functions;

15) develop, together with the United Nations, common criteria to evaluate the impact of decentralization policies.

Finally, the participants:

16) recommend the creation of a permanent observatory of European and African regional and local assemblies in order to continue the dialogue on a regular basis;

17) suggest that such an observatory should serve as a focal point for the exchange of information and best practices in the area of decentralization and decentralized cooperation, and for the training of regional and local officials and staff in partnership with all the relevant international actors;

18) express their willingness to meet regularly to discuss and assess progresses and challenges in achieving effective decentralization and ask the observatory of European and African regional and local assemblies to facilitate such periodic meetings;

19) take note with satisfaction of the willingness of the Regional Assembly of Tuscany and of the Region of Tuscany to act as promoters of such an observatory;

20) express their gratitude to the Italian Government, the United Nations Department of Economic and Social Affairs (UNDESA), the Conference of the European Regional Legislative Assemblies (CALRE), the Region of Tuscany, the Regional Assembly of Tuscany, the Province and the City of Florence for their generous hospitality and the support granted to the conference.

Florence, September 18, 2004

Annex 2

Report of the Ad Hoc Expert Group Meeting on Decentralized Governance for Effective Service Delivery

Introduction

Two major events (a conference and an Ad Hoc Expert Group Meeting on Decentralized Governance for Effective and Responsive Service Delivery) were organized in Florence, Italy, by the Division for Public Administration and Development of the UN Department of Economic and Social Affairs from 17 to 21 September 2004. The conference took place between 17 and 18 September and attracted over 100 participants. Papers were presented on contemporary global trends and issues in decentralized governance by renowned scholars and practitioners drawn from various parts of the world.

Participation at the Expert Group Meeting (held from 20 to 21 September) was restricted to a select group of experts. In contrast to the broad scope of the conference, the focus of the Expert Group Meeting was on options and strategies for enhancing the service delivery capacity of decentralized agencies.

This report presents the conclusions and recommendations of the *ad hoc* Expert Group Meeting. The report highlights the issues discussed and the recommendations proffered at plenary sessions and in working groups.

The objectives of the ad hoc Expert Group Meeting

The EGM was convened with the following objectives:

(a) To exchange information and experiences among local government practitioners, central government officials, as well as experts with a view to reaching a consensus on measures that need to be instituted to improve the performance of decentralized institutions and extend the gains of decentralization;
(b) To examine country case studies on decentralization and service delivery;
(c) To examine the legal framework within which decentralized entities operate, as well as the intervening political, institutional, financial, and other factors;
(d) To discuss strategies currently in place to monitor and evaluate performance as well as strengthen accountability within decentralized governance institutions, and recommend appropriate ways of enhancing standards across the board;
(e) To recommend ways of enlisting the support of local governance stakeholders (such as traditional leadership structures, civil society organizations, the private sector, and local government associations) for measures aimed at enhancing the capacity to deliver local-level services, as well as services cutting across national and local government boundaries.

The EGM attracted a total of 16 participants, among them, former and incumbent ministers, city mayors and councilors, high-ranking government officials, renowned academics, decentralization experts and consultants, as well as representatives of international organizations (See Annex A for the List of Participants).

With the Director of the Division for Public Administration and Development, and the Chief of GPAB as moderators, the group met in plenary and breakout sessions. Each plenary session began with brief

presentations by a group of resource persons, followed by general discussions. The session ended with a summation (by the moderators) bringing out the issues raised and the solutions proffered.

First Plenary Session

The first plenary session set the stage for the rest of the meeting. It featured presentations by Messrs Edward Mugabi and Protais Musoni. Mr Mugabi's paper examined various decentralization models and strategies (from devolution, through de-concentration to what he termed delegation). Besides highlighting the strengths and weaknesses of each model, he noted that decentralization, in general, served a number of objectives. Through decentralization, he continued, it was possible to expand opportunities for popular participation in governance (and thereby consolidate the gains of good governance), promote accountability and responsiveness, promote access to essential services, and alleviate poverty.

Mr Mugabi identified ten issues that need to be considered when formulating decentralisation strategies. First is the need to proceed strategically, to be pragmatic and incremental. Second, it is essential that high level support for, and commitment to, decentralization be enlisted. Third, the decentralization strategy should set clear goals and objectives. Fourth, a process management structure should be established. Fifth, the decentralization strategy should be supported with a comprehensive capacity building programme. Sixth, there is the need to "strike the iron when it is still hot". Seventh, the text of the decentralization strategy and law should be made widely available to stakeholders. Eighth, monitoring and evaluation should be made an integral part of the strategy right from the start. Ninth, the strategy should proceed at a form and pace which best suits local conditions. Tenth, and for the strategy to succeed, it is essential that partnerships with external and internal donor agencies be strengthened.

In his own contribution, Mr Musoni intimated the group about the challenges facing Rwanda and how decentralization was chosen as a strategic response to these challenges. Thus, besides describing the context of decentralization in Rwanda, his presentation sketched the main features of the country's decentralization policy, paying particular attention to the policy's accent on national reconciliation, conflict resolution and management, the adaptation of traditional norms and values to contemporary governance needs, the empowerment of the people (and of women), and the role of decentralization in poverty alleviation. He noted further that ability to deliver the services needed by the people was the litmus test of the success of decentralization in Rwanda. The Government has accordingly given a lot of attention to quality service, as well as the establishment of indicators and standards which might be applied in monitoring and evaluating the performance of all the actors. Mr Musoni underscored the contextual nature of decentralization, and concluded that whatever form or strategy that responded most effectively to a country's need was to be preferred to any other.

At the end of both presentations, the group commented as follows:

(a) granted that no decentralization model is perfect and self-complete, there is a broad measure of consensus on the benefits to be derived from transferring powers, functions and resources from the center to the periphery (among these are decentralization's potential ability to further the cause of democracy and popular participation, strengthen accountability, promote the responsiveness of public bodies to their clients and to the citizen, shorten the distance between central authorities and the inhabitants of otherwise far away rural and urban areas, and connect the state with civic society);

(b) in crafting decentralization policy, due thought and consideration ought to be given to a "cocktail" of strategies (a blend of devolution, with de-concentration, and delegation is

more pragmatic than a monistic decentralization formula - one that is blind to diversity, or the prevailing objective conditions);

(c) delegation is a complement to, rather than a substitute for, de-concentration. Without the former, the latter is, at best, wishful thinking, at worst, a costly staff re-deployment exercise, and without de-concentration, delegation of authority serves little or no purpose;

(d) de-linking, by contrast, denotes the creation of entities that are neither accountable to the electorate nor under the policy guidance of a central government ministry (examples of such "de-linked" entities are the Revenue Authorities in parts of eastern Africa, and the defunct Oil and Minerals Producing Areas Development Commission in Nigeria);

(e) Decentralization policies and strategies should address the issues of institutional coordination, and provide guidelines on how agencies operating at the local level (elected local government, the field offices of central government, civic action and community development groups, local and international NGOs) could pool their resources to enhance their impact, effectiveness, efficiency, and "customer"-service standards;

(f) The design of decentralization policy must anticipate, and therefore, pre-empt the possibility of "elite capture", and of the decentralization of tyranny;

(g) A decentralization strategy that draws on local values and employs languages and symbols with which the generality of the people could easily identify is likely to encourage popular participation in governance, besides facilitating the implementation of change.

Second Plenary Session

Three resource persons made presentations at the second plenary session. The first (Professor Paul Smoke) examined the topic of fiscal decentralization for good governance and effective service delivery, while the second (Dr George Matovu) concentrated on capacity building. Mr Stefan Shapiro handled the aspect relating to monitoring and evaluation of decentralized services.

Professor Smoke's paper flagged a number of issues, among them, the following:

- the potentially important role of sub-national governments in mobilizing resources for delivery of services;
- the link between the willingness of communities to raise revenue and the benefits they expect from their contributions;
- the need to enhance the productive capacity/base of revenue-absorbing communities/local government;
- the need to consider the size and capcity of local governments, and what this portends for their ability to levy, administer and account for tax revenue (with implications for possible administrative efficiencies in centralization of certain taxes that could be shared with sub-national governments or sub-national government use of higher level tax administration/collection structures);
- the fear entertained by central authorities that conceding too much taxation and revenue-generation power to lower-level bodies would lead, at best, to loss of control over public resources needed to meet national objectives, at worst, to macro-economic instability).

While acknowledging the fact that excessive borrowing was a possibility and posed real threats under certain circumstances, Professor Smoke was of the view that the widespread fear of fiscal instability from local government debt might be exaggerated. He noted that local governments subject to an appropriate

borrowing and financial discipline framework were highly unlikely to borrow beyond their means, and in many cases the creditworthiness of local governments would preclude substantial overborrowing in the absence of significant political manipulation of credit access.

Smoke also highlighted the need to properly integrate the various aspects of the intergovernmental revenue system, avoiding the common problems of, for example, structuring intergovernmental credit systems in a way that undermines local government revenue generation effort, discouraging creditworthy local governments from borrowing by offering them unduly easy access to intergovernmental transfers for capital development projects, etc.

Dr Matovu's contribution was on capacity building. He argued that if decentralization was to derive optimum benefit from the investment in capacity building, the following conditions must subsist:

(a) the need for capacity must be clearly established in a carefully planned and systematically conducted needs analysis;
(b) flowing from the first condition, capacity building programmes must be demand-, rather than supply-driven;
(c) all the actors ought to exhaust opportunities for South-South cooperation before trying something else;
(d) the services of local (that is, national and inter-African regional) capacity building institutions must be put to optimum use, with some of them playing "centre of excellence" roles.

The third presentation was by Mr Stefan Shapiro, and the topic examined was the monitoring and evaluation of the delivery of decentralized services. Mr Shapiro underscored the importance of M & E as a tool of accountability. Besides focusing on the process by which such services are rendered, monitoring ought to target the outputs produced. It was therefore essential that these outputs be clearly disaggregated into measurable as well as qualitative magnitudes. He stressed the need for accurate and up-to-date data (especially accounting data).

The presenter Mr Stefan Rummel-Shapiro briefly analysed the constraints why M&E systems for decentralized service delivery are often not designed as expected from the final users: simple and pragmatic. The efficient management of M&E data is definitely challenged by the complexity of the institutional environment for decentralized decision making, the huge amount of M&E data required for in-depth analysis of policy experiments, as well as the lack of management skills, budget and time usually needed for M&E tasks. However, the functionality of M&E systems often depends on the respect of some basic working principles:

(a) In a multi-tier LG system, M&E should be designed on the basis of reporting needs within institutional arrangements at each level (local, national)

(b) The successful use of M&E data depends on a consistent data structure that supports the analysis of the means-end relationship of inputs, outputs, outcomes and impacts.
(c) Any M&E system must be based on a clear set of performance indicators and means of verifications. Their numbers should be kept to a minimum to avoid overburdening the system or placing too many demands on the limited capacity at lower levels.
(d) Perceive M&E as a part of 'service delivery' of LG using M&E data for the performance assessment of service delivery by LG, and at national level for monitoring the achievements of MDG targets
(e) Build M&E capacity with support of central government, but improve as well management skills of decision makers to ensure the demand driven use of M&E data
(f) Introduce performance based incentives to achieve the timely delivery of M&E data of high quality
(g) Improve the cost effectiveness of M&E systems by using software supported information systems for data aggregation from local to national level.

Commenting on the three presentations, the group noted that:

(a) While every effort should be made to encourage decentralized agencies (and particularly, local government) to mobilize resources independently of the center and to become increasingly less dependent on central grants and subventions, their borrowing activities should be regulated and closely monitored by the central government lest huge amounts of debt are incurred by one set of leaders, frittered on white elephants, and the loan repayment obligations passed to the coming generations;
(b) Engagement with civic society regarding revenue generation reform (particularly, community development associations and the private sector) will enable local government administrations to tap into local sources and finance a sizeable part of their operations;
(c) The design and implementation of capacity building programmes in furtherance of decentralization objectives should be preceded by a systematic needs analysis;
(d) Elected officials of local government (particularly, mayors, councilors) and career heads of department (city clerk, treasurer, city engineer, etc.) need to participate in visionary leadership and strategic planning workshops, and in other specialized areas such as resource mobilization, financial management, ethics and professionalism;
(e) Leadership capacity building efforts are unlikely to get very far until the fundamental issues in leadership recruitment are resolved, and, specifically, until those holding leadership positions see themselves as agents of change rather than as creatures and captives of self-appointed "kingmakers";
(f) African Governments need to create appropriate frameworks and incentives to help bring national and African regional institutions out of their resource predicament so they could be repositioned for the momentous and complex capacity building challenges facing local government and decentralized agencies within the continent;
(g) M & E, where properly carried out, serves as a powerful quality control and accountability mechanism;
(h) In view of the concern frequently expressed over the failure to account for central government transfers to local government, sophisticated and effective expenditure tracking techniques should be applied as part of M & E interventions;
(i) DESA/DPADM should continue to provide the networking and information sharing services essential to the propagation of good practices in decentralization and the adoption of innovative and citizen-centred service delivery modalities in Africa.

Third Plenary Session

The third plenary session featured two presentations, one (by Mr. Geraldo Machado) on Brazil's approach to public administration innovation, and the other (by Mr John-Mary Kauzya) on cross-border local government cooperation for poverty reduction in Africa.

Mr. Machado's presentation highlighted key challenges facing Brazil as it embarked on public administration reform and the implementation of the supporting decentralization strategies. He noted the disparity in the size (and wealth) of municipalities. He paid particular attention to the problem of managing large urban centers. Sao Paolo, for instance, had grown so big that the city authorities had to carve the city administration into smaller units and to decentralize functions to these subsidiary bodies. Mr Machado further noted that as municipalities were confronted with complex challenges (e.g., poverty, crime, and the related socio-economic malaise), they felt obliged not only to create new structures, but also to recruit additional hands.

Mr Machado cited the important achievements of Brazil (and particularly, the State of Bahia) in the area of public administration innovation. The *Service Assistance to Citizens* (otherwise known as SAC), that the State pioneered, is public service "shopping mall" by another name. Under the scheme, services required by the citizen are offered under a single roof, and in close proximity to one another. The resultant simplification of service delivery processes has placed hassle-free and courteously delivered services at the disposal of the citizen. He concluded by briefing the group about the role of his centre, the International Centre of Innovation and Exchange in Public Administration (CIIIAP in its Portuguese acronym).

Mr. Kauzya's presentation on cross-border cooperation highlighted the experience of local governments in different countries located along the shores of Lake Victoria. In order to exploit the resources of the Lake while sharing the responsibility for environmental clean-up operations, local governments in Uganda, Tanzania, and Rwanda came together to form the Lake Victoria Local Government Areas Development Commission/Association. He observed that many other countries found themselves in a more or less similar situation – whether it is that of clearing water hyacints, or of monitoring oil spillage and toxic waste dumping). It is essential, in such circumstances, for adjacent local governments in the various countries to join forces and find solutions to their common problems.

The two presentations elicited the following comments:

(a) To enable local government acquit itself creditably as a poverty alleviation agent, it is essential that it be provided with adequate resources;
(b) The service delivery capacity of decentralized agencies should be constantly monitored and enhanced;
(c) DESA/DPADM needs to explore the possibility of enlisting the support of the State of Bahia, and of CIIIAP for the design and implementation of a comprehensive capacity building programme for service delivery agencies in local government and decentralized institutions in Africa;
(d) Local governments should be the first-line of attack on cross-border problems (particularly, cross-border crime, drug/human trafficking, circulation of small arms, toxic waste dumping);
(e) The capacity of local governments to initiate and sustain cross-border relations for the common good of the cooperating countries should be enhanced.

Annexes B and C are summaries of the conclusions of the two groups which examined specific decentralization and service delivery issues.

Annex A

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Annex B

REPORT OF GROUP 1

Methodology

Good practices in decentralization policy and implementation discussed, and innovative approaches identified. Conditions for the replication of the success cases were also discussed.

Assessing the gains of decentralization

The group addressed the question of the purpose that decentralization serves, as well as the conditions under which the objective(s) could be achieved. It was noted that Governments embarked on decentralization measures for various reasons. In the Philippines, the aim was to empower the people. In Vietnam, the desire of governing party was to enhance efficiency, and in both Thailand and Indonesia, decentralization was part of the movement for democracy and popular participation. In most cases, political and/or economic stress has contributed to the momentum for decentralization.

In a number of African countries (e.g. Botswana and Zambia), a major driving force in decentralization was the clamour for effective delivery of services.

The group observed that decentralization afforded large sections of the public to participate in governance, and to place their skills at the disposal of the local community. In any case, it is in one's habitat that life is lived to the fullest. Territory is the base of action. It is also through decentralization that issues of immediate concern to local communities could be effectively addressed, and the needs of individual citizens met.

The group concluded that the overriding concern tends to be political (e.g., expansion of the democratic space, popular participation, accountability, empowerment of women and men). If the achievement of decentralization is measured in narrow economic (say, cost-benefit analytic) terms, we are likely to come to the conclusion that decentralization is not worth the huge investment of resources most frequently associated with it, at least in earlier stages of reform. However, this must be counterbalanced against the potential longer term benefits, including enhanced political credibility.

Another question that the group sought to answer is whether decentralization ought to be symmetrical, and approached uniformly (regardless of disparities among the intended beneficiaries). The group cautioned against a decentralization strategy that did not respond to the unique conditions in areas making up sub-national governments. In many cases, there are enormous differences in fiscal, technical and governance capacities. In some countries, the design also has to reckon with linguistic, religious and/or cultural differences, and in others, there are socio-economic imbalances.

Preconditions for successful decentralization

Among the conditions that the group considered essential to the successful implementation of decentralization measures are:

(a) peace and stability;
(b) commitment to democracy and to advancement of the culture of popular participation (In Cambodia, administrative units that were financially strapped were provided with resources by the central government so they could collaborate with local communities on local-level planning prior to the provision of essential services.
(c) a positive civic culture – decentralization is not a one-way street, starting from the government and ending with civil society. If the latter is either unable or unwilling to participate in governance, decentralization will not go very far;
(d) capability and effectiveness of local level institutions and of service-delivery agents.

Approaches and Strategies: Designing Decentralization Policies and Implementation

In designing decentralization policies and strategies, due consideration should be given to the structure and the role of, as well as the linkages among, the key institutions (particularly, the central government, the ministry or department responsible for decentralization, the elected local authorities and constituent units, the local career service, community-based, and non-governmental organizations).

Other critical questions that should be addressed at the design stage are:

(a) the strengths and weaknesses of symmetrical (vis-à-vis) asymmetrical models;
(b) allocation of responsibilities between the center and the periphery, and specifically, on the range of decisions that the former should concede to the latter and conversely (this requires inter-governmental dialogue and negotiation);
(c) relationship between elected officials and professional heads of department, between local government and "field offices" (or de-concentrated units) of central government, as well as between local government and community-based organizations);
(d) A system for tracking the overall performance of decentralized entities, and the effectiveness of service delivery mechanisms;
(e) Strategies for identifying capacity deficiencies, including governance/community engagement deficiencies, and for rectifying them;
(f) Funding and resource mobilization strategies.

Annex C
REPORT OF GROUP 2

Under its terms of reference, Group Two was expected to focus on monitoring and evaluation (M&E).

The group began by identifying the level at which public decisions are taken, viz:

(a) National level (foreign relations, national defence, currency and minting; fiscal and macro-economic policy;
(b) Provincial/Regional/State
(c) Local (District, City, Municipal, Urban, Rural, Commune)
(d) Community (Community-based organizations, NGOs).

Monitoring the quality of decisions

According to the group, the quality of public decisions could be assessed against the under-listed set of criteria:

Effectiveness: Achievement of stated objectives

Efficiency: economic use of resources in the attainment of objectives, timeliness, input-output focus

Responsiveness: Access, customer-friendliness, accommodation of unanticipated but legitimate demand/need/request

Sustainability: Consistent maintenance of standard and quality of delivery; incremental improvement in service delivery standards; anticipation of upsides and downsides in decision-making

The group noted that in monitoring the delivery of services provided by decentralized entities, it is necessary to examine:

(a) the effectiveness of local government in areas such as planning and budgeting, human resource management, staff performance, and definition of roles;
(b) the capacity and attitudes of service providers;
(c) compliance with policy and rules framework of decentralization on service delivery.

Approaches to M &E

The following minimum conditions must subsist to carry out effective monitoring and evaluation of service delivery standards in decentralized agencies:

(a) there must be a common understanding of what is to be monitored, how to proceed in monitoring performance, and the indicators to apply;
(b) a "customer-caring" attitude must permeate the entire organization;
(c) the information and archiving system must not only be fully operational, but the data fed into the system must be up-to-date and reliable;
(d) a culture of accountability must be in place.

Constraints to M & E

- Lack of budget allocation to M & E
- Lack of M & E capacity at the local level
- Deficient information management system
- The frequent tendency of impunity to triumph over accountability
- Grafting of M & E models and strategies from one environment to another without taking cognizance of obvious (e.g. technological) and latent (especially, cultural) disparities.

Way forward

The group submitted the following recommendations on the way forward:

- ***Key areas of M&E*:** Despite the cultural diversity of the countries, it was acknowledged that there are common key areas for monitoring the performance of LGs such as the quality of decentralized service delivery by LG. At the same time, the pre-conditions for service provision have to be carefully monitored as well. This is in particular the management of the office according to the rules and regulations (legal framework), staff assessments, work planning, but as well the capacity of local contractors to deliver services on target and in the most cost effective way.

- ***M&E design*:** M&E should not be seen as a 'stand alone' activity. The design should be related to the information needs of decision makers within the existing institutional framework of decentralization. There is definitely an overlap on M&E data to support management decisions at each level (horizontal and vertical). Data aggregation for further analysis at higher levels (e.g. comparative analysis of the performance of LGs) needs support tools for data processing e.g. software supported Management Information Systems.

- ***Roles and responsibilities***: In order to institutionalize M&E systems, the central level has to play the driving force to
    - Create a M&E supportive policy framework by providing clear guidance to LGs on what to monitor and how (e.g. performance and quality of decentralized service delivery, MDG target achievements)?
    - Support capacity building / training for M&E ,
    - Roles and responsibilities need to be clearly assigned as a pre-condition for enhancing accountability
    - Establish performance incentives for the delivery of M&E data