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DECENTRALIZATION: FINANCE & MANAGEMENT PROJECT

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**DECENTRALIZATION: IMPROVING
GOVERNANCE IN SUB-SAHARAN
AFRICA**

Synthesis Report

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GLOSSARY

CDA	community development association
GDP	gross domestic product
DFM	Decentralization: Finance and Management
DHMT	District Health Management Team
EPI	Expanded Program of Immunization
IMF	International Monetary Fund
LGA	Local Government Authority
LGU	local government units
MOH	Ministry of Health
NGO	nongovernmental organizations
OPM	other people's money
PHC	primary health care
<i>prefet</i>	chief administrator of state-level government
SAL	structural adjustment loan
SAP	structural adjustment program
<i>sons-prefet</i>	chief administrator of county-level government
USAID	United States Agency for International Development

PREFACE

This volume synthesizes the results of a year-long study which included, in addition to secondary source research, field research in Ghana, Nigeria and Ivory Coast during the Spring and Summer of 1991. Members of the research team who participated in the various aspects of this study included Dele Ayo, Atta Brou Noel, Felix Fiadjoe, Maurice Garnier, David Green, Kenneth Hubbell, Dele Olowu, Elinor Ostrom, Chris Schwabe, James Thomson and Tina West. The case studies are presented in three separate volumes.

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DFM is managed by Associates in Rural Development, Inc., of Burlington, Vermont, in collaboration with the Metropolitan Studies Program of the Maxwell School of Citizenship and Public Affairs at Syracuse University, and the Workshop in Political Theory and Policy Analysis at Indiana University.

The DFM Project is designed to assist developing country governments and USAID field missions to address problems associated with decentralization of services. The project's primary focus is the analysis of institutions that perform key funding, management, and maintenance functions in order to suggest ways in which these institutions can improve performance and establish policies which encourage sustainability.

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I. INTRODUCTION

A. **Research Mandate for "Decentralization: Improving Governance in Sub-Saharan Africa"**

To better understand relationships between macroeconomic policies of structural adjustment and central government programs of decentralization and their effects on improving governance in sub-Saharan Africa, the Decentralization: Finance and Management (DFM) Project conducted a year-long research program that culminated in field investigations in three African countries. All three countries have adopted both structural adjustment and decentralization programs. This volume of the final research report synthesizes information collected during preliminary research phases, field work, and analysis. The full case studies that document information presented here and data collected during field research are presented in three separate volumes.

Field and secondary source research reviewed experiences of sub-Saharan countries with decentralized approaches to provision of public goods and services. Research efforts focused especially on public participation in and government accountability for service provision. Two principal results were sought from examination of service provision within governmental systems undergoing decentralization, and economies undergoing reform:

- an explication of the rationales emerging from economic policy reform for a decentralized approach to economic management and service delivery; and
- recommendations about designing decentralization measures to support more fully the institutional and financial restructuring prompted by economic policy reform.

To focus the field research, two services were selected: primary education and public health. These were chosen as examples partly because participating USAID missions expressed special interest in these sectors.

Research Questions

Meeting the research mandate required posing a series of research questions. All relate to a central issue: Are the changes resulting from decentralization and structural adjustment helping rural populations as expected?

The following specific questions were researched:

- To what degree have central government changes been "pushed" by the lack of financial and human resources at the center or "pulled" by local people's demands to participate in development efforts?
- Has central government control over local collective action been significantly curtailed?
- Do local governments have the authority and resources to meet their service provision responsibilities?
- Are local governments now more accountable to people for the quality of services provided?
- Are mechanisms designed to increase local people's ability to influence local government decisions and activities actually working?
- Have local governments adopted strategies to utilize their authority and resources more effectively?
- Have decentralization and structural adjustment changes made people more willing to invest in productive activities supporting economic growth?
- Finally, are structural adjustment and decentralization improving governance in sub-Saharan Africa?

B. Research Approach

To address these questions, a multi-step research program was developed. First, a country and sector identification paper was prepared. It focused on seven countries: Ivory Coast, Ghana, Madagascar, Malawi, Nigeria, Tanzania, and Uganda. All have had some success with structural adjustment programs and with efforts to strengthen local-level service provision. Their experiences were reviewed in light of the economic transitions and movements toward decentralization initiated in specific sectors and for specific services. Structural adjustment conditions targeting service provision were reviewed.

To provide a common theoretical foundation for field research and to review the theoretical rationales for using policies of decentralization to improve economic performance, and political and economic participation in sub-Saharan Africa, the team drafted a paper on "*The Theoretical Rationale for Decentralization as a Method for Improving Governance in Sub-Saharan Africa*".

The "theory paper" links many variables associated with structural adjustment, decentralization programs, and delivery of services. The paper argues that services (here, health and primary education) have specific attributes that make their delivery prone to particular problems. These problems have been exacerbated by African state policies centralizing service delivery, thereby frustrating local initiatives, local control, and feedback mechanisms. In addition, centralizing authority over service delivery, without the benefit of effective political, legal, and constitutional checks, has promoted rent-seeking behavior among service providers, at the expense of service delivery operations adapted to local needs.

Structural adjustment programs try to promote economic efficiency, in part by reducing rent seeking. Decentralization programs are advocated on the grounds that they can improve governance by increasing political participation, and because decentralized government units can deliver services more efficiently and with greater attention to the requirements of specific local populations. Thus, structural adjustment and decentralization can (in theory) jointly contribute to better service delivery and greater economic efficiency.

The country and sector identification paper, circulated to relevant missions, and interest expressed by three USAID Missions in the key research questions, prepared the way for a month's field work in each of three coastal West African countries: Ghana, Nigeria, and Ivory Coast.

Field work commenced in late May, 1991. During the next two months, three research teams visited ten local government units (LGUs)--three LGUs each in Ivory Coast and Ghana, and four in Nigeria--and villages within each of those local governments. Prior to visiting the LGUs, current administrative, political, and financing arrangements were discussed with relevant ministries in the national capitals, and in the Nigerian state capitals as well. All LGUs studied were rural, each located in a different geographical area. Many were newly established. Most of the villages were remote and had at least one primary school and a health facility, though not always a government health facility. No assumptions can be made about the representativeness of the areas studied. But multidisciplinary, multinational teams, using rapid rural and institutional appraisal techniques, collected information that provides a roughly accurate picture of current local government operations and health and education service delivery in rural villages of the three countries.

In all cases, interviews were conducted at the local government level with the ranking political and administrative officers, representatives of the ministries of health and education, and personnel from the budget and finance office. Data on local revenues, expenditures and taxation policies was collected at the local government level. At the village level, interviews were conducted with the traditional authorities, local health providers (both public and private), primary school teachers and headmasters, and community residents through both group meetings and household interviews.

C. The Predicament

The approach just described led the research team to identify a fundamental predicament. In all three countries, the LGUs observed are predominantly bureaucratic structures designed by their central governments, as far as administrative and financial arrangements are concerned, without regard to local conditions, interests, or capacities. All have limited tax bases. LGUs make strong efforts to mobilize local revenues from their limited bases (more so in Ghana and Ivory Coast, less so in Nigeria). Yet funds raised go overwhelmingly to support the bureaucratic structures that central governments require LGUs to build and maintain, instead of financing provision of services of interest to local populations.

LGUs with limited sources of revenue confront dual demands. They must (1) support mandated local administrative structures and (2) provide services to resident populations. Because they are burdened both with many responsibilities and with many deconcentrated ministerial units imposed by central legislation, LGUs have little ability to control personnel, administrative, and overhead expenses. They opt to meet mandated administrative responsibilities instead of service responsibilities. In the process, they lose credibility with local residents. In an attempt to compensate, LGUs lobby central governments for grants to augment their own resources. Though rational given the incentives LGUs face, this response intensifies dependence on the central government and impedes establishment of autonomous, devolved local governments. LGUs thus function more as central government outposts than as autonomous self-governing bodies.

D. General Conclusions

Four major conclusions follow from this predicament and the research questions noted above.

Neither control nor influence of central governments has been significantly curtailed. Designed by central governments without regard to local conditions, capabilities, and interests, LGUs survive through central funding and by responding to central administrative demands rather than by meeting local demands for public services to build local support.

LGUs have substantially enhanced authority to undertake many of the new tasks assigned to them but are limited in their operational capabilities by restricted access to tax instruments and by regulations imposed by national governments that increase the cost of service delivery.

Decentralization (as currently instituted) and structural adjustment programs, singly or in tandem, seem not to have prompted people to increase investments in productive activities, though it is hard to isolate all relevant variables. Stagnation, rather than noticeable economic growth, characterizes rural areas.

Politically, citizens are able to hold locally elected officials more accountable for delivering quality public services than in the days before "decentralization." Local officials can be, and regularly are, voted out of office. But these same officials are severely constrained in what they can do by central government regulations specifying who is to be employed, what they are to be paid, and how services are to be produced and delivered. Since local officials currently have little leverage that would allow them to improve performance, local voters' power over LGU officials is less meaningful than it might be. Conversely, this situation tends to undermine local government credibility and citizen interest in strengthening these jurisdictions.

E. Recommendations

The recommendations that follow from this research effort are based on a simple premise: if rural residents had the responsibility, the resources, and the power to design their own local government units, they would likely devise forms other than those currently observed in Ghana, Nigeria, and Ivory Coast. They would more likely mirror existing local self-governing institutions that emphasize problem solving and capitalize on local demands and resources. The financing community (donors and lenders) can help LGUs more closely serve the needs of their residents by (1) supporting incremental steps designed to modify incentives and institutional structures; and (2) by encouraging LGUs to build on the strengths and capacities of local communities and their self-governing bodies.

Recommendations include the following:

- *National governments should further relinquish control over local tax instruments;*
- *Local governments, like national governments, should be authorized and encouraged to reduce overhead (as opposed to operating) costs;*
- *Local governments should reinforce service orientations by identifying and supporting local self-governing service institutions; and*
- *Communities should be encouraged to improve their problem-solving capabilities and to form special service provision districts.*

The above are to be encouraged through combinations of loan conditions and matching grants.

F. Overview

This Volume synthesizes and compares lessons learned in the field. Section II describes the general context and local results of structural adjustment and decentralization, particularly regarding local public finance and delivery of services. The section concludes that central policy decisions leave rural communities and LGUs in a predicament, and spells out the results of that predicament. Section III examines the focal services--primary education and health care--and their delivery. Section IV presents findings and recommendations by topic, i.e., structural adjustment, decentralization, local government capabilities, primary education, health, and community self-organizing and public entrepreneurship.

II. FACTORS AFFECTING DELIVERY OF LOCAL PUBLIC SERVICES

A. Central Government Effects on Communities and Local Governments

Rural LGUs, usually comprising multiple communities and operating as the lowest tier of a centralized, bureaucratic administration, have been part of the African experience of government only during the 20th century. Community-based self-governance has a much longer history. Yet under current conditions neither the community model nor the bureaucratic model alone is fully adequate. On one hand, converting contemporary bureaucratic local governments into institutions accountable to local people and efficient in delivering services poses problems. Nonetheless, governance capability at that scale is required to respond to certain local issues. On the other hand, not all communities govern themselves as well as do some of the villages visited. Under the circumstances, LGU responsibilities should be reduced to those requiring intercommunity coordination or activities involving scale and scope benefits. LGU constituent communities should be authorized and encouraged to carry a greater burden of governance at their own levels. Incremental change through new incentives is recommended to make LGUs and communities more entrepreneurial as well as more participatory over time. However, central governments have neither made hard decisions to match transferred responsibilities with appropriate funding authority, nor freed LGUs and communities from the directives and whims of central governments.

The predicament of local governments has not arisen simply from recent structural adjustment or decentralization policies. Current incentive structures for LGUs and communities follow from their relationship with central governments over many years. LGUs are central government creations, not institutions locally evolved in response to local problems. Community institutions have evolved autonomously, but their projects are often undermined by the failure of central governments to provide basic infrastructure and by constraints on community activities that central governments have imposed.

Structural adjustment program effects are ambiguously felt in rural areas. Current decentralization efforts, from the perspective of resulting financing arrangements, highlight the LGU rigidities and contradictions that originated earlier. Before service delivery can improve, perverse incentives currently embodied in LGU structures must be understood and addressed. This subsection examines local governments and communities over time, country adjustment programs, and present decentralization efforts.

1. Local Governments: Then and Now

Colonial Era Local Governments

Local governments are still influenced by colonial models. Colonial administrations modified traditional approaches to governance. Although the British used traditional hierarchies (of chiefs or religious leaders) to carry out some administrative functions (indirect rule) and the French did not, neither supplanted chiefs at the village level. Both directed local development efforts through the lower tiers of the colonial administration: the *prefets*, *sous-prefets*, and the district commissioners. The differences between the two systems were greater in theory than in the actual experience of rural people (Laitan, 1986: 164-66; Cowan Gray, 1958).

In West African British colonies in the 1940s and 1950s, the functions of the Native Authorities or Native Councils were expanded to include many local law and order, infrastructure, and maintenance responsibilities. In the late 1940s, the councils added members who were not traditional leaders, particularly in areas where traditional rule was weakest. These councils evolved into elected local governments after independence.

In Ivory Coast, formally recognized local governments essentially did not exist until late in the colonial era. Relatively few were created, and most were situated in the larger urban centers. Even then, few had any real authority, and administrative officers in the area continued to function as *ex officio* mayors of these communes.

Post-Independence LGUs

In Nigeria, the reorganization of local government in 1976 imposed a uniform structure on all local governments for the first time. Local governments suffered from a loss of some tax bases to central government, as well as from nonpayment by the states of grants due from the central government. LGU responsibilities, including public security, were shifted to higher level (overlapping) governments.

In Ghana under Nkrumah, local governments similarly lost revenues and responsibilities to the central government. By the late 1960s, Ghanaians debated whether local governments should be abolished (Ayee, 1991:195). In 1974, the central government deconcentrated a number of ministry units to the district level, boosted funding to LGUs, and encouraged them to launch commercial ventures and develop infrastructure projects. Ayee concludes that the appointed District Chief Executive functioned as a strong representative of the center, and ministry units did not come under effective local government control. Thus, the 1974 reforms produced no great changes from earlier LGU arrangements (Ayee, 1991:227-239).

In Ivory Coast, meaningful efforts to establish local governments in smaller urban centers and in rural areas began only in 1980. The number of local governments has since expanded considerably. All share a common set of institutional arrangements and are subject to multiple controls by central government ministries, most notably the Ministries of Interior and Finance.

LGUs: Derivative, Dependent, Unstable Arrangements

In Ghana, Nigeria, and Ivory Coast, the central government has the authority to create, subdivide, and regroup local governments. All have used it extensively. Local leaders in unorganized areas perennially lobby to obtain their own local governments, partly to consolidate their own importance and partly to reap the economic benefits local government headquarters bring: new construction, local government jobs, the multiplier effects of an influx of bureaucrats, etc. (Ayee, 1991:242).

Ghanaian and Nigerian central governments have revamped LGUs repeatedly since independence. Elected local governments have alternated with appointed local bodies. In Nigeria, local government boundaries or structures have changed 11 times since independence. In Ghana, local government institutional arrangements have vacillated seven times from partly elected to all-appointed officials and back. No two elections have occurred under the same legislation. Local government boundaries have been modified often since independence. The most dramatic changes were in 1965 when the number of LGUs increased from 66 to 155; in 1967 when the number dropped from 183 to 47; and in 1988 when 65 local governments became 110. The 14 years between 1974 and 1988 were stable, and most of the 1988 changes subdivided districts, rather than completely redrawing boundaries.

The Ivory Coast central government acted much later to create formally recognized local governments, but has been more consistent in their implementation. LGUs, particularly in small urban centers and rural areas, have been authorized in greater and greater numbers since 1980. At issue now is the viability of some of the smaller units, given centrally imposed regulations.

Ghana and Nigeria's repeated efforts to deconcentrate provision of some services, while not fully implemented, left a policy legacy. Ghana's 1974 education sector reforms provided a foundation for the 1986 package; Nigeria's 1976 Basic Health Sector Scheme set up training institutions that prepared some of the personnel needed to carry out the 1988 Primary Health Care Program. Both current efforts to reintroduce local elections and deconcentrate service delivery were presented with care, avoiding some of the bureaucratic infighting of earlier efforts.

Ivory Coast has made little attempt to decentralize either health care or primary education. At most, some deconcentration has been accomplished, but only within the persisting, centrally run health and education departments.

Anglophone versus Francophone Countries

The main contrast between the anglophone countries of Nigeria and Ghana and the francophone Ivory Coast arises from the post-independence experience in the latter where, under a single head of state, both the colonial local government system and the centralized structure of education and health care have been preserved. The *prefets*, like the colonial British District Commissioners, are representatives of the central government, supreme commanders in their prefectures, and supervised by the Ministry of the Interior. Only the largest urban areas had any form of elected local government before 1980, and their elected municipal councils took a minuscule policy-making role compared to the mayors, who were mostly *prefets* serving *ex officio* in the municipal offices. Ivory Coast's "decentralization" program began in 1980, when many more areas were allowed to enroll as self-governing communes; mayoral elections were also held in 1980, 1985, and 1990. Delivery of health and education services remains centralized.

The Ghanaian government began preparing for local government reorganization in 1984, passed legislation in 1987, and held the first local elections to the new District Assemblies in 1989/90. Twenty-two government departments, including health and primary education, are now supposed to manage local operations at the district level and report to the District Assemblies.

In Nigeria, the intention to reorganize local government was incorporated into the first announcement of economic reform in 1986. The first elected Local Government Authority (LGA) chairmen took office in January 1991. Since 1988, a plan to transfer responsibility for primary health care has advanced gradually. In December 1990, responsibility for primary education was abruptly and unexpectedly devolved to the LGAs.

At the time of field work, all three countries had modified local government structures significantly. All had put elected officials or bodies nominally in charge. Although local governments have existed in rural areas for a long time, they have not been consistently participatory. LGUs have had little responsibility for health care and primary education service quality.

2. *Community Governance*

Community governance arrangements continue to offer rural people alternative mechanisms to address local problems. In Ghana and Nigeria, community governance has evolved with little influence from overlapping, or higher level, governments since before independence. Similarly, traditional rulers in Ivory Coast who were respected before colonialism remain important. In many rural villages, earlier forms of governance survive: leadership by traditional rulers subject to checks against abuse of power; meetings that allow community members to express their views; and clearly defined rules of community membership.

Communities' efforts to provide services and infrastructure involve them with the center in complex ways. People interviewed reported greater community involvement in running schools in the past, before central governments took the preeminent role. Field work showed that communities have to varying degrees increased their skills at undertaking projects through collective action, using both traditional and modern techniques for project management. In recent years, the failure of central governments to provide sufficient infrastructure and the availability of matching funds from government agencies and other sources (such as donors and nongovernmental organizations (NGOs)) have motivated communities to undertake projects. The widespread preoccupation with roads reflecting farmers' needs to move their now more valuable crops may be a response to structural adjustment programs, but roads are valued for many other reasons as well. Many communities have learned to leverage local efforts by obtaining resources on a matching basis from the center. Indeed, the Ivorian central government encourages this practice and uses fiscal policy to influence local investment patterns.

Community Governance Arrangements

Most communities have nonofficial institutions for carrying out community projects. These often function as alternative local governments. Community development associations (CDAs) (also known as town or village development associations, town progressive unions, etc.) were originally formed under British rule in the 1940s and exist in some form in all of the Nigerian and Ghanaian field work villages to organize development projects. Chiefs, elders, party members, and persons with special skills head CDAs, which try to enlist all adult members of the community. CDAs have processes for setting priorities, marshalling communal labor, collecting informal taxes, and monitoring the progress of projects. The most successful CDAs have completed projects as complex as a local piped-water system with a dam and a filtration plant.

The accomplishments of community projects are highly visible in visits to the village, and the success of CDAs clearly varies widely. There are both rudimentary and sophisticated CDAs in the same district. Often southern areas, which are typically more prosperous and have a longer experience of Western education, have more developed CDAs.

Governance mechanisms also vary; some successful CDAs operate democratically, and others have written constitutions. Other successful associations, however, are more autocratic. A recent study of 58 Nigerian CDAs showed that successful ones all have widespread acceptance of their rules, as well as leaders who are publicly accountable in financial matters, in common. The most prevalent reason for lack of success is division within the community (Olowu et al., 1990:30-33). In Ghana, the head of a very successful CDA credited the committee's achievements to the ability of association leaders to communicate with the people.

Co-Financing Community Projects

Few projects are entirely self-financed. Availability of funding and, at times, government pressure clearly influence the choice of projects. For example, many communities in Ghana, build workshops for junior secondary schools because some matching grants are available and because they have been told that if they did not build the workshops, the junior secondary schools would be sited elsewhere. In Nigeria, communities build health facilities they expect the government to operate. An important factor behind the success of large projects is whether members of the community who leave to work elsewhere continue to contribute their time and money on behalf of the village. Where they do, the community can carry out projects that require more resources, more technical skills, and better connections within the government and foreign donors.

Before current decentralization efforts, local governments figured little in community affairs. This remains so where LGUs still do not provide important services. In all three countries, central government agencies direct funds to community projects independently of local governments. Since important services (such as roads, health, and education) are, or have been until very recently, run by ministries, service quality has not been an LGU responsibility. Most people pay a relatively small amount in local taxes, so feel they have little reason to scrutinize local government operations.¹ Communities request resources from local governments, but they have low expectations about local government performance. Central government actions have been more prominent.

3. *Structural Adjustment Programs*

An assumption of structural adjustment programs is that people will respond to changed economic incentives, particularly farm commodity prices. Structural adjustment programs should generate new behavior in rural areas in response to new price signals. Farmers should respond to higher prices by increasing production. In addition, if sectoral adjustment measures are taken to change the education and health care sectors, there should be visible effects in rural villages. User charges may affect behavior. So may changes in the quality of the services. Potentially, structural adjustment programs can significantly improve rural conditions.

Broadly speaking, signs that economic reform packages are working as intended are:

- real GDP growth rates exceed population growth rates;
- agricultural production is increasing (in response to price signals, and discounting the effects of bad weather);

¹This is gradually changing in Ghana and Ivory Coast, and citizen attitudes may change in consequence.

- infrastructure services, particularly communications, electricity and roads, are maintained and function reliably;
- export volumes are increasing;
- the value of nontraditional exports is rising;
- private investment is intensifying; and
- the central government is managing its responsibilities well by controlling the budget deficit and inflation.

None of the countries visited demonstrates improvement in all these areas. Private investment, the impetus for self-sustaining growth, has not increased satisfactorily in any of the countries. Rural people correctly view the results of structural adjustment as mixed, as discussed below.

Ghana

Ghana's economic performance has been improving since 1985, but it remains heavily dependent on external aid. Poor weather in 1990 reversed positive trends in agricultural production, which has grown less strongly than in the other two countries because lack of infrastructure and other nonprice factors present greater constraints. Both export volumes and nontraditional exports have risen significantly. Gross domestic investment was close to target in 1990 at almost 16 percent; however, private investment is not high enough to satisfy the government by noticeably improving the job market. Inflation is unsettlingly high, although the budget deficit has been well controlled.

In the south, most people interviewed feel conditions are improving somewhat. Northerners, in the midst of a famine year, believe that their prospects had been improving up until the 1990 drought. The Volta region village, Mafi Kumasi, (southeast Ghana) grows food crops for sale in cities. The Ashanti village (center), producing cocoa and food crops as cash crops, faces constraints to increasing production: land near the village is fully utilized, the poor state of the roads impedes their ability to get crops to markets and they cannot afford to hire labor. In all the villages, high private costs of education and health care keep some children out of school and prevent some people from obtaining adequate preventive and curative health care. People in the villages know that good jobs requiring education or apprenticeship are scarce.

Nigeria

Nigeria demonstrates that positive responses in macro-economic indicators may not mean that ordinary people regard policies as successful. By a number of measures, Nigeria's structural adjustment program has been successful: real GDP growth has increased each year since 1988, agricultural production has increased significantly since 1988, export volumes have risen by about 25 percent from 1987 to 1990, nontraditional exports are up, and increased use is being made of local raw materials. Farmers in all three areas visited had responded positively to price incentives by increasing crop production, although many complained about fertilizer shortages and roads as constraints to higher production.

Officially, inflation averaged 40 percent in 1988 and 1989, but people claimed that actual price increases were higher. World Bank records indicated increased employment, but the increase is in agriculture; young people, particularly secondary school leavers, are unemployed in large numbers. Infrastructure (e.g., telephone, police, banking, electricity, and roads other than major national highways) remains a source of high transaction costs and frustration. When the political uncertainty surrounding return to civilian rule is added to expectations of continued high inflation and chaotic everyday conditions, it is no surprise that private investment is not increasing at a rate that will stimulate economic growth and employment. As in Ghana, the private costs (including not only fees, but also travel costs, and the opportunity costs of time) of primary education and available health care preclude many potential consumers.

Ivory Coast

Although Ivory Coast began its first structural adjustment program earlier than the other two countries, in 1981, it has accomplished less than the other two countries. Real GDP dropped by 25 percent between 1986 and 1990 as a result of continuing dependence on cocoa and coffee exports. Inflation, however, is lower than in the other two countries. Many people interviewed still feel the current economic crisis is temporary and that the country's prosperity will return, at which time the government will again provide good education and health services. Unlike the other two countries, Ivory Coast has enough human capital-- well trained-teachers and health professionals--remaining in government services to provide significant public services. But the quality of service has been eroded by shortages of complementary inputs such as textbooks and drugs. Again, some people are too poor to pay for services.

Table 1. Structural Adjustment Indicators

	1988	1989	1990
Real GNP Growth (%)			
Ghana	5.6	5.1	3.0
Nigeria	5.2	8.0	5.2
Cote d'Ivoire	-1.8	-1.3	-2.9
Agricultural Production (volume increases)			
Ghana	3.6	4.2	-2.4
Nigeria	5.5	4.0	4.2
Cote d'Ivoire	5.5	4.6	4.2
Export Volume Index (1987 =100)			
Ghana	108	122	131
Nigeria	116	127	NA
Cote d'Ivoire	94	112	129
Value of Nontraditional Exports			
Ghana	\$42 mln	\$35 mln	\$39 mln (Jan-Sept)
Nigeria	NA	NA	NA
Cote d'Ivoire	CFA 283 mln	CFA 286 mln	CFA 323 mln
Gross Domestic Investment as % of GDP			
Ghana	11.3	13.6	15.8
Nigeria	NA	NA	NA
Cote d'Ivoire	15.2	10.3	9.7
Rate of Inflation (CPI)			
Ghana	27	31	36
Nigeria	38	42	16
Cote d'Ivoire	7	1	-1
Current Budget Deficit as % of GDP			
Ghana	-2.8	-2.2	-2.6
Nigeria	NA	NA	NA
Cote d'Ivoire	-3.8	-8.2	NA

Source: Primarily World Bank *Trends in Developing Economies*, 1990

In rural villages, although people know about new opportunities for profit in agriculture, they are more aware of bad economic news than good: inflation, road deterioration, higher costs of government services, and poor employment prospects for educated children. Inevitably, structural adjustment programs are blamed for the negative changes. Interviewees do not suggest that structural adjustment programs significantly improve conditions for most people, nor that the programs are winning new rural supporters for their governments because economic effects on income have been so mixed.

4. Decentralization: Current Forms of Local Government

This section discusses contemporary LGU arrangements in the three countries. In each case, the evolution of LGUs and their current performance are reviewed. The impact of SAPs on local officials' strategies to obtain and improve public health and primary education services is also discussed.

Ivory Coast

Rural local government is still a new phenomenon in the Ivory Coast and is still very much controlled from the top. The 135 communes (most created between 1980 and 1985) are governed by unpaid municipal councilors and mayors, popularly elected for five-year terms. (Most rural areas in Ivory Coast are still governed by *prefets*.) Communes have extensive municipal responsibilities. These are being increased in phases. Commune governments exercise their powers only under strict supervision by the Ministry of the Interior, however. Central government desire for uniformity in LGU arrangements and the perception that an apprenticeship period to accustom local officials to their new powers is indispensable have strongly curtailed any real devolution of power at this stage. The Interior Ministry retains tutelary authority in 96 areas. Most importantly, Ministry officials can veto commune budgets, suspend elected officials, and reverse decisions made by elected officials.

Small rural communes derive about 80 percent of their funding from central government block grants. Communes immediately felt cuts in central government spending introduced as part of structural adjustment programs. Primary education and health care are only nominally commune responsibilities; in practice, both services remain highly centralized. Communes can invest in new facilities and lobby for staff, but can make no operating decisions.

Ivory Coast's traditionally generously funded school system has not escaped structural adjustment program spending reductions resulting from across-the-board budget cutbacks in line ministries. Absolute expenditure on education has declined in the 1980s, although its share of government expenditure has not. Teachers' salaries and promotions have been frozen since 1982. Some effects of these cutbacks are visible in rural primary schools: insufficient funds for supervision; teachers financing supplies out of their own pockets; shortages of teacher manuals. Many parents cannot afford to buy textbooks. Reallocation of the education budget in favor of primary education is under discussion with donors.

Ivory Coast recently began discussing with the World Bank regarding reallocating health sector resources from the curative/hospital budget toward primary health care. At the commune level, mayors have clear incentives to obtain as much ministry-provided and ministry-funded service as possible; government facilities, however, are underutilized. The high private cost of patient-related preventive health care dissuades potential consumers, shortages of drugs and equipment reduce service quality and demand, and poor management and supervision of local personnel likewise impair quality and reduce demand. The nominal responsibility of communes for health care provides little incentive to control costs or improve care quality.

Ghana

Ghana has long had a three-tier official system of government, with districts as the lowest tier (central-regional-district). Under Ghana's decentralization program, elected District Assemblies were installed in 1989 and 22 government departments have gradually been devolved to the district level. Departments' district-level officials report to the District Assemblies but remain appendages of the central government: ministries still fix salary levels, award promotions, decide most policies and procedures, and provide the bulk of funding. The Ministry of Local Government acts more as a coordinator and less as a tutelary authority than the Ivorian Interior Ministry, but still reviews District Assembly budgets.

Ghana is now in the fifth year of a major reorganization at all levels of its education system. The recurrent budget share devoted to education rose from 27 percent in 1984 to 37 percent in 1990. Staffing numbers have been held at the 1987 level, but salaries were significantly increased in real terms in 1986 to attract trained teachers back into the system.² Since 1987, basic education (grades 1 through 9) has received 60 percent of the education budget. Textbooks and teaching materials began to reach primary schools in 1989 for the first time in many years.

Ghana's government spending on health increased after 1985; however, it was still well below real term expenditures in the mid-1970s. With donor assistance, Ghana is implementing an essential drug policy and reorganizing the Ministry of Health.

Nigeria

Local governments, part of Nigeria's federal structure, are subordinate to both federal and state policies. There are now 589 local governments for a population of some 120 million, so local governments are large units (240,000 inhabitants per LGU). Under the planned return to democracy, responsibilities of local governments have been gradually

²In 1985, average primary school teachers' salaries were only 1.5 times GNP per capita, while in Ivory Coast, where teachers are paid better than civil servants with similar qualifications, teachers received 7.8 times GNP per capita. (Zymelman, 1989:33)

increased. Transfer of primary health care began in 1988, local infrastructure in 1990, and education in January 1991. The first elected chairmen took office in January 1991 after open elections between two parties created by the federal government. Civil servants make up most of the personnel, headed by the District Secretary and Treasurer who sign all checks. Local governments again receive most of their funding (at least 85 percent) directly from the central (federal) government. State and own-source revenues provide small sums.

Responsibilities are classified as either "concurrent" (shared by all levels of government) or "mandatory" (provided solely by local governments). Education and health care are both classified as concurrent responsibilities. Education and health care personnel--both local government staff and posted professionals--are managed by central agencies but by next year are to be paid entirely by local governments.

Nigeria's spending on education dropped sharply during the 1980s, particularly in 1986 and 1987, the first two years of the structural adjustment program. Primary education was reorganized in 1988 and January 1991, but not as part of sectoral adjustment programs. The 1988 reorganization sought to shift responsibility for primary education to an independent government agency organized as a hierarchy of boards managing the service and administering funds provided by all three levels of government. Then in January 1991, a central government directive abruptly transferred all responsibility for primary education to local governments. Educational professionals consistently voiced disapproval of the January 1991 changes, which seem likely to undo improvements (state payment of salaries and civil service guarantees) introduced by the 1988 reforms. Teachers worry whether local governments will pay their salaries or institute hiring on political lines. Textbook shortages, inadequate inspections, and community neglect of school maintenance were apparent in all areas visited.

Nigeria has been implementing its own reorganization of the government health care sector since 1988 when partial responsibility for primary health care delivery was initially shifted to local governments as part of an overall strategy to allocate more resources to primary and preventive health care. The federal government set up a grant program for those LGUs that demonstrated their preparedness to take up new responsibilities. Other grant programs from the federal government or external donors have funded drug revolving funds and the Expanded Program of Immunization (EPI), carried out by local governments. The federal government has pressured the states to relinquish their primary health care staff and facilities to local governments, a transfer which is now close to completion. Local activities were being administered by local government staff. The EPI campaigns were successful, but management of village health facilities was poor, resulting in low utilization.

B. Failure of the Centralized State and the Current Dilemma

1. Introduction

Both structural adjustment programs (SAPs) and "decentralization" policies have been implemented in Ghana, Nigeria, and Ivory Coast after a national-level diagnosis of problems facing the three countries. These problems include (1) highly centralized financing systems and (2) swollen bureaucracies that are inefficient because the political systems in which they operate severely limit citizens and local leaders from providing feedback to central government leaders, and because their operating budgets are so meager that even competent, energetic civil servants lack the means to carry out their duties.

SAPs and decentralization policies, conceived as remedies for these problems, have in turn generated new problems at local levels. These new problems arise in part because of the way SAPs and decentralization initiatives have been designed and implemented. Seven generic local-level problems can be identified:

- extreme dependency of LGUs on central government policies and grants;
- central government underestimates of LGU human resource capabilities and overestimates of LGU fiscal potential;
- limited credibility of LGUs among constituents because of poor performance;
- inadequate monitoring and feedback within imposed LGU forms;
- few local-level incentives to contain personnel costs, and to shift funds to nonpersonnel lines in operating budgets in order to improve the quality and quantity of public services, such as health and education;
- "fiscal illusions" created by policies, usually originating with central governments, that encourage local officials to make lobbying for central grants top priority, rather than devising strategies to mobilize local resources more effectively and spend them for greater effect; and
- residual central resistance to devolving real political and fiscal power to local government units.

Local governments and communities find themselves in a predicament: their dependence on national government funding and subjection to national government controls keeps them subordinate to the center and discourages local autonomy. In addition, perverse institutional incentives discourage socially efficient decision making at various levels. Local government officials are locked into dependent relationships with central governments through central financing arrangements and regulations and lack incentives to deal with important

local problems, such as adapting health and primary education systems to locally expressed needs to encourage higher levels of coproduction of health and education services.

2. *Political Power and the Rule of Law*

Authority in all three countries is highly centralized, backed by coercive powers that occasionally have been used against citizens. The leaders of Ivory Coast, Nigeria, and Ghana are not constrained by enforceable national constitutions. Hence, decisions and actions taken by the central government can as easily be reversed by the central government. Indeed, the history of changes in local government institutions demonstrates their vulnerability to central government whim.

Rapidly changing rules generate rapidly changing incentives, making institutional arrangements unstable. This makes it difficult for rural people, community leaders, and LGU officials, to identify sustainable, long-term development strategies. In addition, LGU dependency on central government funding and authorization gives local governments strong incentives to avoid confrontations with central government, and to do nothing that does not comply fully with central governments policies.

With the advent of constraints on central government policy making through conditional lending for economic reform, economic policies and service delivery policies are now made by a new centralized, extra-constitutional process involving two authorities: the leaders of the respective countries and the international financing agencies. Resulting policies may be appropriate, but still they are not subject to constitutional limitations and they are easily reversible. Local bureaucrats may regard some of the central directives with skepticism, but cannot ignore them. The number of top-down policies emanating from the capital has certainly increased the workload of local bureaucrats. Since career paths are controlled from the center, bureaucrats have incentives to complete work for central organizations, at the expense of efforts to address local problems.

3. *Centralized Governments and Centralized Financing*

In all three countries, the central government controls almost all public revenues. Most government revenues come from indirect taxes or non-tax sources. As a result, political and bureaucratic attention at all levels of government focuses on the allocation of central government resources.

Table 2 highlights two critical elements in the political economy of the three countries and also indicates that Ghana and Ivory Coast will likely suffer more from implementation of (SAL) structural adjustment loan conditions than Nigeria. First, taxes on international trade and non-tax revenues (Columns 4 and 5) exceed 50 percent of government revenues in Ghana and Ivory Coast and approach 70 percent in Nigeria. Both are revenue sources over which citizens traditionally exercise very little control. These two sources of revenue provide the funds--or"rents"--used to maintain the political machines in all three countries.¹ Particularly with respect to international trade, Ghanaian and Ivoirian farmers have been subjected to "representation without taxation" since independence, with considerable negative results (Guyer, 1991; Ostrom and West, 1991).

**Table 2. Central Government Current Revenue
(Percentage of central government revenue)**

Revenue of	Direct Taxes	Sales Taxes	Other Taxes	Int'l Trade	Non-Tax Revenue	Gov't Rev. as % of GNP
Ghana (1987)	21.5	25.3	0.1	42.5	10.6	14.5
Ivory Coast (1980)	13.0	24.8	6.1	42.8	7.5	23.4
Nigeria (1987)	39.9	5.1	-14.5*	6.6	62.9**	18.5

*Taxes collected by the central governments on behalf of state and local governments and retroceded to them.

**Oil revenues; about two-thirds of the revenues collected and retained by central government derive from oil royalties.

Source: World Bank, Sub-Saharan Africa: From Crisis to Sustainable Growth, 1989, Table 26 [modified], p. 266.

³"What has been stressed is that the rents also represent political resources--resources which can be used to organize political support and to perpetuate governments in power"(Bates 1983:129).

In Ghana and Ivory Coast, marketing boards have been critical in allowing central governments to capture the difference between the fixed prices offered farmers and the international market prices commanded by agricultural commodity exports. As a result, political-economic inefficiencies have been magnified by substituting political allocation structures--the marketing boards--for normal market structures, when the latter would have worked quite adequately (Bates 1983:131). As SAL conditions are implemented in these two countries and markets are once again substituted for political mechanisms, efficiencies will increase but government revenues will fall. The drop in international agricultural commodity prices will exacerbate declines in government revenues, but these would have occurred anyway.

The consequences of concentrating revenue at the center are profound; the central government commands enough resources to be a prize worth fighting over. The imbalance in resources is also large enough to insulate those in power from exposure to the concerns of ordinary citizens. Policies in these countries are handed down to lower levels from the center. Built-in feedback mechanisms for officials and citizens at lower levels are limited. Local

bureaucrats have few incentives to try to change policies. Unlike most industrialized democracies, dependence on taxpayers as the primary source of revenue is not a tradition in these countries. Taxpayers in Ghana, Nigeria, and Ivory Coast have few means to contest policies they feel misuse their money.

4. *Weak Local Governments and Continued Dependency*

Rural local governments are highly dependent on central government funding which, as Table 3 indicates, can vary radically from year to year. In some urban areas property taxes are a significant source of local government revenues; in rural areas they are not. Rural local governments in Ghana and Ivory Coast make strenuous efforts to mobilize revenues, as Table 3 data indicate. However, they do not have the potential to become self-supporting *and* deliver services at currently mandated levels. Moreover, the significant inter-year variation in own-source as well as central revenues complicates budgeting and makes service delivery at stable levels difficult to achieve.

Table 3 Sources Of Local Government Revenues As A
Percentage Of Total Revenues

	<u>1988</u>	<u>1989</u>	<u>1990</u>
GHANA			
<u>Asante Akim South</u>			
Central Govt. Funding	44.44%	34.54%	9.41%
Own-Source Funding	55.56%	65.45%	90.58%
<u>Bongo</u>			
Central Govt. Funding	50.90%	41.36%	48.96%
Own-Source Funding	49.10%	58.64%	51.04%
<u>North Tongu</u>			
Central Govt. Funding	6.71%	27.73%	33.07%
Own-Source Funding	93.29%	72.27%	66.93%
IVORY COAST			
<u>Koun-Fao</u>			
Central Govt. Funding	83.52%	85.85%	84.19%
Own-Source Funding	16.48%	14.14%	15.81%
<u>Koefoly</u>			
Central Govt. Funding	88.24%	90.21%	89.73%
Own-Source Funding	11.77%	9.79%	10.27%
<u>Sirasso</u>			
Central Govt. Funding	90.37%	90.81%	89.97%
Own-Source Funding	9.63%	9.19%	10.03%
NIGERIA			
<u>Atakumose</u>			
Central Govt. Funding	89.60%	90.60%	93.60%
Own-Source Funding	10.40%	9.40%	6.40%
<u>Barakin Ladi</u>			
Central Govt. Funding	91.60%	93.10%	95.40%
Own-Source Funding	8.40%	6.90%	4.60%
<u>Bodinga</u>			
Central Govt. Funding	94.30%	93.30%	93.30%
Own-Source Funding	5.70%	6.70%	6.70%
<u>Oji River</u>			
Central Govt. Funding	78.30%	93.90%	94.40%
Own-Source Funding	21.70%	6.10%	5.60%

All figures are based on current prices. Central Government funding is based on grants; own-source revenues include shared taxes and local development contributions. All figures based on field research.

In Nigeria, revenue mobilization efforts have been sporadic. Barring significant public finance reforms, the level of services local governments can deliver will continue to depend on the level of central government funding. An additional incentive for elected officials to lobby for central funding is the pattern of voting; election results will likely reflect voters' perceptions of how effectively officials capture resources from the center.

5. *Few Incentives for Local Cost Containment*

Ironically, local governments have few incentives and little discretion to keep their costs down. Although in all three countries, local government personnel include elected officials, bureaucrats, and local hires, national civil servants predominate. In Nigeria, LGU-elected chairmen cannot sign checks; only career civil servants can. In Ghana, District Assemblies meet for about 12 to 16 days annually to make decisions and issue implementation instructions to the appointed District Secretary, the head of the Executive Committee, and career civil servants. Although bureaucrats may report to elected officials or elected bodies, their salaries are paid and their career moves managed by local civil service commissions or line ministries. Central government financing of staff or services encourages local government officials to demand as much as possible of both, since neither appears to cost the LGU anything.

Posting national bureaucrats to local positions leaves local communities worse off because costs of maintaining these officials at the standards to which they are entitled by national rules far exceed the public service benefits their greater skill levels can generate. Under centrally established terms of service, national bureaucrats, must be supplied with expensive facilities (offices, equipment, housing, vehicles) and support staff. Central governments, however, do not provide generously. Hence, the local jurisdiction must shoulder large capital transition costs, mainly to finance construction of offices and housing. The negative implications for service delivery are clear: either money allocated for services is used to build local government offices, or bureaucrats refuse to take up their postings.

6. *Central Perceptions: Adequate Local Revenue and Inadequate Human Resource Potential*

Central governments often overestimate the revenue potential of rural local governments and underestimate the effect of inflation on central allocations to local governments. Service delivery then becomes the residual expenditure category--funds are allocated to service delivery only after local government personnel and overhead costs have been met. This reproduces at a lower level the problem that triggered the initial transfer of responsibility for service provision to local governments: personnel costs claim a disproportionate share of recurrent expenditures for service delivery.

Central governments also underestimate the competence of local government personnel. While the latter clearly lack the incentives to make decisions based on local circumstances, they do not necessarily lack the skills. However, local officials have little

experience making decisions on the basis of rigorous analysis of information from the village level; for example, assessing community perceptions to determine whether school and health facilities meet village needs. Since the bureaucratic system has apparently never rewarded good record keeping (or sanctioned poor record keeping), data collection is not always consistent. Where it is collected analysis is weak. It matters little whether school enrollment statistics are tabulated in the district or in the capital if no use is made of them to solve local problems at the local level. So long as local departments are authorized and required only to carry out procedures established by overlapping governments, they have neither the incentives nor the charter to seek out locally appropriate solutions. Recrafting institutions to create new, positive, rule-based incentives to guide local collective decision making is probably now more important than skills training.

Central government has not clarified the responsibilities of some services. To remedy the ambiguity, two courses of action are possible: (1) maintain local government bureaucracies as deconcentrated service units and make them accountable to the line ministries for providing well-specified levels of service delivery; or (2) give local government elected officials resources and a set of minimum standards that service delivery must meet in order to qualify for additional resources, make them fully accountable to their constituents, and thoroughly publicize the arrangement. Under the first option, policy-making and cost control would be central ministry functions; under the second, elected local officials would bear responsibility.

7. *Local Government Predicament: Building Credibility*

Although local government units have been multiplied, budget funding, career paths, policies and procedures, and resources for special activities still radiate from the center. Despite the existence of elected local officials and a list of formal responsibilities transferred to local governments by national decision, local governments are primarily central government bureaucracies located in rural areas.

Local governments do not have unlimited time to demonstrate their usefulness. Some communities visited see little value in present local government arrangements and local government services, such as schools, primary health services, agricultural extension, and natural disaster relief. Historically, local governments in all three countries have been ineffective and sometimes corrupt. Central governments do not trust local government officials to deliver services without numerous restrictions. Local governments end up with little discretion.

In a policy move that threatens to strain local government capacities even further, central governments in all three countries are encouraging local governments to start their own for-profit services or businesses to defray the costs of local government. These efforts can be expected to generate perverse, unintended consequences: they will divert scarce resources and energy from service provision to competition with private sector operators, and they will encourage local government officials to distort local markets (Jenkins and Bird,

1991). Local elected officials need to prove their worth to both their communities and the central governments through their performance, but they lack resources to do so. The solution still lies largely with central governments because they hold all the cards.

8. Central Government Incentives to Decentralize

Central governments can undertake decentralization efforts to pursue public and non-public goals. Domestic politics and relations with donors influence government actions. Several observations support the conclusion that current local government arrangements in the three countries are designed more to perpetuate the old, centralized, high-rent, patronage-oriented political machines than to encourage expression of local priorities and enhancement of local problem-solving capabilities:

- the many new local governments in all three countries (see Table 4) are politically popular but also create new jobs for central public servants (rural postings, while not popular, are preferable to no job at all);
- some heads of local government departments obtain significant promotions in the process;
- more local governments justify more supervisory jobs in central governments; and
- housing new local governments to national standards generates construction work.

New local governments are expensive, but are justified to donors under the rubric of encouraging participation.

Table 4. Number of Local Governments

Country	1985	1991
Ivory Coast	37	135
Ghana	65	110
Nigeria	304	589

Service provision responsibilities that central governments really care about (such as public security) or that the communities really care about and central governments can fund through special initiatives directly to communities (such as roads, schools, and electricity) have largely been retained at the national level. On the other hand, central governments assign unreasonably long lists of less important responsibilities plus many objectives to local governments (see Table 5).

Table 5. Examples Of Functions of Local Governments

Country	Relevant Legislation	LGU Functions
Nigeria	Constitution of the Federal Republic of Nigeria (Promulgation) Decree 1989	16 main functions including: economic planning; rate collection establishment, maintenance, and regulation of markets, cemeteries, public shelters, etc.; construction and maintenance; vital statistics and registration; control and regulation of advertising, shops, pets, etc.; licensing. 3 functions in association with the state (education, agriculture and natural resources development, and health) "Such other functions as may be conferred upon a local government by the House of Assembly and the state"
Ivory Coast	Law 80-1180	Local government services (including roads, town planning, environment, public hygiene and sanitation, water supply and cemeteries) Socio-cultural and services (including education, public health, welfare, housing, sports culture) Economic services (including loans for agriculture, and livestock farming, forestry, hunting and fishing, mineral resources, transportation, communication, industry and trade, arts and crafts, tourism)
Ghana	Peoples National Defense Council Law 207	The enabling legislation that establishes the Districts and District Assemblies specifies 86 functions. A random sample of examples include: public health; inspection and control of slaughterhouses; control of social establishments; approval of building demolition; building, equipping and maintaining all schools; child and family care; soil and water conservation; establishment and maintenance of tree nurseries; promotion and development of sports

9. Monitoring and Feedback Gaps

Performance in the deconcentrated service and administrative units is poorly monitored by central ministries. Those units can thus be simultaneously understaffed and underworked. With no performance standards based on service utilization data, limited control over operations because feedback is largely non-existent, and inadequate supervision in some services (though primary education in Ivory Coast is an exception), local governments lack tools for effective management. They also lack incentives to perform. That central government has allowed this situation suggests service delivery is a low priority relative to maintaining central control over resource flows and local initiatives.

10. *Fiscal Illusions: Costly Free Lunches*

"If the center pays, the local government should try to expand as much as possible" is a broadly accepted fiscal attitude in all three countries. It affects communities' behavior because perverse fiscal incentives encourage them to regard central funds as "other people's money" (OPM). Local demand for OPM is practically, and understandably, unlimited because from the local perspective it is essentially free or largely so. This generates powerful incentives for local communities to build what will ultimately become understaffed, underserved, and underutilized facilities. In other words, perverse fiscal incentives, in the form of very weak, one-time matches that ignore recurrent cost issues, encourage people to waste scarce investment funds, or at the very least, to invest them in seriously suboptimal schemes.

Because so few important policy and personnel decisions are made locally, few opportunities exist for local senior officials to cut costs and use the money saved to improve services. If local governments cannot derive tangible benefits by reducing recurrent costs, they will not.

This section has analyzed how efforts to remedy problems identified at the central level by SAPs and decentralization policies have created new dilemmas at local levels. In summary, current governance and public finance systems create a series of inappropriate incentives that lead rural politicians, leaders, and citizens to pursue strategies that leave them more dependent on the center. At the same time, they fail to exploit local opportunities.

C. *Public Revenues and Their Impact on Local-Level Institutions*

1. *Introduction*

This section examines how particular elements in study country public finance arrangements structure the options of local politicians and LGUs. Because many public finance rules in the three countries create perverse incentives for local-level actors, it is important to explore this area thoroughly.

The attributes of local-level institutions are determined in part by the types of revenue instruments available to and used by local governments. Choices about how local public revenues are to be raised, what their yield should be, and from whom they should be collected affect local decisions about production and consumption of public goods and local decisions about production and consumption of public goods and services. In particular, public finance arrangements constrain the set of feasible production and consumption choices available to individuals and groups at the local level. They limit the quality and quantity of public goods and services that can be efficiently and sustainably produced, and determine who can and who will consume (pay for) available services. If public finance rules encourage too heavy a reliance on OPM, outcomes will likely be perverse.

Examples of Fiscal Illusions

Creating Local Governments: The Service Delivery Dilemma. Lobbying for creation of new local government units is a popular strategy to extract benefits (OPM) from the center. A new local government headquarters creates not only the nonmaterial benefits of recognition but also new buildings, temporary and permanent jobs for local people, local spending by newly assigned civil servants, perhaps electricity or better roads. So far, although local revenue mobilization has increased, local people are probably correct that additional resources from the center more than match additional local tax effort. Yet increases in recurrent costs for centrally mandated personnel, and infrastructure creation and then maintenance may well claim a disproportionate amount of new monies, resulting in a net reduction in service delivery capacity.

Health Center Construction and Pre-emptive Cost-Sharing. Eleven communities in one Nigerian LGU, which has a population of about 320,000 in 126 communities, are building health facilities with the expectation that the LGA will staff, equip, and operate them. If the LGA meets community expectations, it will clearly add significantly to recurrent costs of delivering health care. Both the Primary Health Care Department and the communities involved regard the efforts as desirable. But the elected LGA Chairman must find new funds or tell the communities they wasted theirs. Communities that lose out will be the victims of a fiscal illusion, induced by institutional arrangements that bypass an essential funder in making allocation decisions.

Speculative UpGrade in Rural Health Care. In a rural Ivory Coast municipality, a recently elected mayor is trying to serve his constituents by building the additional components that will upgrade a currently badly managed and underutilized health facility into a rural hospital. The community will then qualify for a full-time doctor, at ministry--not municipality--expense in terms of additional recurrent personnel costs. Unfortunately, if the hospital is built, the central government budget crisis may well prevent the ministry from posting a doctor, even if one can be found willing to accept an assignment in a small rural community.

Perverse Incentives Vitiates School Construction Review. Ghana has instituted an approval process that communities must follow to ensure the schools they build will be staffed by the Ministry of Education. Yet District Education Officers have no incentives to counter community pressure favoring excessive construction in their own districts, and their recommendations are an essential part of the approval process.

Budget Regulations Discourage Government Efficiency. In Ghana, all 22 devolved department budgets are submitted to the District Assembly and passed there. The recurrent costs go through the district budget, but the District Assembly has no incentive to keep costs down because the ministries still pay the recurrent costs.

Costs of Inadequate Feedback Mechanisms

Public Primary Health Care. In all three countries, the lowest level government health facilities are generally underutilized, and for good cause: either drugs are unavailable, or staff lack qualifications, or staff abuses (disrespectful treatment of patients, filthy conditions and sometimes corrupt practices) discourage demand. Supervisors appear unaware of problems. They do not visit these facilities regularly; they do not insist on good records being forwarded from the facilities; they do not use data they do have (i.e., low utilization could be deduced from returns on drug revolving funds); and they fail to request feedback from user communities.

School Attendance. During the rainy season in northern Ghana, Nigeria, and Ivory Coast, primary school attendance rates are poor because farm families need the additional labor their children can supply. The extent of the problem could be easily documented from school daily attendance records. Principals and teachers could initiate discussions with communities to confirm the cause. Parents and teachers could jointly begin a search for solutions, which would likely take the form of school calendars that accommodate production needs. Until local schools have the flexibility to introduce such changes, school children will continue to suffer the effects of irregular schooling.

Primary School Curriculum Adaptation. In the Ivory Coast, primary school teachers in the northern part of the country know that the curriculum allows too little time to teach French to children with no prior exposure to that language. Despite repeated proposals to modify the nationally established curriculum, local teachers have not yet discovered an effective way to alter the schedule or request changes. LGU officials seem unable to help.

Mastering Academic Basics. In Ghana, the new curriculum emphasizes practical skills. No systematic test has yet been established to determine if children are learning the academic basics. Students are promoted automatically from grade to grade until they finish 9th grade. Neither community members nor Ministry of Education personnel know before that point whether children are meeting a nationally accepted standard of achievement. Such a test is being developed for a sample of 6th graders, but it will not solve the need to give communities monitoring and evaluation tools to assess the quality of education in their schools.

In rural Nigerian schools, students attending school one year may be withdrawn for the following year or two, only to be reentered three years later at their age appropriate grade level. Clearly, most cannot master skills or keep up with classmates who attend school on a more regular basis. The single, final year exam problem exists in both Nigeria and in Ghana.

2. *Public Finance in Ghana, Ivory Coast, and Nigeria*

Like most countries in Africa, LGUs in rural Ivory Coast, Ghana, and Nigeria rely heavily on financial disbursements from higher levels of government to finance provision of local public goods and services. The way these financial disbursements are made, however, differs in the three countries, and these differences determine whether added revenues expand or contract the set of production and consumption choices the LGUs and their constituents face.

Nigeria

In Nigeria, revenues disbursed by central and state governments generally increase the set of service production choices available at the local government level in rural areas. Under current fiscal arrangements, the LGUs receive annual block grants from both the central and state governments that account for more than 90 percent of their total revenues.⁴ These block grants draw on a pool of resources (the Federation Account) that is generated from a centrally administered tax on petroleum profits. Since the granting authorities do not tie these block grant revenues to specific local expenditures, the grants provide the LGUs with a great deal of discretion to determine the amount and kind of public goods and services they will provide.

Ivory Coast and Ghana

Unlike the Nigerian case, in Ivory Coast and Ghana most of the variable costs of producing health and education services (primarily the wages of central ministry staff seconded to the LGUs) are financed directly by the line ministries. As a result, LGUs in these two countries exert virtually no control over public service production decisions.

The Ivory Coast and Ghanaian arrangements differ in one important respect, however. In the Ivory Coast, communes receive an annual block grant from the central government which, in the case of the smallest rural municipalities, accounts for more than 80 percent of their total revenues.⁵ After financing the costs of local government administration, Ivorian

⁴Local public goods and services are also financed to a much lesser extent by periodic, closed-ended, categorical grants disbursed by state-level ministries for specific purpose projects. A good example is the one-time State Ministry of Health grant for establishing revolving drug funds at the LGU level.

⁵Unlike in Nigeria, total revenues reported for LGUs in Ivory Coast and Ghana do not cover the total variable costs of local public service provision since they do not include the direct outlays made by line ministries

LGUs can allocate unexpended grant funds to production of public goods and services. In Ghana, LGUs receive closed-ended categorical grants earmarked for specific local public good investments, instead of receiving an annual block grant.⁶ Thus, unlike in Ivory Coast, LGUs in Ghana are unable to use grant revenues for anything but centrally approved investment expenditures.⁷

3. *Local-Level Impacts of Central Public Finance Policies*

The preceding analysis suggests that prevailing public finance arrangements in Ivory Coast, Ghana, and Nigeria, especially procedures for transferring funds from higher levels of government to LGUs, constrain the set of feasible production and consumption choices faced by LGUs. By doing so, they reveal the intent of decentralization policies in these countries.

Local Discretion Variations

In Nigeria, public finance arrangements provide for substantial local discretion over local public goods production decisions and thus facilitate devolved decision making at local levels. At the same time, however, Nigerian LGUs have developed new local taxes and have used them to support new services, only to have the central government claim exclusive power over the new bases. LGUs are left to find new sources to finance the services or stop providing them. The precariousness of local taxing power can be expected to dampen local public entrepreneurship.

In Ivory Coast, public finance arrangements restrict local discretion and vest the central line ministries with control over provision of local public goods and services. By providing block grant financing for LGU-controlled expenditures, however, Ivory Coast, unlike Ghana, has begun to allow local governments to develop the necessary institutional capacity to take on more responsibility for public service provision in the future.

for this purpose. The statistics presented in the text therefore do not indicate that own-source revenues play a much more important role in local public service provision in Ivory Coast and Ghana than they do in Nigeria.

⁶The Ghanaian grants are designed to serve a limited redistributive function, so their importance as a source of local revenues varies from one LGU to another. In the three new (relatively poor) districts visited, the categorical grants accounted for between 27 and 50 percent of total local revenues (i.e., exclusive of direct line ministry outlays).

⁷Since the cost of local government administration in the three districts visited accounted for no less than 50 percent of total local revenues, and since actual LGU expenditures (including those financed from the categorical grants) pay only a small fraction of the total cost of public service provision (the majority is paid by the line ministries), even if the grants were allowed to displace expenditures previously financed from own-source revenues, the impact on the quantity of public goods produced would be minimal.

Despite considerable Ghanaian government rhetoric favoring decentralization, prevailing public finance arrangements suggest that the central government has no intention of relinquishing control over provision of public goods and services.

Impressive Local Resource Mobilization Efforts

These conclusions do not mean that local government authorities in Ivory Coast and Ghana are idly waiting for their central governments to transfer more financial resources to them. To the contrary, field data strongly suggest LGUs in Ivory Coast and Ghana have exerted great effort to mobilize available own-source revenues. LGUs in both countries have aggressively sought to find new tax handles, as well as to improve the administration of existing taxes.⁸ In addition, several LGUs in Ghana have substantially raised local tax rates.⁹

The aggressive effort exerted by LGUs in Ivory Coast and Ghana to increase the yield from their own-source revenue instruments has affected local institutions by modifying economic incentives that producers and consumers face in two ways.

First, it has altered the incentives faced by persons engaged in directly productive activities and thus has created efficiency gains and losses for society. Whether the net effect is positive or negative is difficult to judge, but there is evidence, at least in the Ghanaian case, that tax increases have adversely affected local-level investment choices (including the choice to invest in private production of health services), since the increases have been applied in an ad hoc manner.

Second, aggressive local tax effort has increased the consumer price of essential goods and services (e.g., food and health care) and so reduced the number of individuals who are able and/or willing to pay to consume these goods and services.¹⁰ Though the data do not permit assessment of how these local revenue mobilization efforts altered the incidence of

⁸Local own-source revenue mobilization per capita increased significantly in Ghana as a result of the creation of new, smaller districts. Though similar data were not available for Ivory Coast, it is likely that a similar phenomenon occurred there. Under the previous administrative setup, the *prefet* had little incentive to collect taxes since his activities were centrally funded.

⁹Interestingly, the Nigerian case study suggests that even though the current grant allocation formula seeks to reward local revenue mobilization, grants account for such a large proportion of total LGA revenues that they can reduce local willingness to mobilize own-source revenues. Some LGUs have slackened in their efforts to sustain local tax yields, in turn reducing to some degree their discretion over the provision of public goods. See, for example, the case study from Atakunmose Local Government Authority where own-source revenue collection reportedly fell by 23 percent from FY 1986 to FY 1987 at a time when block grant disbursements increased 107 percent.

¹⁰Consumer ability-to-pay for essential goods and services was undoubtedly reduced even further by LGU efforts to reduce tax avoidance.

public expenditures, health sector estimates in Ivory Coast and Ghana suggest that they may have resulted in a regressive redistribution of the public subsidy away from the poor toward the wealthier members of these societies.

D. Practical Consequences of SAPs, "Decentralized" Institutional Arrangements, and Public Finance Rules

1. Introduction

The analysis of public service delivery in Nigeria, Ghana and Ivory Coast thus far substantiates five interrelated points:

- SAPS, and to an even greater degree "decentralization" policies, underestimate or ignore transition costs for local governments;
- these same policies also ignore the necessity for local-level learning, which takes time; rapid shifts in the institutional and public finance arrangements make it difficult or impossible for LGU officials to acquire the knowledge they need to produce quality services reliably;
- national policies create incentives for local actors to counter the formal intent of national policies;
- local-level initiatives are stifled; and
- the potential contributions local-level institutions could make to fostering economic development are not realized.

2. Transition Costs of New Policies Are Ignored

Structural adjustment programs in all three countries have focused on reducing central government expenditures, reallocating funds from personnel to nonpersonnel operating budgets, and creating more attractive conditions for private sector activity. SALs have been negotiated between national governments and financing agencies, notably the International Monetary Fund and the World Bank. The impact of these agreements on local governments has taken the form of reduced availability of central grant financing for LGU recurrent and investment programs. In the health and primary education sectors, specific negotiated agreements have shifted funds into operating budgets, particularly in Ghana.

Decentralization policies in the three countries have taken the form of centrally conceived and authorized changes imposed on local communities. Imposition of these changes does not mean local leaders have resisted them. In many cases, the opposite has

been the case: rural people have lobbied hard to obtain local government status for their communities because perceived benefits -some of which are fiscal illusions- are substantial

The real costs of these changes have however been underestimated or ignored altogether. A number have been noted above. Many of these costs are imposed, along with decentralization policies, by central rules stipulating conditions of employment for national civil servants posted to local governments. Local governments start out with a severe handicap in the form of a large resource deficit from launching and maintaining an LGU in accordance with national specifications.

3. Incentives Arise that Counter Policy Objectives

Most rural LGUs have relatively limited resource bases. Alternative ways to address this issue, in the context of fostering effective local government, will be suggested in Section II D.4. and II D.5. For the moment, the important point is that the initial budgetary crisis, created by decentralization policies and to a lesser extent by SAP-induced central-level funding and personnel cutbacks, cannot be resolved at the local level. Rural leaders must return again and again to central funding sources to cover the costs of centrally imposed "decentralization" activities. Given the subsidies inherent in existing public finance regulations, local officials act rationally in trying to obtain central funds (OPM) to finance local costs of "decentralization". But the ostensible goal of SAPS is to induce greater efficiency in government spending programs. This goal is to be achieved by reducing public payrolls to realize savings that can be used to increase nonpersonnel expenditure lines in operating budgets. The potential for conflict between SAP goals and incompletely implemented "decentralization" policies is considerable.

Some central constraints on local autonomy follow from avoidance of fiscal decision making at the central level. In countries where decentralization amounts to transfer of large numbers of responsibilities without any real prospect of LGUs being able to cover those costs, the outlook is bleak that LGUs will meet their new responsibilities. Lack of funds will force elected politicians and national civil servants at the local level to decide which responsibilities they will ignore in order to fulfill other more pressing ones. But this exposes LGU officials to charges that they have failed to fulfill their legally mandated duties.

Some central constraints on local autonomy may well further the hidden agendas of central government civil servants and politicians. Those who do not want decentralization to succeed can employ numerous strategies, all of which are entirely legal, to frustrate local efforts. Inundating new LGUs with a host of additional responsibilities and subjecting them to tutelage by central government authorities to ensure that they do not "waste resources or make inappropriate rules" encumbers local governments and makes their survival doubtful. Transaction costs of obtaining central approval for many local operations (budget, etc.) are sufficient to consume large amounts of resources and energy.

4. *Stifling Local-Level Initiatives*

Regardless of central government hidden agendas, current decentralization policies effectively discourage local leaders and rural citizens from capitalizing on local human resources and other advantages. As Section II.A.3 indicates, some of the study communities have demonstrated substantial organizational and resource mobilization skills. But those skills have been employed in areas not yet fully dominated by central government regulations. In these areas of relative local freedom, rural people have established their own institutions. In some cases, these have proven effective in reaching consensus on community priorities, mobilizing resources to achieve them, organizing activities and investments, and arranging for maintenance of infrastructure.

However, that margin of freedom is not available to most LGUs. Lack of financing and rule-making authority, and a legal inability to create local government forms that address local conditions better than the centrally imposed central LGU model sap the capacity of elected LGU officials solve local problems. Local officials end up devoting their full attention to meeting centrally imposed requirements. The goal (inherent in most decentralization policies) of bringing government closer to local people and allowing local officials to identify local problems and develop appropriate solutions, is frustrated.

The power of central governments to create, modify, and dissolve LGUs and to specify services LGUs must produce means that central governments retain strong control over local government agendas. This may meet central government objectives but it can be expected to discourage local public entrepreneurship.

5. *Local-Level Institutions Are Ignored*

Imposed LGU institutional designs mandate standard forms throughout each country. Creating and operating standardized local governments not only entails large outlays, but also prevents local communities from capitalizing on existing resources which is even more costly in terms of foregone opportunities.

Many communities in the southern areas of the three countries have long operated their own community development associations, which represent significant institutional capital. These institutions are tailored to local problems, rather than conforming centrally developed standards. Leaders and citizens are familiar with them, and resource mobilization occurs according to well-established patterns with a long history of success. Because these associations function with large amounts of local resources (as opposed to OPM), community members feel justified in monitoring how association leaders use resources. Leaders expect this and therefore have a constant incentive to demonstrate that they are using resources productively. Since these associations exist to resolve local problems, association officials keep overhead expenses (e.g., office space, equipment, transportation, and employee benefits) to a minimum. By the same token, local leaders accountable to local residents have no

incentive to propose activities of little interest to their constituents. The result is relatively efficient use of resources.

The working rules of these institutions are generally well-known in the local community. Local people have strategies to sanction leaders who fail to meet their mandates or abuse their powers. Monitoring, evaluation, and feedback processes are usually institutionalized, occurring at least annually and sometimes more frequently. Leaders who fail to perform satisfactorily can often be replaced, and hence, are subject to competitive pressure.

These advantages constitute institutional capital. Not all communities visited had effective local development associations. In areas where no local interest is apparent, it is questionable whether imposed local government forms can ever function effectively. Such areas may be better left alone until they discover a compelling need to shoulder the undeniable costs of self-governance. But in areas where local interest exists in developing institutions, decentralization policies encouraging local initiative (perhaps by proposing a menu of forms and activities from which local governments might adopt those most beneficial for local circumstances) could significantly enhance the effectiveness of local governments.

Existing local institutional capital is excluded entirely from the decentralization initiatives examined in the three countries. Instead, each community that achieves local government status must comply with regulated institutional forms and procedures sent down from the capital, that are monitored by national or state civil servants and subject to modification at central initiative. Each of these elements--potentially inappropriate forms and procedures, non local monitoring and evaluation, and fragility--constitutes a disincentive to local people and local leaders to adopt these forms. Public finance regulations that promote fiscal illusions reinforce inefficient use of funds and reduce survival prospects of local governments by increasing dependency on central actors and resources, and reducing willingness to engage in self-help activities.

E. Conclusions and Recommendations: Importance of Rural Public Entrepreneurship

Conclusions

Several conclusions follow from the preceding discussion:

- the same amount of money would provide more services if local governments had institutional incentives to control overhead costs;
- local government officials have some opportunities to exercise public entrepreneurship, i.e., to define local problems and work out solutions, but they often overlook them or fail to exploit them fully;

- local officials make decisions about improving public services without having the data available to understand the actual costs of those decisions (e.g., when an Ivory Coast rural municipality obtains a doctor by upgrading a health center to hospital status, without having to accept responsibility for salary or other recurrent costs);
- local governments and local services will not improve without better feedback from lower to higher levels, better records, and better analysis; and, until local governments adopt a stronger service provision orientation;
- people in villages:
 - have all organized themselves to varying degrees to augment/maintain village infrastructure;
 - are "voting with their feet" with regard to government community-level health facilities, by seeking care elsewhere, and with regards to schools, by withdrawing their children;
 - are making decisions about paying high private costs of education on an incremental basis, which implies a need to make nonformal education available to adults when they decide literacy, numeracy, etc. would be useful skills;
 - have positively responded to SAP incentives affecting agricultural prices, but also confront inflation, poor employment prospects, and imposition of government fees for services, all of which may counteract SAP-created incentives.

Local communities have few incentives to improve local government services, since they pay little in direct taxes for them, and do not have high expectations about service quality based on prior experience. Instead, local people put their energy into their own projects and into developing and maintaining connections at the center.

Local governments do not coincide with their own boundary/ membership definitions, and, in Ghana and Nigeria, boundaries have been changed many times by central fiat. Communities might show more interest in LGUs if they could see a clear connection between their efforts and local government benefits. Many communities have their own unofficial local governance and development structures, and invest their loyalty and money in these institutions.

Recommendations

- Local governments could be drastically reduced in terms of their size and infrastructure facilities, decreasing overhead costs proportionally. Elected local politicians and local people would benefit from lower overhead costs and more money for services; competent civil servants would benefit from incentives based on service utilization; and local economies would benefit from privatization of some government expense categories. Hence, USAID should pressure central governments to clarify priorities, expand opportunities for public entrepreneurship, lower overhead costs, change incentive structures, and require better management information.
- Feedback on service utilization, which would greatly enhance management information, could be improved by (a) holding workshops on or distributing/workbooks for data collection and analysis, and coupling these with job incentives for better recordkeeping; and (b) influencing villages that local government discretion (such as in soliciting and accepting assignment of teachers to local schools) affords the lobbying power.
- Local governments do not consider the recurrent cost implications of some of the activities they approve and often respond to the incentives inherent in fiscal illusions. On this basis, AID should urge central governments to cease (a) earmarking funds for some services; (b) tightening control over permission to expand services, such as schools or health facilities, if local people are willing to pay the full cost of such services; and (c) encouraging communities to run their own private not-for-profit and for-profit firms.
- USAID as well as governments should identify cases of fiscal illusion in which recurrent costs are increased by someone or some community who will not have to pay for them, violating the principle of fiscal equivalence. Some then obtain goods and services for which they pay no taxes, while others do not obtain goods and services they deserve. In such situations, politicians and local leaders have strong incentives to gain credit with their electorates for improving services for "free".
- Primary health care and primary education service distribution systems have deteriorated badly in Ghana and Nigeria. USAID should encourage development of either private or voluntary distribution systems for health and education inputs connected with projects. It should not be assumed that because educational materials and medical supplies have been sent to local governments they will be distributed to villages.

- Rural local government staff need more transportation for supervision of schools and health facilities; in all of the places visited in Ghana and Nigeria, local governments could contract with private operators for vehicles and drivers. AID should consider this in the context of an education project.
- Money spent on the lowest-level health facilities could probably be better spent on mobile clinics which USAID might consider funding. Local governments should be encouraged to transfer the underutilized local clinic buildings to the communities to use as they want. USAIDs might develop information about how to run village pharmacies or other appropriate services for use in Nigeria and also in Ivory Coast. Given the surplus of trained doctors and nurses, communities could use the facilities to attract either private or community-hired practitioners. However, communities need more information on how to be better health care consumers.
- Community development associations though not a panacea can be an effective force for local-level change. Despite wide variety in associations, Ghanaian and Nigerian CDAs participate enough in setting priorities and provide enough communal labor that they could certainly influence local governments. They might actually do so if financing mechanisms allowed them to use money saved on overhead for additional services.

III. PROBLEMS OF PRIMARY EDUCATION AND HEALTH SERVICES IN RURAL AFRICA

A. Primary Education

This section describes primary education as it occurs in Africa today, then analyzes education as a complex good that can only be produced by joint efforts of teachers, students and families. The incentives influencing the behavior of such actors as students, parents, teachers, principals, educational counselors, and politicians are also examined. These incentives derive from the attributes of the good (primary education), from the attributes of the community in which the good is produced, and from the attributes of the rules or institutional arrangements that govern provision and production of the good.

1. Introduction: Current Conditions in African Primary Education

Education can be supplied by public or private producers, but in most countries examined during this research, private producers are strictly regulated in terms of who may teach and what can be taught and/or are variously subsidized. Both provision and production of primary education services have been overwhelmingly undertaken through public institutions. Both have been seen as state responsibilities since independence.

Analyses of primary education in Africa commonly assert that supply is inadequate; i.e., not all children of primary school age are enrolled in school. Exceptions exist in the most urbanized areas of some African countries, such as Ivory Coast. Analyses also assert that educational quality is low; i.e., most pupils leave primary schools neither literate nor numerate. Both assertions are factually correct, but disregard crucial underlying factors.

First, primary school enrollments in most African countries increased dramatically during the post-colonial period over a short period of time. Teachers were needed in large numbers at a rapid rate; hence, teacher training was often rudimentary. Problems associated with rapid growth necessarily emerged--principally, inadequate informal socialization of young teachers and inappropriate administrative procedures leading to disruption in the supply of educational inputs.

Second, education is costly because of its labor intensity. Accordingly, many African governments have allocated large proportions of their budgets (42 percent in Ivory Coast, 37 percent in Ghana) to education. However, because higher education has been favored, primary education has often commanded a lesser share of expenditures than its importance warrants. Although it involves by far the largest number of students, the primary sector has not generally received a budget sufficient to maintain or build quality.

In all three countries, funding for all components of the education sector has been complicated by adverse economic circumstances. Recessions forced countries to reduce (or at best to merely maintain) education funding levels through much of the 1980s, though in Ghana and Nigeria spending increased in the late 1980s. This situation negatively affected both the quantity and the quality of education because all African countries have experienced rapid population growth. Given such demographics, a country would ideally constantly increase education funds both to keep up with population pressure and to improve quality.

Significantly, African countries inherited educational systems and educational assumptions developed elsewhere. For many young Africans, learning to read also means learning an entire foreign language--French, English, Portuguese, or Spanish. The curriculum is largely foreign and a huge cultural gulf separates the child's reality from what is taught in school.

Two conclusions can be drawn from these preliminary remarks. First, African countries set themselves a financially impossible task when they decided that every child should become literate. The task was also educationally daunting, for the pedagogy and institutional arrangements to transform an African child speaking a local language as his/her mother tongue into a young person literate in French or English had not and have not yet been fully developed. Unrealistic goals demoralize teachers, principals, local officials, and parents.

Second, countries and donors use misleading measures of progress. The number of children enrolled in school matters little if those enrolled do not acquire basic skills, as is the case in Ghana and Nigeria. Of the three countries studied, only Ivory Coast even partially meets the basic skills goal, although important pedagogical and organizational problems must be solved to improve Ivorian achievements.

2. *Attributes of Education: What Determines the Nature of the Service and User Demand for It?*

Education is a complex good. Consuming it (as in "becoming educated") is essentially a private good. The benefits of education, such as greater productive power, higher incomes, greater capacity to defend one's interests, and the ability to benefit from cultural activities accrue largely to the person who becomes educated and his or her immediate family. But a substantial set of educational benefits have the attributes of public goods; that is, they are not subject to exclusion and they are consumed jointly. All members of a community with an improved skill level will derive some benefits from the greater overall productivity of the community e.g. a greater resource base with which to finance public activities. At the same time, one person's consumption of such benefits does not reduce the amount available for others in the community. Public good benefits are subject to joint or nonrivalrous consumption.

Production of education also necessarily involves coproduction. Unless students make sustained efforts to learn and parents encourage and support their children as students, little learning occurs.

Attributes of education as a complex good and the imperative for coproduction in the process of achieving education structure incentives for students, parents, teachers, principals, and educational counselors. The necessity for coproduction imposes a soft but powerful constraint on the extent to which education can be imposed on a community where potential learners, or their families, are not interested in the training schools offer. These observations hold for education acquired through experiential and informal arrangements as well as through formal training at certificate- and degree-granting institutions.

Incentives Affecting Educational Outcomes

Formal education in the three countries is supplied to individuals in classroom groups. Once parents decide to enroll a child, all other decisions are either made or strongly influenced by educators. If a child fails to perform, the only solution in Africa is to withdraw him or her from school. The amount of reading, writing, math, history, etc., is predetermined for each grade. Further, in most countries, progress must be made in all subjects, not just in some. (Ghana and Nigeria are exceptions in this regard, since school children are routinely promoted without regard to their classroom achievements.)

Assumptions about Students

African schools assume that each child is an average or above average learner, rather than that each child learns in a different way, requiring significant individual attention on the part of the teacher (no provisions are made for learning disabilities such as dyslexia, blindness, etc.). This assumption has important implications for teacher training, which in turn affects the attributes of education. The more a child is viewed as a special learner, the greater the need for highly skilled teachers. If learning is viewed as a standardized, mechanistic process, then teacher training can be quite rudimentary, particularly if educational standardization extends to curricula and academic calendars as well.

Parents' Education, Culture, and Economic Development

Parents, culture and economic development determine both demand for education and its attributes as a good. If parents are educated, then a child is also likely to be encouraged to study so that he/she will be culturally similar to his/her parents.

A country's level of development also affects the need for and the nature of education. The more developed the economy, the greater the need for literacy because of increased reliance on written communication as a society urbanizes and modernizes.¹¹ In addition, the labor force in more developed economies requires workers who are trained; such training usually requires at least literacy. This relationship between education and the economy is the one considered most significant by Africans. However, now that the state no longer automatically hires university graduates and other white collar jobs are scarce whether the demand for education will continue, particularly in rural areas, is questionable.

Lastly, education enables participation in the culture. Although African cultures are characterized by oral traditions not requiring literacy, education is nonetheless important in enabling people to participate in government at a level where literacy, numeracy, and analytic skills become critical.

Hence, parental education, level of development (employment incentive), and cultural participation constitute incentives that differentially motivate parents to educate their children. The actual decision to enroll and keep a child in school reflects the strategy that parents adopt for each of their children, as a result of interaction among these incentives.

Educational Setting: School Conditions, Parental Support, and Student Effort

An additional important factor that determines the demand for education is the pupil's performance in school. Education requires active involvement on the part of the learner. This involvement is in turn at least in part determined by the availability of educational materials (textbooks, exercise books, etc.) in the classroom, the teachers' qualifications, and the teacher's working conditions. Thus, the child's learning is affected by conditions over which he or she has no control. Parents may also have no control over these conditions, for several reasons: the parents themselves may be illiterate, the school may be isolated from parental pressures by a centralized administration, or the resources demanded by schooling simply may not be available once basic family needs have been met. In northern Ghana, northern Ivory Coast, and in part of Nigeria, for example, central policies dictate a school calendar that overlaps with the farming season. In those regions where children's labor is critical to a family's capacity to survive, parents do not hesitate to pull children from school when they are needed at home. Thus school attendance is sacrificed.

It was noted earlier that the parents' educational level conditions the probability of a child's enrollment. Parental education also affects subsequent learning by affecting the amount of coproduction available to the student; in other words, the amount of help available

¹¹It is likely that African countries developed their educational systems far ahead of the need for communication.

to the child. The more literate the population, particularly the more literate the mothers, the more likely are children to receive assistance with their homework. In other words, the height of the primary education hurdle any child faces is a function of parental involvement. In addition, as Ivoirian data show, a low level of economic development discourages children from doing homework because, such basic household conveniences as lamps (and certainly electricity) are unavailable.

State Preemptive Strategies in Education, Deteriorating Conditions, and Consumer Disillusionment

Nevertheless, many African parents want their children to be formally educated. In the past, church groups and private for-profit organizations operated schools; however, in all three countries, national governments now provide and produce primary education. Unfortunately, the state cannot fully support the educational enterprise, especially in the current economic climate. Supplies are unavailable, and teachers are ill-trained. Parents are asked to pay fees, supply classroom furniture or buy books (which are expensive and not even available). To stretch resources, children are packed into classrooms, and school maintenance is deferred. Eventually, diminished quality makes learning impossible (Urwick and Junaidu, 1991).

When conditions deteriorate beyond a certain point, few significant benefits derive from the state's expenditure, and parents decide that such a poor service is not worth paying for. They withdraw their child from school and refuse to provide funds they might make available if the school provided adequate learning conditions. This occurred in Ghana; enrollment stagnated in the 1980s when quality was at its lowest. In Nigeria, enrollment dropped from a high of 14.7 million to 11.5 million in 1987. It is slowly rising now.

As suggested above, education is in part a private good requiring significant inputs by the child and the family in order to yield the desired outcome. Further, attaining that goal requires certain conditions (teacher training, availability of books, limiting the number of children in the classroom) to be effective. Like other complex services, therefore, education will be effective only if numerous conditions are met.

Primary Education Quality

Many of these conditions have been and are still being met in Ivory Coast, largely because of the high level of teacher training and the existence of a rigorous school-leaving examination. Additionally, children in the Ivory Coast are not allowed to proceed to the next grade unless they have fulfilled the achievement standards of the previous one. This helps the next teacher make reasonable assumptions concerning what children know. Nonetheless, conditions required to provide effective education are slipping below minimum acceptable levels. For example, children often have no food available while at school.

In Ghana and Nigeria, many more conditions would have to be altered before effective education could be reliably delivered. Ghana, for example, does not have a natural school-leaving exam before ninth grade, and has a high percentage of untrained teachers. Nigeria has a school-leaving exam but no exams to evaluate performance before promotion to the next grade.

As noted earlier, many African cultures did not previously involve literacy. Furthermore, current labor force requirements for educated workers are met several times over. Rural parents may therefore perceive little incentive to enroll all of their children in primary schools. Schooling costs something they lack--cash--and may have little practical or cultural value. It provides few long-term benefits and often prevents children from being productive on the farm. Under these circumstances, parents may invest resources available for schooling in a single child, or otherwise follow a variety of strategies that reduce the costs of educating their children.

3. *African Primary Education: Strategies and Provision¹² Problems*

A Dominant Role for States

In Africa, education was first offered in a limited manner by mission schools. At the time of independence, however, governments embarked on a massive expansion of educational offerings. This expansion was motivated by the desire to provide access to a basic human right, to facilitate "nation-building," and to meet manpower requirements (since, at that time, most senior civil servants were still European). It was also motivated by a desire for economic development, for which labor force literacy was considered necessary. There was a widespread assumption, based on a misreading of European history, that literacy contributed to Europe's economic development. Britain, however, industrialized before its population became literate. However faulty the analysis, it prevailed. The state became the major provider and producer of education at all levels because the task was huge--massive school construction programs, teacher training operations, and bulk purchase of books would have been difficult or impossible for local producers of education to finance. The state also wanted to be perceived as a major agent of modernization. In some African countries, private education was forbidden and parochial schools were taken over by government; in others, private and parochial schools were tolerated; and in still others, nongovernment schools were considered helpful partners.

¹²Production is distinguished from provision. Production refers to the technical process of transforming inputs into service outputs. Production can be organized directly by a governmental unit, or that unit can contract for the service to be produced by another government, an NGO or a private firm. Provision refers to a series of collective choices: determining what service to provide, at what quality and quantity, how to produce it, how to monitor and evaluate service provision activities, how to finance them, etc.

Teacher Training Strategies, Demographics, and Inadequate Primary Education

The decision as to who should provide education was easily made, but what should be provided was less easily determined. Few primary and secondary schools existed. Senior personnel with university educations were needed throughout the countries. To staff primary schools, teachers who had graduated from secondary schools were needed. African policymakers embarked on a rapid expansion program. To encourage attendance, students received massive subsidies. African universities provided food, lodging, pocket money, and books as well as an education.

British and French curricula and exams dominated (and continue to dominate) African education. Further, administrative practices that evolved in Europe (local autonomy in Britain and central control in France modified by powerful local politics) were instituted rapidly in African schools, but without the parliamentary, mayoral, or parental checks present in the European models.

Inadequate Checks on State Education Operations

African countries also tried to emulate European and American enrollment patterns. However, while the U.S. and European countries attended to problems of quality under conditions of reasonable demographic growth, African countries did not. Teachers and materials were in short supply, although wealthier countries like Ivory Coast managed to provide all children with books and to upgrade the training of teachers at huge costs. Administrative procedures also had to be developed rapidly. Even with unlimited resources, African educational systems would have faced enormous problems because they increased in number so rapidly, trying to do everything at once; the prospect of building schools was far too politically desirable to warrant caution. In the process, the goals of universal primary education and subsidized university places for all secondary graduates became entrenched. No feedback mechanism (assuming one existed) was sufficiently powerful to warn educators that what they were trying to do in 20 years had taken 100 everywhere else under more conducive circumstances.

Education versus Other Social Goals

This massive commitment, to education obviously competed with other needs, such as roads, bridges, and other infrastructure. Quantity competed with quality, and quality almost always lost. By the late 1980s, many classrooms and pupils in Ghana and Nigeria had no new books, and some had no books at all; classrooms had no chairs; teachers were paid erratically and lacked even chalk unless they provided it personally; and parents were expected to provide a significant proportion of the costs of a poor service whose usefulness was becoming dubious. Primary education supply problems remained manageable in Ivory

Coast at the time of field work, but the impact of the economic depression on supplies, operating budgets, and parents' capacity to pick up the slack, particularly in the most depressed areas, had become clear. Teachers' salaries, frozen since the early 1980s along with those of all civil servants, continued to lose purchasing power, although no more so than those of other government employees.

By the time the economic crisis became entrenched, the idea of a central state providing education to as many people as possible had become the norm. That most children, particularly in the Anglophone countries, left school with no or few usable skills, hence were wasting the meager resources allotted to each, was ignored. In Ivory Coast, the poor conditions and scarcity of textbooks were balanced by the continued high standard of teaching, but learning progress still slowed. In Ghana, which had had a good primary education system until the mid-1970s, the failure of the system was taken seriously, and a complete reorganization with increased funding (from World Bank sector adjustment loans and other donor funding) to primary education has been underway since 1987. Only in 1989 did primary school textbooks begin to reappear. Improvement in quality will take some time. In Nigeria, two years of successful reorganization were reversed in late 1990 by the central government, and needed improvements in quality seem more uncertain than ever.

Failure of the educational system resulted partly because central service providers had incentives to continue doing what they were doing, and citizens had no means by which to force a change because schools were centrally controlled. Indeed, the inability of parents and local officials to affect educational policies may represent the largest cost inflicted on education by centralization. The structural adjustment programs adopted in Ghana, Nigeria, and Ivory Coast probably quickened an inevitable reckoning: poor quality would eventually have kept children out of school; increased private costs simply hastened that decision. Only where parents perceive that the quality of primary education is high (as in Ivory Coast) or is improving (as in some places in Ghana) are enrollments likely to hold steady or increase.

4. *Consumption Problems*

While production questions center on institutional goals and capacities, consumption focuses on individual decisions. Several have already been mentioned. These are examined in more detail below, and their implications for the educational enterprise in the three study countries explored.

Parents' Dilemma: Do Coproduction Benefits Outweigh Costs?

Parents decide whether a child will attend school. This fundamental decision is affected by levels of development, residence, social class, employment opportunities requiring education, and the cultural desirability of education. A parent's decision thus involves carefully weighing costs and benefits.

The Discount Rate for Primary Education

The benefits of education are realized only after a significant expenditure of social and private resources. Many factors can impede educational progress. The child may fall ill, textbooks can be missing, teachers may fail to appear, classrooms may have too many students, or the child may be needed at home. On a day-to-day basis, emergencies occur: it rains too hard, there is no food, the animals need tending, etc. Thus, attendance among those who have enrolled may fluctuate. However, there is a positive relationship between educational quality and attendance rates. In Ivory Coast, attendance is considered a problem when it falls below 90 percent, a figure that would cause Ghanaian or Nigerian teachers to rejoice.

Another decision involves how long to stay in school. High private costs mean that multi-year schooling can cause hardship, especially if educational quality is poor and there are no perceived benefits. Thus, children drop out after the second or third grade. If education is perceived as an investment in the future, parents will still invest only so much, given that costs are cumulative over the years and that keeping a child in school until age 13 represents a significant expenditure of cash as well as benefits foregone in the form of labor the child might otherwise have provided. When school conditions are not conducive to learning, parents know that extra years of schooling will not substantially improve performance.

Family Decisions and Projected Benefits

These decisions--whether to enroll or to remain in school for the full six years--are usually seen as involving individuals. Respondents suggest instead that educational decisions are often family decisions rather than individual ones. The decision-making process considers family circumstances--cash availability, distance to the school, birth order, gender availability of labor--and individual ability. A very poor family may only be willing to keep one academically gifted child in school, while a less poor one may support more. Such decisions are based on minimizing costs while maximizing benefits. If a child stays in school a long time and obtains a job in the modern sector, he or she will remit funds to the family. In addition, he or she will act as a knowledgeable agent when family members must comply with administrative formalities. An educated girl might command a far higher bride price and bring useful connections with a wealthier or prestigious family.

Regressive Impact of Structural Adjustment Policies on Education

Structural adjustment policies in these three countries have had regressive effects, with one exception. Conditions in schools are already bad, parents have less money because of the economic crisis, and employment opportunities are negligible. At the same time parents are asked to make new sacrifices to pay for building repairs, textbooks, and fees. Without

significant changes in the quality of educational offerings, such policies can only reduce enrollments of poorer children by discouraging co-production. The exception is Ghana, where SAP conditions have forced expenditures on books, teachers' salaries, and classroom furnishings. These conditions do directly address education quality issues. Consumers respond to service quality improvement by consuming more.

5. *Conclusions*

Field data support the conclusion that quality concerns should guide educational provision decisions in most African countries. Once quality has been established, more parents may be willing to coproduce education (i.e. share costs) and more children will learn enough to justify the investment. Quality will also bring economic returns. The ability of teachers and educational administrators to adapt school curriculum and activities to community, interests and their accountability to the community, probably constitute important necessary conditions for quality improvement. Communities and parents need more information in order to become better coproducers and consumers.

Field work demonstrated two fundamental points about education: (1) resources matter; and (2) no amount of reorganization will create them. Still, better institutional arrangements could improve the efficiency with which meager resources are used. Appropriate institutional arrangements will also allow education professionals to adapt schools to the interests and needs of people in their social environments rather than imposing standard curricula on highly diverse situations.

The dynamic relationship that should exist between schools and their environment does not usually exist in Africa. The greatest contribution foreign donors could make would be to facilitate feedback between school systems and communities. Such feedback is fundamental, for it will influence resources allocated to higher, secondary, and primary education and how many young people attend each of these levels. Sustained, meaningful feedback would also encourage adjustment of educational services to the requirements of local economies. Since many communities consider primary education as a priority, better feedback would communicate that preference to education officials and redress the current overemphasis on secondary and higher education.

Education in Rural Areas versus Urban Areas

In subsistence-level economies, education is a low priority for parents, particularly for rural parents. Thus enrollments are likely to decline unless schooling is heavily subsidized and quality improves. In urban areas, however, demand for education will remain strong. To upgrade quality, however, access to education may have to be rationed more than it now is.

So far, the term education has been used in this report as though it were fully synonymous with schooling. It need not be, and therein may lie an answer to the problem of rationing. Literacy campaigns share a number of characteristics with public health in that literacy benefits can be consumed by many people without altering anyone's benefits. For example, if each literate person teaches another to read, education is promulgated--without schooling. Literacy campaigns are considered to be effective, particularly when efforts are made to sustain literacy through subsequent provision of interesting reading materials.

Unlike public health, however, the private benefits of education can only be obtained by willing learners. If educational standards are to rise, conditions motivating individuals to desire education must be created. In poor communities, for example, subsidizing education and encouraging coproduction of the sort that prevails in more affluent and better educated homes will be necessary.

Rigid Educational Models Adversely Affect Poorer Students

By deciding to provide education to all through a single, centralized model, African policymakers radically impaired the flexibility of educational institutions to adapt to diverse circumstances. The ability to adapt to new circumstances constitutes an important measure of quality. The same policy fostered the very inequality that the policy was intended to prevent: as school quality deteriorated, affluent parents sent their children to private schools, leaving poorer families to cope with the inadequate facilities in public schools.

Of the three countries visited, only Ivory Coast, with its wealth and enormous commitment to education, may have managed to provide reasonably high quality education, at least to this point. Ivory Coast has also not only retained teachers, but has retained effective organizational control over their careers and a professional *esprit de corps* (although this is eroding somewhat). A large proportion of the children have books and, most can read and write. If children reach the sixth grade (which requires far more than six years for 75 percent of them), they will have achieved a significant level of knowledge. This quality, however, has been purchased at the price of quantity. Given its level of development, Ivory Coast boasts a relatively low attendance rate (70 percent), the object of criticism by the World Bank. Indeed, the real rate is significantly lower than the official one because so many rural births are not registered. In addition, meaningful linkages to the community do not exist, and inspectors are not expected to be more than agents implementing centrally fixed policies. The ability of the system to change is strictly limited.

In short, making reasonable provision decisions enables an educational system to adapt to dramatic changes and maintain quality. In Ghana and Nigeria, resources have been completely inadequate to support provision decisions. In Ivory Coast, the mismatch has been less dramatic, at least until now. External donors could be instrumental in assisting these countries to make appropriate provision decisions and in helping them make the changes

possible.¹³ This includes changing institutions that have to date exclusively relied on centralization. Decentralization, however, will create numerous other problems. Anticipating those problems is a type of assistance foreign donors could usefully provide.

B. Health Services

1. Introduction

This section examines problems commonly associated with provision, production, and consumption of health services in rural areas of Africa. To make the task more manageable, the analysis targets only health services customarily supplied by Ministries of Health. Problems associated with delivery and utilization of some of the most important inputs to the production of health--inputs that are customarily supplied by nonhealth ministries such as water, sanitation, agriculture, and housing services--are not addressed.¹⁴

In examining problems associated with providing, producing and consuming this limited subset of health services, the analysis shows why these services: (1) are relatively undersupplied and even more underutilized in rural areas of Africa; (2) rely more heavily on curative than on preventive production technologies; and, (3) are produced in hospital-based rather than community-based settings.¹⁵

The attributes of health services create incentives for actors in the health sector (healthy people, sick people, nurses, doctors, health administrators, etc.), as do the attributes of local communities and current institutional arrangements (governmental, administrative, and financial), particularly those in the health sector. These incentives affect the strategies individuals select when confronted with a health problem, whether as a health care provider,

¹³A number of AID projects recently started in Ghana (and also in Mali) indicate that American donors at least understand the importance of provision decisions.

¹⁴Education, which can have a major impact on public health levels, has been examined extensively in the previous section.

¹⁵The working hypothesis is that these three widely observable characteristics of the market for health services negatively affect production of health itself.

producer, or consumer¹⁶. The interactions that follow when individuals put their strategies into action ultimately cause the problems of interest here. The analysis begins, therefore, with a brief description of the attributes of health services in rural Africa, and then turns to problems of providing, producing, and consuming these services.

2. *Attributes of Health Services*

De Ferranti (1985) has delineated three principal types of health services:

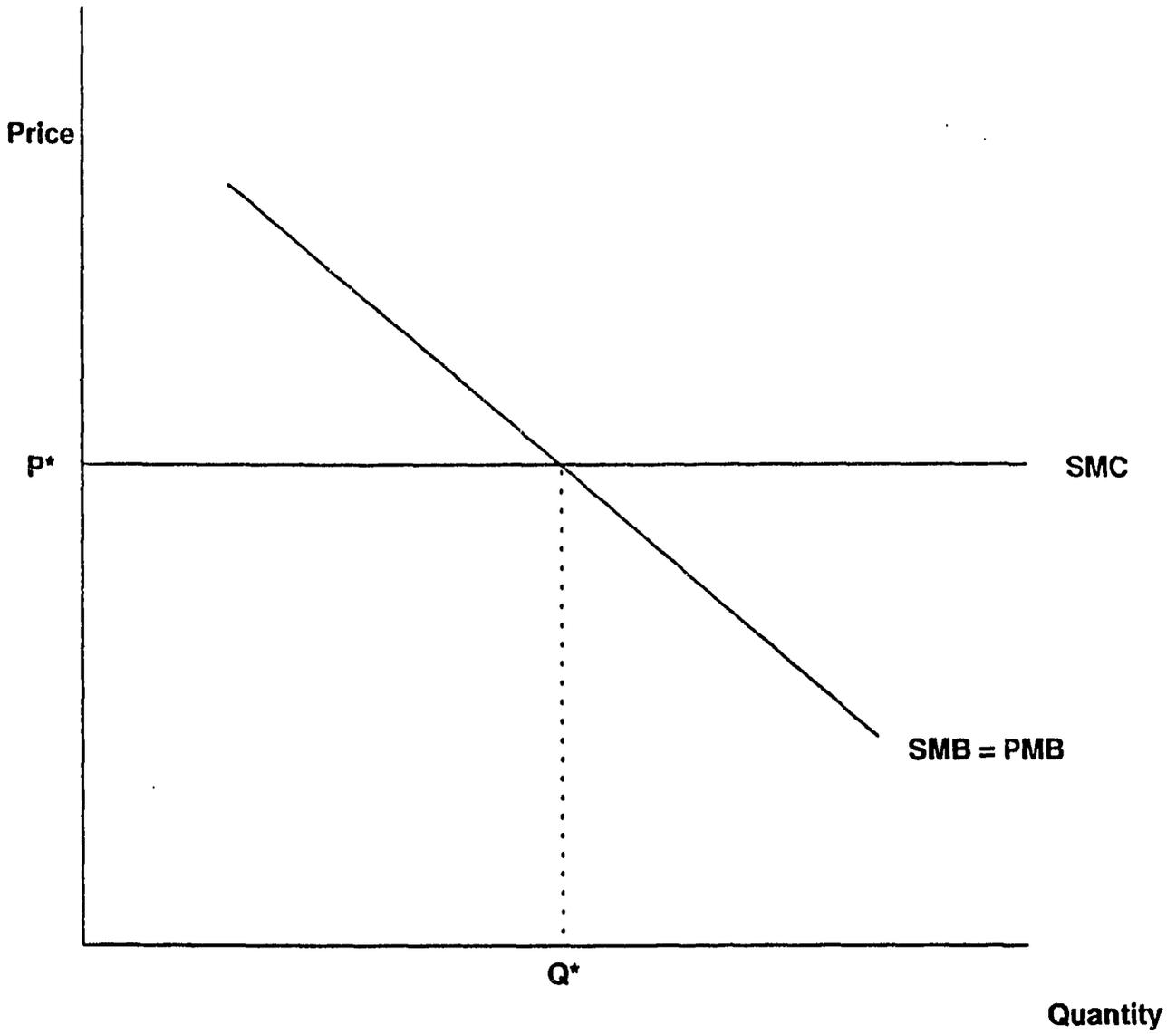
- curative health services,
- patient-related preventive services, and
- non-patient-related preventive services.

Curative Services

Curative health services are medical interventions designed to cure individuals already afflicted by disease. The benefits of curative care are captured first by the individual who is treated (the *private benefits from consumption*), and second by individuals to whom the sick person would otherwise have transmitted the disease (the *external or social benefits from consumption*).

The distinguishing attribute of curative care is that the marginal private benefits derived from its consumption are sufficiently large to allow for efficient pricing, at least in principle. In other words, individual consumers of curative care derive sufficient private benefits from curative care that they will pay the price that ensures a socially optimal utilization of curative services. In Figure 1, the socially optimal quantity of curative health services, Q^* , is consumed when individuals pay a price equal to P^* .

¹⁶The term "health care provider" is used in this text in opposition to "health care producer." The former term refers to governmental units that play a role in providing health care, e.g., deciding to provide health care at some level, for some clientele, choosing a production strategy, arranging financing, monitoring health care activities, and evaluating outcomes. "Health care producer" by contrast refers to doctors, nurses, hospital orderlies, health care administrators, etc. This usage reflects the public finance distinctions between provision and production. The term "health care provider" as used in the public health literature refers to doctors, nurses, and other health care personnel and is synonymous with "health care producer" as used here.



Legend:
SMC = Social Marginal Cost
SMB = Social Marginal Benefit
PMB = Private Marginal Benefit
 P^* = Optimal Unit Price of Care
 Q^* = Optimal Quantity of Care Consumed

Figure 1

Curative health services also share two attributes common to private goods such as food and clothing: they are subtractive and exclusionary. Curative health services are subtractive because if one individual consumes a tablet of chloroquine and takes the time of the attending doctor, neither the chloroquine tablet nor the doctor's time are available for another person to consume. Curative services are exclusionary in that the producers of curative care can exclude those who do not pay to consume the service.

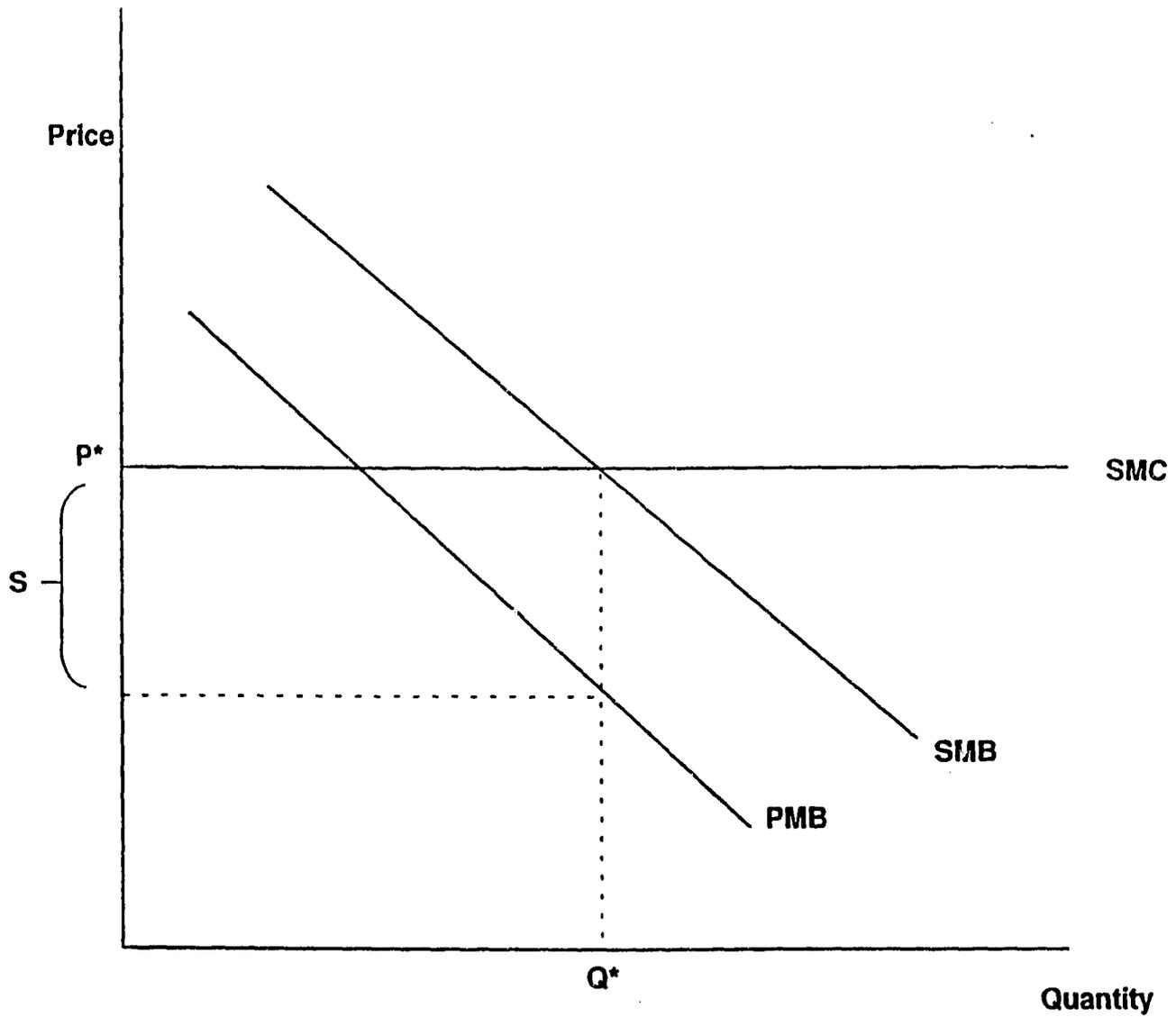
Given the strong similarity between the attributes of curative care and those of private goods and services, it is not surprising that curative services are produced not only by the public sector in Africa, but also by private producers. In addition to the public and private producers in many African contexts, many nongovernmental organizations charge for services rendered, but at a subsidized price. Examples of these include the antitubercular centers located throughout Ivory Coast and the mobile outreach clinics run by the Catholic and Presbyterian churches in Ghana. Finally, the many traditional producers of curative health care also charge (often in kind) for their services.

Patient-Related Preventive Health Care Services

Patient-related preventive services are health interventions designed to prevent healthy individuals from contracting diseases. They are similar to curative health services in that their consumption confers both private and social benefits. In addition, they are subtractive and exclusionary. Examples of patient-related preventive services include maternal and child immunization, prenatal care, and growth monitoring.

Patient-related preventive services also differ from curative care in that the privately perceived benefits are insufficient relative to social benefits to elicit a socially optimal utilization level when efficiency prices are charged. Two explanations are possible: the social benefits are very large and thus overwhelm the private benefits; or information imperfections keep individuals from perceiving the full extent of the private benefits that consumption will confer upon them. In either case, a subsidy is required to induce individuals to increase consumption up to the socially optimal level. In Figure 2, when prices are set at their efficient level (P^*) the quantity demanded (Q) is less than the socially optimal level represented by (Q^*). In order to approach the socially optimal level of utilization, a subsidy of S must be paid to consumers.

Patient-related preventive services may also require subsidies when consumers value current benefits much more than future benefits. Since a large proportion of the benefits of preventive care take time to accrue to the consumer (whereas the benefits from curative care accrue almost immediately), consumers may be less willing to pay for preventive care.



Legend:

- SMC = Social Marginal Cost
- SMB = Social Marginal Benefit
- PMB = Private Marginal Benefit
- S = Subsidy
- P^* = Optimal Unit Price of Care
- Q^* = Optimal Quantity of Care Consumed

Figure 2

Non-Patient-Related Preventive Health Services

Non-patient-related preventive health services are health interventions designed to prevent healthy individuals from contracting diseases. They differ from patient-related preventive services in that they are to varying degrees non-exclusionary and nonsubtractive. Vector control programs are common examples of non-patient-related preventive health services. If an individual decides to spray a swamp area with insecticide to kill mosquitos and other vectors, he is unable to exclude his neighbors from directly benefitting from the reduction in mosquitos. Where individuals act only in their own interest, the inability to exclude nonpayers from benefitting from the provided services creates an incentive for individuals to free ride (benefit from fewer mosquitos while not helping to pay for the cost of spraying). If individuals act as free riders and wait for others to pay for the non-patient-related preventive service, their example encourages other potential users to withhold support. The service is then provided at suboptimal levels, or not at all.

Non-patient-related preventive services may also be nonsubtractive in the sense that one individual's consumption of the service does not preclude someone else from also consuming the service. Consumption of clean water from a community borehole is an example of a nonsubtractive Figure 2 health-related good so long as the aggregate consumption does not exhaust the subterranean water supply. When goods are nonsubtractive, the marginal cost of supplying the good is zero; thus, efficiency pricing yields no revenues. Absent a philanthropic benefactor willing to pay the total cost of providing non-patient-related preventive services, ensuring a socially optimal level of consumption requires the institution of benefit-based or other tax mechanisms.

3. *Provision Problems*

The provision of health services involves decisions as to: (1) whether to produce curative or preventive services, (2) whether to invest more in urban or rural health service development, (3) the quantity of health services to produce, (4) the quality of service to produce, (5) the production technology to be used, (6) the factor mix (capital and labor) to be employed in the production process, (7) who should produce the services (e.g., government, private sector, nonprofit organizations, traditional producers, etc.), and (8) how services are to be financed.

Institutional Issues and Health Services Delivery

The case studies in Ivory Coast, Ghana, and Nigeria suggest that five institutional factors affect the decision-making process outlined above. Where the effects are sub-optimal or perverse, they impede provision of health services in these countries.

Centralization Impedes Efficient Delivery of Health Services

The first, and a very important institutional factor affecting provision of health services, is the extent to which health service decision-making and resource allocation organizations are decentralized. In general, the more centralized the institutional arrangements, the less likely they are to efficiently supply services demanded by local communities.

Not surprisingly, the extent to which health sector decision making and resource allocation processes are decentralized depends on how decentralized the government is as a whole. In Ivory Coast, with a strong, centralized, unitary form of government, health service provision is highly centralized as well. In Nigeria, with a federal form of government, control over the provision of health services is shared between three levels of government: the center, the states, and the local government authorities.¹⁷

The situation in Ghana differs somewhat. While the government is pursuing a program of political and administrative decentralization that includes devolution of responsibility for providing health and other basic services to the district local government units, line ministries such as the Ministry of Health (MOH) are resisting this transfer of authority. A good example of this is the MOH investment in the establishment of District Health Management Teams (DHMTs). DHMTs perform the same functions as the District Social Services Committees, which report directly to the District Assemblies rather than to the MOH.

Impact of Financing Arrangements on Health Service Delivery

A second institutional factor affecting provision of health services is the financing arrangement established to fund the recurrent costs of producing health services. In all three countries, central governments have decided to heavily subsidize the consumption of health services and to finance these subsidies through transfers from higher to lower levels of government. Unfortunately, the liberal use of subsidies creates "fiscal illusions" which prevent consumers and their government representatives from perceiving the true tax price of producing health services. Since they are not required to pay the full tax price, and thus bear the full recurrent costs of health services, local authorities have a powerful incentive to maximize the quality and quantity of health services produced for their constituents, whatever the costs to the central government treasury.

¹⁷Some evidence suggests state governments in Nigeria have attempted to use decentralization as an opportunity to abdicate responsibility for the provision of particular health services. In the case of drug procurement, for instance, the states allocated a one-time specific purpose grant to the LGAs to set up revolving drug funds rather than adopting a more gradual transition approach. When the funds failed in certain LGAs, they were left on their own.

Field research in Oyo State in Nigeria revealed that 11 of 35 communities were building new health centers and expecting that either the state or the central government would cover salaries of locally appointed staff. In one municipality in Ivory Coast, the mayor was actively lobbying the MOH to appoint a doctor to his jurisdiction's dispensary with full knowledge that the local government would not have to pay the marginal cost of increasing the quality and quantity of service delivery in this way. In order to justify the appointment of a doctor, however, the district was compelled to invest in expanding the dispensary facilities even though they were already underutilized.¹⁸

Politicians' Strategies and Health Services Delivery

A related factor that also affects provision of health services is the expectation that a successful politician will be able to extract a larger and larger share of available public resources for the production of local services. Thus, the mayor in Ivory Coast solicited a doctor's appointment to his municipality not only because of existing public finance rules which provided a high level of subsidization, but also because success would elevate his standing in the eyes of his constituents.¹⁹

Health Care Producers' Preferences: Effect on Service Delivery

The fourth factor commonly affecting provision of health services is the preferences of the health care producers. Information imperfections characterize the market for health services. Health care producers often know far more about health care than consumers. Consumers tend to defer to health service producers to make decisions about the kinds of health services that are produced and consumed.

Health producers have an incentive to influence provision decisions in order to safeguard their position in the service delivery hierarchy. Health producers can protect their jobs in two ways. First, they can promote specialized production technologies that compartmentalize service delivery and minimize use of joint production techniques (e.g., provide immunization services separately from other child health services rather than

¹⁸It is argued in the case studies that the mayor was able to heavily discount the future recurrent maintenance costs associated with this infrastructure development since the need for maintenance would not be immediately obvious and since he was uncertain about his future status politically.

¹⁹Given the pervasive cutbacks in public expenditures, the mayor's ability to capture an increasing share of available resources was undoubtedly even more highly valued than normal.

providing them together)²⁰. Second, they can exploit information asymmetries between themselves and their patients to induce or maintain demand for their services.

Curative care producers appear to have a particularly strong incentive to exploit information asymmetries or at least to avoid actively supporting provision of preventive health alternatives that enable consumers to become less dependent on producer decisions and more effective coproducers of their own health. Only in exceptional cases where senior MOH officials are outspoken proponents of preventive health strategies (a case that appears to prevail in Nigeria where the Minister of Health is a strong advocate for primary health care approaches), can health producers hope to be rewarded sufficiently to compensate them for losses they may incur by promoting strategies that reduce their ability to rent seek.²¹

Donor Policies and Health Care Services Delivery

The final institutional factor that can affect provision of health services are the policies of external donors. Most notable among these policies are the macroeconomic and sectoral structural adjustment conditions attached to World Bank and other assistance to African countries.

In Ivory Coast and to a lesser degree in Ghana and Nigeria, structural adjustment conditions included the adoption of contractionary fiscal policies. To the extent they were complied with, these policies forced the three governments to choose a new mix of public goods and services and to decide on how much and what quality of each to produce. In Ivory Coast, the government decided to cut back evenly on expenditures in all sectors so as to maintain each sector's share of total outlays. Thus, while budgeted recurrent health sector expenditures fell by about 40 percent from FY 1988 to FY 1991, the health sector share of total public expenditures remained constant at approximately 7.3 percent. In Nigeria, public resources were diverted from the health sector in order to protect other expenditure priorities. As a result, from FY 1981 to FY 1987 the share of total government recurrent expenditures allocated to the health sector fell from 2.0 percent to 1.3 percent (UNDP/NB, 1989).

As nominal health sector expenditures fell in response to the overall fiscal contraction, the ministries of health in all three countries decided to reallocate their remaining resources away from expenditures on recurrent nonlabor inputs towards labor. This provision choice had a profound effect on the quality of care provided. In Ivory Coast, outlays on drugs and other nonlabor inputs virtually ceased in the late 1980s. Hospitals and dispensaries at that point could offer little more than first aid services. Partly in response to the structural-

²⁰Both the health provider training curriculum and the hierarchical and increasingly specialized career ladder medical personnel face reinforce their desire to specialize.

²¹Even in this case, however, few of the so-called primary health care facilities observed in the rural areas actually delivered anything but curative services.

adjustment-induced reallocation of health sector expenditures from supplies and equipment to labor inputs, the World Bank began stipulating that African governments increase the level of cost recovery as a means of financing the recurrent cost of essential nonlabor inputs.²² In Ghana, for instance, a cost recovery target of 15 percent of total health sector recurrent expenditures was set as a condition for qualifying for a World Bank health sector loan.

To meet the cost recovery targets set under the structural adjustment loan arrangements, the governments introduced a combination of drug charges and user fees. In Ghana, the price increases required to meet the 15-percent cost recovery target were so great that even though consumers were relatively unresponsive to the price changes, utilization of health services fell off significantly in absolute terms.²³

Donor financing arrangements may have affected public provision of health services by either stimulating or displacing government expenditures on particular health services. Though no data were available with which to analyze the effect of donor aid on public expenditures, it is possible that aid inflows displaced government outlays when explicit conditions linking aid to public expenditures were not in place. The MOH incentive to use its own resources on non-aid-financed inputs would seem to increase the more its resources were cut back as part of structural adjustment.²⁴

Financing Arrangements and Health Care Quality

Financing arrangements can also affect production of health services. If, as in Ivory Coast, Ghana, and Nigeria, financing for nonlabor inputs is slashed to prevent cuts in the wage bill, the factor mix used to produce health services must change as well. Holding the quantity of labor relatively fixed, while substantially decreasing the quantity of drugs and other essential nonlabor inputs, reduces the quality of health services that can be produced at

²²It should be noted that the sectoral adjustment conditions imposed by the World Bank also called for a reduction in the health sector wage bill. The MOH in Ivory Coast, for example, significantly reduced the number of casual day-laborers working in the country's health facilities. The government's ability to sustain these cutbacks was undermined by trade union opposition as well as by the MOH's own manpower training policies. As time passed, the MOH replaced the untrained day-laborers with higher-cost trained health personnel.

²³It is possible that utilization could have fallen even more had health care providers not been able to exploit the information asymmetries between themselves and their patients and thereby maintained the level of demand in the face of the price increases.

²⁴To the extent that this actually occurred, it would suggest that macroeconomic structural adjustment policies may have worked at cross purposes to sectoral structural adjustment policies. By requiring cutbacks in public health sector expenditures, the macroeconomic structural adjustment conditions created an incentive for the MOH to reallocate its dwindling resources away from health sector inputs favored (in part for efficiency reasons) by the donor community. For example, with the infusion of donor funding for primary health care development, the MOH could reallocate its expenditures to hospital-based curative care.

a given budget level. In fact, the evidence from Nigeria, Ivory Coast and Ghana suggest that cutbacks in funding for nonlabor recurrent inputs reduce the quality of care produced by secondary- and tertiary-level health facilities more than by primary care facilities. The explanation is that higher-level facilities normally rely on more sophisticated diagnostic and treatment technologies and more highly specialized medical personnel. The marginal productivity loss incurred when the complementary inputs needed by these highly trained personnel are substantially reduced is much greater than when the complementary inputs used by primary health care workers are cut off.

Health Care Financing Mechanisms

Production of health services can also be affected by the type of financing instruments employed. For example, when cost recovery efforts are based on revenues from the sale of drugs, health producers have an incentive to overprescribe medication. When information asymmetries between consumers and producers are especially pronounced, consumers may feel their choices are extremely limited. Consequently, they may purchase the excessive quantity of drugs prescribed even though they cannot afford to do so (i.e., in the sense that it prevents them from purchasing a minimally acceptable diet).

The innovative financing approach currently being tested in pilot form in the Ashanti region of Ghana provides a good example of how institutional arrangements can be crafted to counteract such production incentives. At the time of field study, Ashanti region was using a flexible, sustainable drug revolving fund mechanism that could serve as a model for others. The MOH initiated a "cash-and-carry" scheme for health facilities in 1990. Facilities separate the proceeds of user fees and drug charges. Drug charges are invested back into the revolving fund. User fees fund other recurrent expenditures. Each local facility orders the drugs it needs from the Regional Ministry, which provides drugs from two sources: some free essential drugs come from the central ministry, and some are purchased in bulk from private pharmaceutical companies. The facility charges for drugs on a cost-plus-inflation price schedule. Free drugs may be distributed free to patients who are exempt from payment, but most patients pay the scheduled price. The scheme has several advantages. Health professionals have no incentives to overprescribe, and the Regional Ministry, as a large, cash customer, obtains favorable prices from private suppliers, who perform the transport and handling functions that often plague public distribution systems.

4. Production Problems

Health Care Producer Motivation

Quality and quantity of health services produced is also affected by changes in health financing arrangements when health care producer motivation is negatively affected by cutbacks in funding for complementary nonlabor inputs. Left without the indispensable (or

desirable) inputs with which to work, health care producers often lose interest in their jobs, begin to shirk, and, in some cases, remain absent from work altogether.

The quality or quantity of labor supplied by health care producers is also a function of the mechanisms created to manage and supervise them. When health producers who shirk or are absent from work are not held accountable for their performance, they have little incentive to supply the desired quality and quantity of work effort. In Nigeria, the health worker assigned to Itagunmodi had yet to show up for her duties several weeks after having been posted to the community's health center. Since she was not accountable to the community she was posted to and was clearly not being effectively managed by supervisory staff, she had no incentive to report for duty.

Personnel Supervision and Health Care Quality

The seeming inability and/or unwillingness of administrative or technical health staff to supervise health producers posted in rural health centers is also partly explained by the lack of transportation available for supervisory purposes. In some cases, this is caused by a lack of vehicles or fuel, but in others lack of incentives for supervisory staff to carry out their responsibilities explain the failure. Whatever the cause, the lack of supervision impairs the quality of health services produced.

Health Care Producer Training

Production of health services can also be adversely affected if the quality of pre-service and in-service training provided for health care personnel is inadequate. The importance of both types of training is increased the more decentralized and the less hierarchical the health service production process is. In addition, in-service training becomes more important when new, efficiency-enhancing production technologies are introduced. In some cases, in-service courses are even offered to introduce technologies that cannot be sustainably employed in rural health facilities. In Ivory Coast, for example, medical assistants engaged in vaccination campaigns were trained in the use of vaccination guns, a technology not used by the EPI.

5. Consumption Problems

It is impossible to explain the pervasive low utilization of health services in much of rural Africa by examining only problems associated with provision and production of these services. It is equally important to examine problems associated with consumption of these services, including asymmetric or incomplete information, high unit costs of consumption, and consumer tastes for quality.

Health Care and Information Asymmetries

As noted above in the discussion of health service attributes, the market for health services is generally characterized by asymmetries in the information available to consumers and health care producers. In rural Africa, it is fairly common for consumers to be incompletely informed about the potential benefits they can derive from health services (particularly preventive health services). They thus often tend to undervalue the use of these services and consequently do not consume them unless advised or instructed to do so by health service producers. The Odubi village case study in Ghana provides a clear example of how incomplete information hinders utilization of available preventive health services and thus keeps coverage well below its socially optimal level.

The Namoo village case study in Ghana reveals, however, that consumers of health services must be supplied with information beyond the simple fact that certain services are available. In Namoo, most women interviewed appeared to be very poor coproducers of health because they lack adequate information both about benefits to be gained by consuming services available through the public and missionary health services, and about how much of the services to consume.

High Unit Costs of Services

In addition to these information deficiencies and the costs implied when consumers attempt to acquire the information necessary to become efficient coproducers of health, the consumption of health services is also constrained by the high unit private costs of using these services. Consumers not only incur the cash costs associated with user fees, drug charges, and transportation, but also bear the nonpecuniary opportunity cost of time. This is particularly true for women whose household duties place great demands on their time while they are not at the same time often primarily responsible for the health care of their children. The case studies from Odubi in Ghana, and Koun Fao in Ivory Coast both reveal that the unit private cost of consuming curative and preventive health services is very high and can consume a sizeable portion of an average household's income.

In Ivory Coast and Ghana, evidence from interviews with a limited sample of health service consumers suggests some scope for substituting higher user fees and drug charges for lower transport rates and opportunity costs. The evidence also suggests, however, that some form of subsidization will be required to ensure that those who are unable to pay for care can obtain it when necessary.

The case studies also suggest that some consumers may be able and willing to pay even higher unit prices for care if the quality of service is significantly improved. In most cases, this means either increasing the supply of nonlabor inputs such as drugs, or improving the attitudes and demeanor of health care deliverers so that they treat their patients better.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. Introduction

This final chapter of the report summarizes findings about current conditions for local self-governance in light of current "decentralization" and structural adjustment policies, the nature of local government at study sites in the three countries, the character of community efforts to self-organize and solve local problems, and opportunities for local public entrepreneurship and its limitations within existing structures.

The recommendations included here focus on the primary education and basic public health sectors, but also suggest ways to improve the efficacy of local government units. Counteracting the pervasive impact of perverse governmental incentive systems, including "fiscal illusions," in the communities visited will require steady pressure aimed at increasing the transparency of government decision making at local levels as well as at the national center.

To a degree this pressure can be applied through the terms attached to structural adjustment and other policy reform programs. It must be recognized, however, that structural adjustment programs by in large are designed to address national-level financial problems. Improvements in governance at community levels can only be expected through adjustment agreements that encourage true devolution of authority to local government and community levels. That is, they should help to create a national environment that allows for local adaptation of service delivery levels and methods to local conditions.

B. Structural Adjustment: Impacts on Service Delivery in Rural Areas

Under pressure from lenders and donors, governments in the three countries have taken measures to reduce public expenditures. Despite back-sliding (Ivory Coast) or ostensible refusal to comply with IMF and World Bank structural adjustment programs (Nigeria), all three countries have cut social programs to contain public sector growth. Cuts have led to further restrictions in operating budgets, followed by measures designed to slash personnel expenses, first by reducing non-wage benefits, then by restricting salaries and finally by firing personnel.

In no case, however, have efforts to cut personnel costs gone beyond negotiated SAL targets to free up funds to expand operating budgets. Instead, civil service rosters are maintained at levels that are bloated in comparison to the still-shrinking operating budgets over which bureaucrats exercise control. This approach hampers service provision operations. But from the perspective of high government officials it has the merit of appearing to comply with the intent of structural adjustment agreements while preserving the logic of patrimonial government systems. Incentives for leaders inherent in these patrimonial

politics relegate efficacy in service provision to a distinctly second-order priority, well behind the goal of maintaining public staffing levels at the highest level possible. Conditionalities on staffing levels have tried to address the disparities between personnel and operating costs, but changes of this nature are difficult given that they challenge political orders.

In partial consequence of this resistance, structural adjustment has resulted in some government austerity and therefore an improved macro-financial picture, but without improvement in the efficiency of public service provision. In all the rural areas visited, the inadequacy or absence of government service delivery was apparent. In none of the case studies did efficiency in health or education service delivery appear to be improving.

C. "Decentralization" and Local Autonomy

1. *Eroded Service Incentives*

Incentives for civil servants to provide public services to citizens (which requires adequate operating budgets) are not as strong as the incentives in these political systems promoting high personnel costs. The budget balancing required by structural adjustment in all three countries has cut operating budgets. Several factors related to operating budget reductions erode the service orientation of government employees, particularly those who are posted to rural areas.

Lack of adequate operating budgets affects bureaucrats' incentives at two levels. Without equipment in good operating condition, adequate fuel budgets, and a reliable store of expendable supplies, civil servants find it hard to accomplish their assigned tasks. Compensating for shortfalls in public budgets from one's own pocket cannot remain an attractive strategy for long, especially in countries (Nigeria and Ghana) and sectors (basic public health in all three countries) where salaries are low. By contrast, where salaries are higher (although eroding over time through inflation), as in the Ivoirian primary education sector, service professionals often demonstrate, with repeated donations of personal time and funds, a strong service orientation.

Lack of adequate operating budgets affects not only the ability of primary school teachers and rural public health care professionals to provide services, but also impedes the ability of superiors to monitor their activities and provide adequate supervision. The *esprit de corps*, that characterizes quality public service as exemplified by almost all the Ivoirian primary schools visited, requires that school directors continue to provide high quality in-house supervision.

Additionally, service users (rural residents) appear neither to feel entitled to nor to demand high quality services. Several explanations are possible. Few rural people are taxed directly at heavy rates (though most pay high indirect taxes on agricultural export crops).

Rural taxpayers may thus feel they lack standing to criticize the performance of central government civil servants. Status differences also play a role. Those who have higher degrees or are professionals can often overawe rural people with little or no formal education. This factor figures also in the ability of service professionals to collect extra-legal rents from service consumers as a condition of making that service (e.g., health care) available. In the health sector, rural users knew enough to utilize services, but did not have the competence or confidence to make demands regarding the quality of the service received (see particularly the Ghana, Bongo district, Namoo village case study). When users recognize the poor quality of services they are receiving they may simply decline to participate, as has happened with education in Ghana. Given these factors, it is not surprising that citizens obtain services of only marginal quality, and fail to pressure service producers for more.

Rural communities do not appear to have high expectations for the performance of local governments. In Ghana and Nigeria, virtually every regime has restructured local governments without modifying their fundamental attributes as lineal descendants of the colonial districts. Participation in policy making is often limited to local approval of occasional initiatives mandated by the center. At this point, a number of rural communities have developed alternative problem-solving strategies, usually involving their own connections to the center.

In Ghana, the World Bank sector adjustment loans to education attempted to counter central government incentives to inflate staff without regard to operating budgets by establishing a personnel ceiling and a requirement for increased operating expenditures in the sector as conditions of the loan. The only way to meet the conditions was to increase operating budgets and teachers' salaries. The following recommendations suggest additional methods for strengthening service delivery incentives.

RECOMMENDATION 1: *At the national level, non-program assistance (NPA) conditionalities of the type used in the Ghanaian education sector, which encourage a balance of operating and personnel costs, and which help to create an environment that promotes efficient service provision, should be supported .*

At the local level, regardless of what the national environment might be, USAID missions should work closely with local institutions to design service sector assistance programs that enhance the level of services actually delivered in rural areas. Missions should ensure that budgets include sufficient operating funds to provide service personnel the complementary inputs they require to be effective. Funding smaller programs that accomplish their objectives may be of greater assistance than spending money on civil servants who lack operational funds and can therefore do little more than push paper. At the same time, smaller USAID programs could be considered laboratories, experimenting with methods to deliver services at low costs, and disseminating that information to other service agencies. Funds should be included in donor projects for workshops and newsletters to create networks of service organizations and local governments.

RECOMMENDATION 2: *USAID missions should encourage and participate in donor/lender efforts that create tangible incentives for local communities to mobilize own-source revenues to obtain matching funds. These programs should be designed so that local officials and citizens have a substantial voice in the governance and management of the programs and the capacity to withdraw from them if local participants do not feel they are worthwhile.*

If carefully crafted, such inter-donor/lender agreements could encourage local resource mobilization efforts and ensure that local people would invest time and energy in maintaining an infrastructure facility or service, once provided with partial outside assistance.

2. The Truncated Character of Decentralization Policies

Ghanaian, Nigerian, and Ivoirian decentralization policies are formally justified as efforts to bring government closer to the people and make it more responsive to popular interests and needs. Decentralizing service delivery is intended to make delivery personnel more responsive and efficient, improve service delivery, and thereby mitigate the effects that structural adjustment programs have had on service provision. The process of making LGU leadership posts elective has been underway for some time now in all three countries. Local elections may increase citizens' abilities to obtain services. In addition to local elections, some other decentralization policies do appear designed to transfer or devolve authority for service provision to local government units. In other cases, however, these policies constitute little more than efforts to deconcentrate national government service provision agencies. That is, administrative and procedural deconcentration has occurred but has not been accompanied by true devolution of decision making and fiscal authority.

Given the often tightly constrained local resource base and the lack of devolution of decision making and fiscal authority, local governments in all three countries may have actually been saddled with too many new responsibilities. As a result, most small rural governments remain considerably dependent on higher level governments, particularly the national or central government. The center provides financial assistance to local jurisdictions through block grants, categorical grants tied to specific activities, and support for salaries and operating budgets of civil servants seconded to local government units. This aid involves high costs not immediately evident to service users.

Organizing the system around central grant funds encourages rural people to lobby central agencies heavily to obtain largess (tax funds collected elsewhere) for investment in the local community. Two results follow. First, local leaders adopt the "raid on the national treasury" as their dominant political strategy. Regardless of whether this was a viable strategy in the past, current economic conditions make it a less productive option now. Resources and ingenuity that could be devoted to creating solutions to local problems using local resources are invested instead in courting and pressuring officials of central agencies. Second, leadership of local communities gravitates toward the political center of the polity.

Those with formal education qualifications, civil service jobs, and, thus, connections in the capital can obtain considerable "free" help for their voters. This of course exacerbates inequities.

Ghanaian LGUs obtain less funds, in percentage terms, from the central government than Nigeria or the Ivory Coast, largely because the central government has very little to give. Funds available for local governments are distributed to LGUs by formula, and efforts by LGU lobbyists to influence distribution patterns appear unrewarding. To an extent, however, central funding has been replaced by the plethora of foreign assistance projects scattered throughout the country.

Solutions to this problem might lie in either of two approaches. First, central governments or constitutional conventions might follow through on the logic of devolution and increase the fiscal bases of LGUs by devolving more authority to local governments to mobilize resources. Second, mandated service delivery requirements of LGUs might be cut back when funding is not available, although authorization to provide services should be maintained. The first option runs the risk that local political officials will "misallocate" or "misuse" funds. However, local government is only feasible in any sustained manner if local communities have the freedom to run those risks, on the assumption that they will incrementally achieve efficiencies and equities that matter to them in allocation of public funds. Clearly, grants and loans, and the terms on which higher level governments and financing agencies make them available to local governments, will continue to influence local officials' strategies concerning resource mobilization. The second option would make LGU service provision requirements more realistic but is clearly less adequate than the first option in that it does not improve LGU resource mobilization capacity.

3. *Assessing Local Government Capacities*

Local governments in Ghana, Ivory Coast, and Nigeria have little freedom of action and have existed for so long in a dependent status that one cannot expect them to develop into fully autonomous and strong local structures in a short period of time. Local governments have been authorized in all three countries since independence, but the patterns by which those local governments develop have been constrained by central government regulations and policies. In most cases a standard model has been created and imposed by the center.

The standard model includes regulations constraining personnel options of local governments in the Ivory Coast, Ghana, and Nigeria. Whatever role local politicians play as LGU leaders, LGUs must employ national civil servants posted to rural areas to fulfill departmental requirements set by the central government. At the very least, local governments must staff a minimum of offices designated by the central government .

Working conditions for these civil servants have been fixed in most cases by national regulations. They must be paid at rates standardized by grade, housed in accordance with national standards, usually provided a minimum of utilities and other benefits, and supplied with operating budgets including transportation, and provided with retirement benefits. While local governments are often exempted from contributing to salaries and maintenance of national public servants seconded to the local arena, funds to cover these costs count as part of the national grant aid to each local government.

Funds used for civil servant salary and maintenance are not available to LGUs to cover operating expenses. Local governments are also prevented from bargaining over terms of employment with local workers. The leeway for choice of personnel strategy, development strategy, and sectoral emphasis within local governments is drastically restricted. The imposed approach respects the logic of the patrimonial political system, at very considerable cost to local governments.

If the center decides to encourage activity in a sector, directives are issued to that effect. Central government funds, made available in grants tied to the sector, may follow, but these are central government programs which may or may not reflect local interests and priorities. This dominance of central priorities, which includes allocation of financial resources throughout the country without regard to variable costs, discourages local politicians from structuring public services in light of local needs and resources.

This organization of government affairs encourages a form of free riding on central government funding mechanisms, rather than local self-reliance. Local governments cannot, in practice, significantly cut costs because they cannot reduce labor force levels. The only option is to increase income. While the central government in Ghana has recently transferred tax authority over a variety of new revenue sources to LGUs, most must use the additional local revenues to support the national bureaucratic structure. An almost negligible percent, is spent directly on services.

The Ivorian rural communes have no authority to exploit the more lucrative tax bases. In the Ivory Coast, central limits on local taxation that is locally determined mean that the only realistic option open to officials of small local governments is to lobby the central government for more grants. Only if a donor or lending agency channels money into local government activities does that focus switch slightly, to take advantage of the new opportunity.

In Nigeria, a larger proportion of the Federation Account has been allocated to LGUs at the same time that more responsibilities have been transferred. For some LGUs, the added revenue more than covers the added costs; for many others, the opposite is the case.

In Ghana and the Ivory Coast, local government officials vigorously lobby extra-local grant sources for support for local projects. Electors back them firmly on this point. The latter pay taxes, whether direct or indirect. They judge a local politician's performance by

his/her success in bringing home projects (e.g., a new road, rehabilitated primary school buildings, a new public health clinic, or a local hospital) that replace the value lost through unrecovered taxes. Mayors and other local politicians consulted repeatedly indicated, and with considerable urgency, that they must "bring home projects" if they want to be reelected. Local government officials in Nigeria have only recently been elected, and have not yet begun to lobby outside sources with any consistency.

In summary, decentralization has to date meant greater taxation (in Ghana and Nigeria), but not improved services. LGUs have not been able to fulfill the expectations that were anticipated as a result of structural adjustment and reform. LGUs' collective hands are tied: they must exploit the limited tax base they do have to operate within imposed institutions whose character they can do little to influence. At the same time, they do not have the fiscal or programmatic discretion to tailor their services and actions to meet constituents' desires as expressed through the newly elected local councils.

The following recommendations suggest public finance system modifications that reduce fiscal illusions, increase fiscal equivalency, and encourage a shift at both central and local levels from formalistic, paper solutions to problem-centered approaches that seriously consider the need for local initiative and authority to adapt central programs to local circumstances. The public finance nature of these recommendations make them logical components of structural adjustment packages, and NPA programs. Conditionalities or other agreements could help to assure that these financial changes become national norm; individual local governments and communities could then take advantage of opportunities to assert greater financial independence, and to determine what public services they need and are willing to pay for.

RECOMMENDATION 3: *Enhance local government capacities by increasing their tax bases through devolution of more taxing authority to local governments, at the expense of central government taxing authority. Technical assistance from donors to assess fiscal policies, and local resource mobilization and revenue administration capabilities would be of great value to help communities and LGUs more completely understand what their resources are and what they can and cannot afford.*

A policy of fiscal devolution would augment government initiatives already implemented in Ghana and Nigeria. Two variants on this approach are possible: authorize LGUs to tax certain bases concurrently with overlapping governments; and transfer taxing authority as recommended, but use revenues generated to finance specified purposes.

RECOMMENDATION 4: *Donors could require that national governments publicize and disseminate information revealing the true fiscal costs to local communities of creating standardized LGUs, in terms of initial infrastructure costs, recurrent costs to maintain the infrastructure, and formal government staff. If local governments knew what standardization cost them, they might opt for less expensive forms of government,*

thereby realizing the economic efficiency goals of decentralization. Donors could publicize alternative approaches to local self-governance that rely more heavily on local institutions (for example, special districts for water services as in the Mafi Kumasi, Ghana case study). At the same time, training and exchange programs could demonstrate to African LGUs and communities how community organizations and special districts operate in, for example, the United States. A donor program could fund establishment of a local government association that took on these information and technical assistance tasks.

These recommendations confront head-on the common dilemma posed when a standard institutional structure is established as the single authorized form of local government in a country. Under such conditions, local communities confront a "take-it-or-leave-it" situation. If they want the advantages of formally recognized local government, they have to accept substantial costs for services and programs that are justified neither in terms of local interests nor in terms of long-term viability of such units. If they refuse, or are not allowed to constitute an LGU based on the standard model because they lack the financial base, they must forego advantages of having their own officially recognized institution(s) for collective action. They are then compelled to govern themselves by informal and often more fragile institutions.

RECOMMENDATION 5: *Instead of imposing a long list of services that LGUs formally must but practically cannot or do not wish to provide, adopt a menu approach encouraging LGUs to select from a range of possible services those most desired locally.*

This policy represents a variation of the previous recommendation. If implemented, it would radically increase the arena of choice open to local communities and allow them to take a much more incremental approach to developing a local government, thereby lowering costs and increasing the percentage of funds devoted to service operation, versus personnel. This would support national level efforts to reduce costs and increase efficiency.

D. Community Self-Organization for Problem-Solving: Constraints and Opportunities

The willingness and ability of local communities to self-organize to solve local problems varies dramatically. In the coastal regions of all three countries, many local communities in the Igbo, Yoruba, and Ewe groups have demonstrated organizational effectiveness and impressive capacity to identify local problems, devise solutions, and implement some of the proposed solutions. This was particularly true in cases involving infrastructure creation. Community development associations (CDAs) are prominent in these areas.

CDA's will shoulder a large part of the burden of local self-government and development. Some have effective strategies in place relying on kinship relations to screen out candidates unqualified for public office in the larger local community. These groups have inherited or devised new mechanisms to monitor and reduce possibilities for abuses by local elites. They employ resource mobilization strategies to raise funds, labor and materials locally. Given the social pressure involved, much of it on local political elites and wealthy individuals, these strategies involve what might be called "quasi-voluntary taxation."²⁵ While these amounts do not always cover the entire cost of local projects, they constitute a healthy match for outside grant funds. In addition, wealthy members of Igbo groups sometimes offer interest-free loans to their local CDAs. In repaying such loans, the CDAs gain valuable experience in managing local public debt.

These groups, and others in areas with less well-developed traditions of local action, face certain constraints, however. Their official powers to mobilize funds are generally quite limited. They cannot tax local residents at all and thus have no formal mechanism to overcome the problem of free riding.

Where CDAs do mobilize funds and are successful in monitoring their use, they are generally cost effective. CDA leaders serve as volunteers or obtain only minimal compensation for their services. They provide their own housing, utilities, transportation, insurance, and health benefits. Resources mobilized are used to solve problems rather than to support overhead costs of local government employees and their mandated conditions of employment.

RECOMMENDATION 6: *It is recognized that national governments have a legitimate role to play in relation to LGUs regarding for example monitoring financial administration and accountability. As such, national governments require a degree of authority regarding the functions performed by LGUs. Nonetheless, through policy dialogue with LGUs, which would include discussion of the basic parameters within which LGUs must be constituted, national governments should be encouraged to allow local people greater leeway in shaping their LGU institutions. Where it does not exist already, enabling legislation should be created allowing rural people to organize local governments and draw on their own experiences and local institutional capital in designing them. Development of such legislation should be included in structural adjustment agreements where decentralization is an anticipated outcome. Where enabling legislation does exist but is not enacted or is not producing favorable results, an assessment should be conducted to determine where and why breakdowns are occurring. Also, information dissemination and exchanges might be used to demonstrate how successful local governments operate in other locations, and how*

²⁵Margaret Levi (1988:94-95) uses the term "quasi-voluntary compliance" to describe a taxpayer strategy of paying assessments when and only when confidence is high that others are doing likewise, and that government officials will respect their commitments.

they take advantage of the enabling legislation that exists. Donor funding and technical assistance would be appropriate for these activities.

Greater leeway in how local governments are organized will increase local responsibility for LGU performance, encouraging local people to take the institutional design task seriously and allowing them to draw on governmental forms they have mastered through CDA activities. Individual CDAs, perhaps with little modification, could be converted into local special districts with broader powers to provide services as well as infrastructure. By allowing flexibility in the design of LGUs, the service to be provided can be better matched with the demands of specific users at a specific place in time and will be better and more efficiently delivered. USAID could play a facilitative role in creating and/or improving the mutually supportive dialogue between governments and CDAs.

E. Local Public "Entrepreneurship" and Local-Level Problem Solving: Obstacles and Opportunities

Local public entrepreneurship, under current conditions, is channelled in two directions: development of CDAs and central government lobbying. Leaders in both LGUs and CDAs appear committed to identifying and dealing with local problems by lobbying to obtain assistance from the central government or other, extra-village sources. But CDAs are much more cost efficient in terms of applying funds received to solve local problems.

RECOMMENDATION 7: *Donors and lenders should organize their grant and loan portfolios, SALs included, to create incentives for more local effort in service provision, by, for example, offering matching grants directly to communities, NGOs, and CDAs. Financing-agency personnel should help LGUs increase their service orientation by identifying, working with, and promoting local self-governing service institutions. As a first step, donors could fund surveys and assessments of local institutional capabilities including not only the visible NGOs, but also the less visible but equally important indigenous institutions. Funding for capacity building could follow, as required.*

Two additional conditions are necessary to encourage local public entrepreneurship without destroying the opportunity to exercise it. First, creation of new governments, including special districts, at community levels should be encouraged, as a way to provide more people with experience in self-governance. Second, conditions under which such governments are staffed and organized should be relaxed to decrease the costs of self-governance to levels that local communities can be reasonably expected to support. This will encourage local experimentation with governmental forms, and horizontal learning as well. Already, with structural adjustment and decentralization, local governments are shouldering more of the financial burden and easing that of the

central government. Giving communities latitude as to how their local governments should be structured should only help reach the goals of structural reform.

F. Basic Health Care: Conclusions and Recommendations

The health sector provides many examples of fiscal illusion. Both villages and local governments strive to provide themselves with more curative care, but at someone else's expense. This bias toward curative care is longstanding but is inappropriate both financially and in terms of efficiently improving the health of the rural population.

At the same time, local government health facilities are underutilized because they provide poor quality services. Particularly at village-level facilities, supervision has almost ceased (often because the local government department lacks transport). Drugs and equipment are lacking. Services are not organized to lower the private cost of care; women often have to make a trip for each component of maternal and child care. The user fees imposed in recent years are resented and have contributed to lower utilization. The lack of record keeping by village facilities, a further symptom of poor management, and the lack of analysis by the local government department disguise the seriousness of the problem. Many national government-run village health facilities are probably not justifiable at the current utilization levels of the limited services offered.

***RECOMMENDATION 8:** In order to find lower cost alternatives to government supplied services, and in order to take advantage of the efficiencies of decentralized government, there should be more options for the operation of village health facilities, supported by enabling legislation and donor funding for experimental programs. Some villages may be able to attract private practitioners to take over facilities. A "mobile clinic" approach, i.e., one day per week of integrated primary services, might use local government staff more effectively and lower patients' private costs. If more village health workers were trained, they could be integrated into service delivery and paid by patients for their services. In this area, villages and local government health departments should agree to limitations on future government funding. The village should take some responsibility for provision decisions.*

Despite recognition of the importance of preventive health care, local government units do not impart the information consumers need to become better coproducers of their own and their families' health. People are spending more than necessary because overprescription is common. People often do not understand why patient-related preventive health care is important. The EPI campaign approach in Nigeria (described in the Nigeria case study volume) was a success both in its operation and in convincing people that immunization brought results. After several years of intensive campaigns, local government staff seemed confident of their abilities to implement the program. Workers were trained and supervised effectively. The reduced incidence of measles was compelling evidence for villagers, who regarded campaign visits as memorable events.

RECOMMENDATION 9: Local government health departments should monitor their professionals' practices and coordinate with other area practitioners to communicate current standards of treatment for common diseases. Information should be disseminated to communities as well, possibly through the schools. Campaigns to disseminate information and preventive health measures to villages should be encouraged where feasible, using the Nigerian EPI campaigns as a model. Donors can finance information dissemination among professionals, and through school programs and campaigns as well.

Financing arrangements of the sort described in Section III.B.3. can provide incentives to improve provision of health care services.

RECOMMENDATION 10: Drug revolving schemes that take advantage of bulk purchasing and private distribution systems and that respond well to facilities' needs should be encouraged over either very small or highly centralized schemes. The simple accounting system in the Ghanaian scheme allows for easy monitoring, and the single price list avoids confusion; thus facilitating accountability and shifting of costs to users.

Health care involves public and private producers, and public health demands teamwork between government departments and between government and communities. If local governments are indeed strengthened through structural adjustment mandated programs of decentralization, then LGUs can be the logical bearers of the costs of coordination. Though there are costs associated with fulfilling this role, the quality of service and the community's use of it should improve, and in the long run generate social and economic benefits.

G. Primary Education: Conclusions and Recommendations

One of the effects of structural adjustment programs on rural economies is that more teachers, and other professionals, are choosing to work in their natal villages, where they have access to land for a second, income-producing activity and where living expenses are lower. Sector adjustment programs--health in Nigeria, education in Ghana--have increased resources to the sectors after severe declines in expenditure and quality of service. Professionals are more content to remain in their jobs where incentives to do so have increased. But where they have not, professionals are demoralized. Nigerian primary school teachers know how difficult it is to teach without a roof on the school, without books, without teaching aids, with little or no classroom furniture, overcrowding, and little status. Donors attempting to address these problems, e.g., by providing books or conditioning NPA on government provision of materials must follow through to be sure that books rapidly arrive in class rooms, rather than being stranded in the bureaucratic pipelines of public education systems.

If the quality of primary schools is measured in terms of the proportion of rural children who are literate and numerate by the age of 12, none of the three countries' education systems is strong. Ivory Coast educates a minority of the primary school age

cohort to a high standard. Ghana and Nigeria do much less well. In Ghana and Nigeria reorganization of education will give local education departments more authority to make decisions about local problems.

In only one of the villages visited did a community school committee actively involve itself in the management of the school and work to improve quality. In Nigeria the PTAs were blocked from taking actions to improve the schools by the need to get Ministry of Education approval. In all villages, some children were not attending school because parents could not afford to send them. In at least one case, the head teacher was enforcing rules about school uniforms and furniture that kept some children out of school. In formulating their strategies about how many children to send to school, parents are aware of changes in the quality of primary education and are also aware that job opportunities are scarce, even with an education.

***RECOMMENDATION 11:** Special, targeted programs of education, such as adult literacy, as opposed to universal primary education, should be explored, perhaps as donor-funded experiments. One result of structural adjustment, cutbacks in social spending, economic downturns, and reductions in government payrolls is that jobs are not guaranteed for those with an education. As a result, there is less interest in standard, primary education. Alternative, low-cost targeted programs directed to the self-determined educational needs of communities should be explored. Donor technical assistance could help determine what the needs are and establish such programs.*

The quality of primary schools is a key factor in convincing parents to send children to school and in realizing the economic benefits of an educated population. Education is an expensive service to provide. In the three countries studied, universal primary education is not feasible at present, though it may well be at some point in the future. Providing quality education, well adapted to local circumstances, to smaller numbers of students now may hasten the date at which universal primary education becomes possible by gradually enhancing productivity. Appropriately educated children can enhance the efficiency of local economies.

The dynamic relationship that should exist between schools and communities can help ensure that resources are used effectively. In all three countries, the education system does not so far include feedback mechanisms for analysis of local problems at the local level. Teachers are frustrated by their inability to modify the curriculum or the school calendar to suit local conditions.

***RECOMMENDATION 12:** Communities and PTAs should be encouraged to involve themselves with the schools and jointly provide feedback to local government education departments. Where PTAs do not exist, the feasibility of including them in the educational process should be explored. Hard decisions about quantity versus*

quality should be made only with local input. Reductions in spending on social programs are a very real result of structural adjustment. Local resources can perhaps compensate for those reductions, but resources are unlikely to be offered if communities do not feel they can control how the resources are used. PTAs are one obvious, simple way to get families involved in their childrens' education.

Communities in Ghana and Nigeria are legally responsible for school maintenance and providing school furniture. Villages visited did not meet this responsibility. The condition of school buildings was not conducive to learning, e.g., leaks in roofs. Parents, in addition to other private costs of education, have to provide their children with furniture; if they cannot, they may withdraw their children from school, or their children will sit on the floor while others have stools. Communities are not meeting the responsibility because it is not a high priority or because other organizations have at times provided help.

RECOMMENDATION 13: *With reductions in government funding, the constant problem of school maintenance will only get worse. School maintenance, however, is a problem with a number of possible solutions, some of which involve donor funding. In Ghana, learning to make school repairs and to build school furniture could become an integral part of the Life Skills subject if materials were provided. Communities could be given incentives to repair schools or alternatively, faced with the possibility of the school closing if buildings are not maintained. Using school maintenance projects as laboratories for skills development contributes a practical component which will benefit communities. Donors could contribute materials and technical assistance to help get such workshops started. As with PTAs, however, communities and LGU education departments will have to develop the sense that they (as opposed to the national government) are responsible for the schools before they will be willing to invest resources in them.*

In all three countries many children were without textbooks. The provision and distribution systems for textbooks in all three countries have difficulties. In Ghana and Nigeria, textbooks and teaching materials delivered to the local government may not get out to schools quickly, or arrive only if head teachers pay the cost. In Nigeria and Ivory Coast, many of the textbooks change each year, increasing the private cost of education. In Ivory Coast, textbooks are expensive and distributed through private traders, requiring large cash payments at a difficult time in the agricultural year.

RECOMMENDATION 14: *Education ministries should commission standard texts and then retain them unchanged for three to four years to reduce unit costs and create a supply of cheaper, used books. Tenders should be solicited from publishers worldwide by ministries purchasing in bulk to further reduce costs. Parents need more options about textbook rental or purchase. Books that are likely to be updated often should be inexpensive.*

Local governments and community leaders should act as intermediaries between the central government and local areas as needed. In regard to service delivery, central government could continue to mandate certain performance criteria, such as certification for primary school teachers. Each community would be presented with a list of centrally provided services that could be available with varying amounts of local participation. The local community could then decide what services it wishes to secure. Quality and efficiency standards would also be mandated. In education, for example, a community might opt for the provision of grades 1-4 (in return for maintaining the buildings and providing housing for teachers). The central government would provide certain textbooks and remunerate teachers. Local officials would cooperate with senior education supervisors in order to insure that local offerings match local circumstances. Accounting procedures would be simple and open so that citizens and officials could verify that resources have been efficiently used. If the resources available did not make it possible for all eligible children to be accommodated, the community would have to decide how to ration the resource or to devise alternative methods of delivery while insuring that quality is maintained. It would be in the interest of the local civil servants to draw on local resources to maximize benefits since the continuation of the "package" would be dependent upon satisfactory performance. The central government could make bonuses available to local civil servants if they meet certain performance criteria, an important criterion being the community's satisfaction. In this way, central governments would improve service delivery to communities through cooperation.

***RECOMMENDATION 15:** AID should assist central government officials in developing basic service "packages" that almost surely would involve trade offs between personnel and other inputs. It is not clear that central government functionaries have been very concerned with the efficient provision of services to local communities. AID has considerable experience in these matters. Local governments need to become knowledgeable "shoppers" and efficient entrepreneurs. They also should learn how to become effective articulators of community needs and preferences. Current relationships between the center and communities can be described as predatory: local officials must raid the central government to demonstrate their competence to communities. If such a raid does not take place, local civil servants perform no useful role at all. Central civil servants gain power by granting here and withholding there. A dialogue should be initiated between ministries and communities. Local governments could help articulate the community's needs and aspirations, and perhaps manage selected programs. Members of a community should learn that local civil servants are responsible and accountable to the community. Some communities might decide that they would rather have inputs than civil servants. Others, however observing the managerial efficiency of the local civil servants would want to keep them. Central civil servants would insure that quality standards are maintained (hence the need for inspections, for reports, for workshops, for training, for centrally administered examinations). Ministry officials will have to develop types of discrete programs likely to fill community and national goals. Quality considerations should be prominent in the determination of service packages. Funds will have to be freed and donor agencies could develop pilot programs designed to demonstrate the*

effectiveness of an interactive approach (as opposed to a top down approach). Once these packages have been established, communities will select among them (hence the notion of "shopping"), up to a maximum (so much per capita in costs, for example) and the community will have to agree to a certain contribution not only in order to qualify, but also in order to maximize benefits. Under such a scheme, communities become consumers who must fulfill certain objectives (quality and quantity) in order to receive the central government subsidy. The more the community contributes, the more benefits will be derived. The central government could decide to offer education in grades 1-4 to everybody, but the provision of grades 5 and 6 could depend almost exclusively upon community contribution. Communities might group their resources in order to have such higher grades available. Local officials will have to harness local resources to deliver services efficiently and, in order to do that, they will have to be very sensitive to local preferences.

RECOMMENDATION 16: *AID should link forms of assistance with performance. For example, AID could offer as a reward, the building of a school (with the local contributions) or the supply of materials. AID could also assist several contiguous villages by offering grades 5 and 6. These grades, more expensive, might be beyond the financial capacity of any one village, but the offerings of a quality education could act as a significant symbol of what can occur when communities and central governments cooperate to articulate needs and to reach precisely defined objectives.*

The changes outlined here cannot be accomplished without major technical assistance. The development of accountability while reaching commonly agreed upon goals will require substantial additional training of central and local civil servants. It is not totally clear given the present state of knowledge how quality services in health and in education can be efficiently provided. A preventive approach in health is cost effective. In education, it is not clear what curriculum is most effective or whether it is possible to derive significant benefits from providing good educational opportunities for grades 1-4, but not beyond. It is clear that especially with the collapse of government provided services, and adjustment mandated reductions in spending, coproduction is necessary both in education and in health and that necessity justifies in and of itself significant community and individual involvements. Structural adjustment mandated programs of decentralization should help create an environment within which coproduction is encouraged.

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