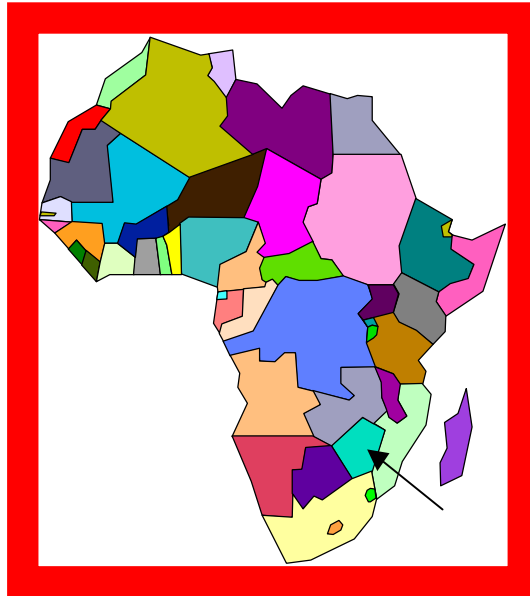


Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision in Zimbabwe



By

Dennys Pasipanodya

Jesper Steffensen

Svend Trollegaard

Richard Martin

Clever Khumalo

Victor Chando

Daniel Ncube

FINAL REPORT

A collaborative study between

**The National Association of Local Authorities in Denmark (NALAD),
People & Systems Inclusive, Management Consultants, Zimbabwe**

One of the series of: Fiscal Decentralisation and Subnational Finance in Africa

Directed by the World Bank

Financed by United States Agency for International Development
with support from Danida, Denmark

March 2000

“Copyright by the International Bank for reconstruction and development/the world bank, 2000.

The findings, interpretations, and conclusions expressed in this paper are entirely those of the co-editors and contributors and should not be attributed in any manner to the World Bank, to its affiliated organisations, or to members of its board of executive directors or the countries they represent. The World Bank does not guarantee the accuracy of the data included in this publication and accepts no responsibility whatsoever for any consequence of their use. The boundaries, colours, denominations, and other information shown on any map in this volume do not imply on the part of the world bank group any judgement on the legal status of any territory or the endorsement or acceptance of such boundaries.”

Table of Contents

Table of Contents	3
ACKNOWLEDGEMENTS	8
CHAPTER ONE	10
FISCAL DECENTRALISATION AND SUB-NATIONAL FINANCE IN SUB-SAHARAN AFRICA	10
1.1 Introduction	10
1.2 The African Context	12
1.3 The Regional Approach and the Methods of Work	15
1.4 Indicators of Decentralisation	16
1.5 Finance and Organisation	17
1.6 Executive Summary (Main Findings and Recommendations)	18
CHAPTER TWO	31
DECENTRALISATION OF THE PUBLIC SECTOR – OBJECTIVES, METHODS AND EXPERIENCES	31
2.1 Introduction	31
2.2 The Global Trend of Growth of the Public Sector, Financial Constraints and Conditions for Decentralisation	34
2.3 Indicators of the Decentralisation of the Public Sector	37
2.3.1 Delegation, Responsibility and Autonomy	37
2.3.2 The Operational Capacity Reflected in the Structure of Government Related to Number of Levels and Sizes of Local Authorities	43
2.3.3 Infrastructure and Service Provision and the Issues of Accountability	46
2.3.4 Regulatory Framework	48
2.3.5 Fiscal Decentralisation	50
2.4 Concluding Remarks	61
CHAPTER THREE	65
THE CONTEXT OF SUB-NATIONAL GOVERNANCE IN ZIMBABWE	65
3.0 General introduction to Zimbabwe	65
3.1 Government structure	69
3.1.1 Central Government	70
3.1.2 Provincial councils	71
3.1.3 Urban local governments	72
3.1.4 Rural local governments	76
3.2 The government’s policy, objectives and strategies on sub-national government finance and development of local authority governments	77
3.2.1 Background	77
3.2.2 Present Situation	82
3.3 Concrete reform initiatives within the field of decentralisation including fiscal decentralisation	84

3.4 Division of tasks and responsibilities between central government and sub- national government	87
3.4.1 Division of tasks.....	88
3.5 The Sample Sub-National Governments	90
3.5.1 Harare City Council.....	91
3.5.2 Kwekwe City Council	93
3.5.3 Gwanda Municipal Council	95
3.5.4 Rusape Town Council	96
3.5.5 Ruwa Local Board.....	97
3.5.6 Gutu Rural District Council.....	98
3.5.7 Pfura Rural District Council	100
CHAPTER FOUR	102
THE PUBLIC SECTOR AND SUB-NATIONAL FINANCES IN ZIMBABWE	102
4.0 Introduction.....	102
4.1 Central Government	102
4.2 General Overview sub-national governments.....	106
4.2.2 Sub-national Recurrent Expenditures.....	110
4.2.3 Sub-national capital expenditure.....	116
4.2.4 Sub-national revenues	120
4.2.5 Transfers from other government levels to the sub-national governments	127
4.2.6 External finance of the sub-national sector	128
4.2.7 Sources of finance for selected types of infrastructure	132
4.2.8 Expenditure of tax assignment and administration of taxes	132
4.2.9 Estimation of the sub-national revenue potential.....	134
4.2.10 Evaluation of tax assignment and administration of taxes	136
4.2.11 Analysis of sub-national governments creditworthiness	136
CHAPTER FIVE.....	138
SUB-NATIONAL INFRASTRUCTURE AND SERVICE PROVISION IN ZIMBABWE.....	138
5.0 Introduction.....	138
5.1 Division of responsibility and service provision among the different levels of government	138
5.1.1 Roads and Drainage.....	139
5.1.2 Water Supply	140
5.1.3 Sewerage services	144
5.1.4 Sanitation Services	145
5.1.5 Education services.....	149
5.1.6 Health Services	149
5.1.7 Power Supply	151
5.1.8 Public transport	152
5.2 Organisational patterns of ISP	153
5.2.1 National overview	153
5.2.2 Involvement of the private sector in infrastructure and service provision	153
5.3 Indicators on the comprehensiveness of ISP with respect to consumers need	157
5.3.1 Conditions at the national level	157
5.3.2 Overview of Sample Sub-national Governments.....	158
5.4 Issue of affordability of ISP.....	166

5.5 Infrastructure inventory concerning central and sub-national government.....	169
5.5.1 General Overview	169
5.5.1 Situation in the Sample Councils	170
5.6 The role of new infrastructure investment in relation to existing	172
5.7 Issues of tariff policies in relation to infrastructure and service provision – ISP.....	173
5.7.1 Water Tariffs.....	173
5.7.2 Sewerage tariffs.....	174
5.7.3 Other tariffs.....	174
CHAPTER SIX.....	179
THE REGULATORY ENVIRONMENT IN ZIMBABWE	179
6.1 The Legislative framework of local self-government in relation to sub-national government	179
6.1.1 Legislative Framework.....	179
6.1.2 Legal Requirements Constraining Urban and Rural Local Authorities	181
6.2 Legislative requirements of sub-national government infrastructure and service provision	185
6.3 Issues of decision-making relevant for infrastructure and service provision	187
6.4 General aspects and components of central government policies concerning local-self governance with respect to sub-national government	188
6.5 Sub-national management of budgets and indicators of the actual operative autonomy of sub-national governments.....	191
6.5.1 Autonomy in relation to tax revenues	191
6.5.2 Autonomy in relation to tariffs.....	193
6.5.3 Autonomy in relation to recurrent expenditure decision making	195
6.5.4 Autonomy in relation to capital expenditure	195
6.5.5 Autonomy in relation to external finance decision-making	196
6.6 Issues related to private sector involvement in infrastructure and service provision.....	197
6.7 Basic constraints concerning the operative autonomy of sub-national governments	198
6.7.1 Constraints in relation to land management, land use and land registration	198
6.7.2 Constraints in relation to physical (urban) planning and handling of applications for construction and infrastructure investment	199
6.7.3 Constraints in relation to national investment requirements	201
6.7.4 Constraints in relation to the issuing of concession rights concerning ISP.....	201
6.7.5 Autonomy in relation to external finance for additional ISP.....	201
6.8 Constraints concerning external finance of sub-national governments.....	202
6.8.1 Constraints in relation to requirements concerning balance of budgets on annual basis	202
6.8.2 Constraints in relation to approval procedures concerning access to domestic external finance of infrastructure investment	202
6.8.3 Constraints in relation to the approval procedures concerning mortgage/equity finance infrastructure investment.....	203
6.8.4 Constraints in relation to decision-making concerning tariffs and fees.	203
6.8.5 Constraints in relation to instruments on assessment of credit worthiness concerning external finance.....	204
6.8.6 Constraints in relation to the establishment of parastatal municipal credit institution	205

6.8.7	Constraints in relation to portfolio placement provisions and rules concerning Pension-funds and Insurance Companies.....	205
6.9	Operational constraints on the operative autonomy of sub-national governments	205
6.9.1	National request for long-term planning of ISP.....	205
6.9.2	Stop-go-policies of Ministry of Finance.....	206
6.9.3	Constraints in relation to the hierarchical approval and/or consensus building procedures concerning capital expenditure decision-making by sub-national governments	206
CHAPTER SEVEN.....		207
THE SUB-NATIONAL INSTITUTIONAL ENVIRONMENT IN ZIMBABWE		207
7.1	General issues in relation to potential and constraints concerning local authorities initiative and management:	207
7.1.1	Legal and administrative constraints to local authorities management capacity....	207
7.1.2	Supply side analysis - access to private finance and services providers as well as bulk service and utility suppliers	210
7.1.3	Capacity to innovate - power, capacity and incentives to routinely examine innovative approaches to improving their management (e.g. public/private partnerships, contracting out, commercialisation).....	210
7.2	The sub-national government decision-making process and adaptability to local need and conditions.....	214
7.2.1	The political level.....	214
7.2.2	The management level.....	215
7.3	Issues concerning the potential of managerial approach for local authorities in relation to the constraints of the regulatory environment	215
7.3.1	Potentials and capabilities of local authorities to attract comprehensive manpower resources.....	216
7.3.2	Sub-national staff inventory (number of employees, education, qualifications, support, etc.)	217
7.3.3	Rules concerning administrative and other staff established by Civil Service provisions	219
7.3.4	Management practices, reforms and other civil services reforms	219
7.4	Potential and actual introduction of new methods and information technology in the administration and decision-making of sub-national governments' information technology.	220
7.5	Technical management capabilities in relation to infrastructure and service provision ...	222
7.6	Financial management capabilities including tariff-policies and management of sub-national governments in relation to infrastructure and service provision	223
7.7	Issues of management and decision-making in relation to land, water and other key resources within the boundary of the sub-national government.....	226
7.8	Institutional Relationship between SNGs and key government ministries	228
CHAPTER EIGHT.....		229
CONCLUSIONS AND SUSTAINABILITY OF THE FINDINGS.....		229
8.1	Financial management.....	229
8.2	Expenditure levels and government grants	230
8.3	Unfunded mandates	230
8.4	Divided Cities	231
8.5	Infrastructure.....	231
8.6	Devolving responsibility for infrastructure provision	232

8.7 Mayors and Councillors.....	232
8.7.1 Mayors.....	232
8.7.2 Councillors.....	232
8.8 Capacity building and training.....	233
8.9 Land and land-use planning.....	233
8.10 Privatisation/commercialisation.....	233
8.11 Staffing.....	234
8.11.1 Appointments.....	234
8.11.2 Salaries and conditions of service.....	234
8.12 Conclusion.....	234
8.12.1 What is Decentralisation for?.....	234
8.12.2 The ingredients of success.....	235
8.12.2.1 Orderly transfer of responsibilities.....	235
8.12.2.2 Financial independence.....	235
8.12.2.3 Staffing.....	236
8.12.2.4 Engagement of civil society.....	236
8.12.2.5 Use of modern management methods.....	236
8.13 Conclusion.....	236
CHAPTER NINE.....	238
NATIONAL WORKSHOP PROCEEDINGS.....	238
9.0 Introduction.....	238
9.1 Breakaway group sessions.....	242
9.2 Conclusions and recommendations of the breakaway group on SNG finances.....	242
9.3 Action plan.....	243
9.4 Conclusions and recommendations of breakaway group on Infrastructure and Service Provision.....	243
9.5 Action Plans.....	244
9.6 Conclusions and recommendation of breakaway group on regulatory and institutional environment.....	245
9.7 Action Plans.....	245
9.8 Way forward.....	246

ACKNOWLEDGEMENTS

This Report is a product of a Study undertaken by People & Systems Inclusive Management Consultants of Zimbabwe, a team of National Experts/Consultants, working in close co-operation with USAID and the National Association of Local Authorities in Denmark (NALAD). The National Experts/Consultants, who were assigned responsibility for different aspects of the Study, are: Dennys Pasipanodya, Victor Chando, Clever Khumalo, Daniel Ncube, Debasish Bose, Joe Matanga, Vincent Mvula and Bonface Chikadaya

As authors of this Report, we are greatly indebted for the support we received during the planning and implementation of the Study from a number of institutions and individuals. Firstly, our gratitude goes to the USAID, the World Bank and Danida for financing the Study. Secondly, the support received from the Government of Zimbabwe, through the Ministry of Local Government, is highly appreciated, particularly in terms of assistance in the identification of the sample local authorities for inclusion in the Study and support through all crucial phases of the exercise. In particular, the authors would like to extend special thanks for the support extended to the Team by Mr Mpamhanga. We are enormously grateful to the Central Statistical Office and, specifically, to Mr A Tokoda who provided us with various essential data and statistics on government and sub-national government finances. We would also like to express our gratitude for the support given by all seven sample sub-national governments and for their worthwhile contribution to the success of the Study.

The authors would also like to thank Mr. Eliah Tafangombe of USAID, Ms. C. Butcher of the World Bank in Harare and Messrs Alan Carroll, James Hicks and Dave DeGroot of the World Bank, Washington who provided useful backstopping and comments on earlier drafts and for their contribution to the development of the Terms of Reference of the study

Many people, too numerous to mention by name, helped considerably in data collection, analysis and comments on earlier drafts. In this regard, very special appreciation goes, in Zimbabwe to Ethel Bangwayo and Emelda Mundawarara, our research associates and to Richard Martin in South Africa. The Team would also like to thank the Ministry of Finance, line ministries and departments of the Government of Zimbabwe, parastatals and the Associations of Local Authorities, which, in various ways, provided inputs to the Study.

All these people and institutions have contributed significantly to the present shape and content of this Report, and their input is acknowledged. A large number of senior officials in the seven sample sub-national governments (Ruwa, Harare, Rusape, Kwekwe, Gwanda, Gutu and Pfura) have provided valuable information during the course of data collection. The Research Team is very appreciative of their professional input and logistical support.

Gratitude is also extended to Mr Jørgen Lotz of the Danish Ministry of Finance who contributed towards the development of the Terms of Reference as well as to the technical input on international experiences of decentralisation. The co-ordination roles played by Messrs Kenneth Kristensen and Holger Pyndt, both of NALAD, are greatly appreciated. Lastly, the authors would like to extend their gratitude to Mr Regin Løndal Lauridsen for the development of databases used in parts of the analysis and to Roselyn Chakanyuka, Tendai Chirambasukwa, Annette Frank Leotta and Nellie Maziya for secretarial support.

This report contains the view of the team, which do not necessarily correspond to the views of the World Bank, the Government of Zimbabwe, Danida or USAID.

Dennys Pasipanodya
Jesper Steffensen
Svend Trollegaard
Richard Martin
Clever Khumalo
Victor Chando
Daniel Ncube

CHAPTER ONE

FISCAL DECENTRALISATION AND SUB-NATIONAL FINANCE IN SUB-SAHARAN AFRICA

1.1 Introduction

This Report describes and analyses the process of decentralisation from the centre to sub-national governments¹ in Zimbabwe. The analysis examines the structure of local governments, the strategy and objectives of decentralisation, the experiences of fiscal decentralisation, infrastructure and service provision (ISP), the regulatory and legal framework for local governments and their institutional environment. The Study has been commissioned by the World Bank as a part of a regional project to study local governments and fiscal decentralisation in six countries of Sub-Saharan Africa: Zambia, Senegal, Ghana, Uganda, Swaziland and Zimbabwe.² This Report on Zimbabwe, therefore, should be seen as only one of the components of a much larger initiative.

Decentralisation and effective devolution of responsibilities from central to strong sub-national governments can be an effective way to address service provision, economic development and the involvement of citizens and private investors in the provision of common goods. Decentralisation of responsibilities has been shown to increase the level and quality of public services and lead to a more efficient use of scarce resources.³ Thus, many countries now seek to increase the extent of decentralisation through a variety of strategies. In this regard, many African countries are developing new systems of local government finance and methods of infrastructure services provision (ISP). They are also reforming their regulatory and institutional frameworks. This Project investigates the recent experiences in six Sub-Saharan African countries by ascertaining the degree to which they have realised their set objectives using specific decentralisation indicators.

The long-term objective of this Project is to strengthen the process of decentralisation within the region by bringing local governments closer to financial markets, strengthening the system of ISP and establishing effective and stable administrative and legal environments. The strengthening of human resources capabilities is seen as an important part of this process.

The immediate objective of this Project is to undertake an analytical and consultative approach to this subject in the six Sub-Saharan countries identified above. The results of this

¹ In this report, the terms '*local government*' and '*sub-national government*' are used to describe the level of governments below the central government. The type of sub-national governments varies from country to country; but, in all cases, emphasis has been placed on selecting authorities that, to some extent, are directly accountable to local populations through some kind of an electoral process.

² The countries have been listed in the order in which the research was undertaken.

³ Chapter 3 in this Report pays more attention to some of the reasons behind decentralisation in Zimbabwe.

work are intended to provide useful new information and bring a greater degree of clarity and consistency to regional understanding of the requirements of decentralisation. This, in turn, is expected to lead to more efficient mobilisation of donor, public and private sector resources.

The main objectives of the Project, more specifically, are to:

- Facilitate the identification of priorities within each of the case study countries regarding the appropriate systems, procedures and processes of decentralisation. The findings, including the identification of decentralisation indicators, will also allow the future monitoring of the extent and nature of decentralisation in the research countries. The data should make it possible to measure progress toward achieving the objectives of decentralisation in the participating countries in the future.
- Foster cross-national learning on best practises within the field of decentralisation vis-à-vis ISP. The Study examines various models for decentralisation and alternative ways of providing and financing infrastructure and other local government services.
- Support private and public investors, as well as the donor community, in the identification of future needs and possibilities for investment in infrastructure and service provision at the local level and in the identification of future projects within the field of administrative and human resource capacity building. This research, with its database of decentralisation indicators, should provide a valuable guide to potential investors and international development banks (IDBs) in promoting the emergence of a regional market. It is hoped that by using this database and resultant private and IDB infrastructure investment plans, bilateral donors and the countries themselves will be able to plan capacity building programmes more effectively.

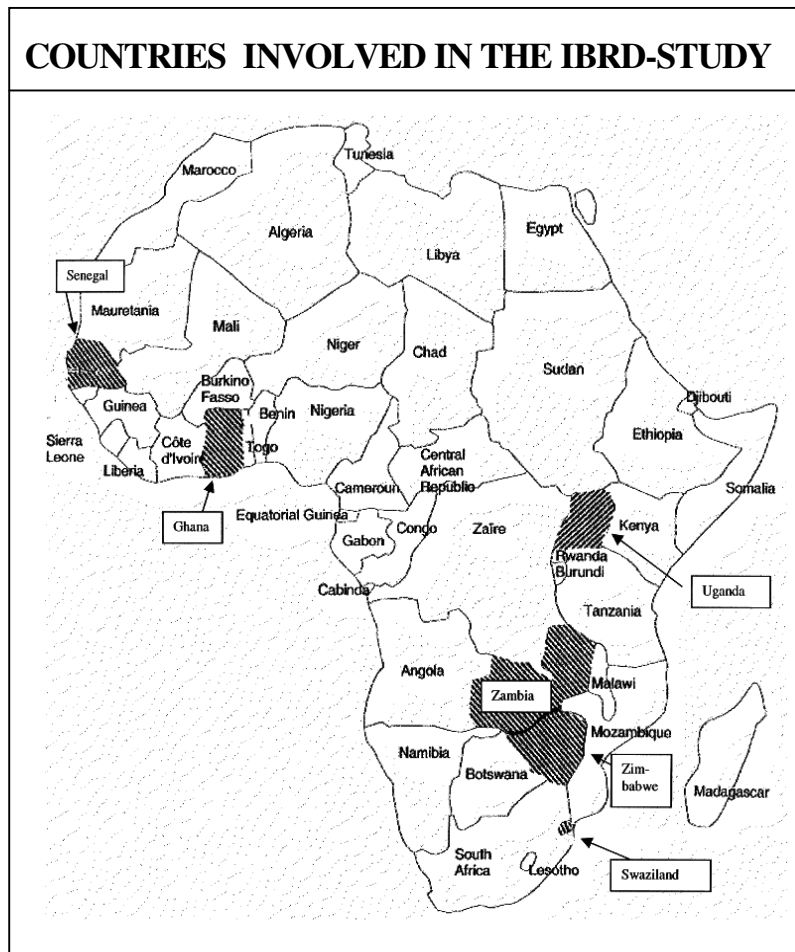
The study focuses on “*decentralisation*”. The definition of decentralisation varies across countries and between actors within various countries. In the Study, decentralisation is defined as “*devolution*”⁴ of power to independent sub-national governments that are given responsibilities for determining the level and the quality of service to be provided, the manner in which those services are to be provided, and the sources and types of funding for the delivery of those services. Decentralisation is seen as a gradual process where no countries are either fully decentralised or centralised. The study concentrates on the relationship between the central and the sub-national governments and not on the deconcentration or delegation of power within the central government system to regional or local agencies/offices.

⁴ This is in line with the definition made by Richard M. Bird, Robert D. Ebel and Christine L. Wallice (eds.), *Decentralisation of the Socialist State, Intergovernmental Finance in Transition Economies, Regional and Sectoral Studies*, World Bank, 1995, pp. 11-13. The term ‘devolution’ implies the transfer of responsibility and competence to democratically independent lower levels of government. This term is to be viewed as opposed to the term “deconcentration” that implies transfer of responsibility from central ministries to field officers at the local or regional level, thereby becoming closer to the citizens while remaining part of the central government.

The study analyses the major elements of decentralisation from central to sub-national governments, e.g. fiscal, administrative (tasks and decision-making power) and personnel management (e.g. competence within the field of hiring and firing) decentralisation.

1.2 The African Context

The Study comprises the six African Sub-Saharan countries (indicated below) selected for their expressed commitment to decentralisation of the public sector.



The Africa region is experiencing increased demand for infrastructure. This arises in part from rapid growth of rural and urban populations that require basic infrastructure for well-being and productivity. Well-functioning infrastructure is also a pre-requisite for productive investment and economic growth. In most African countries, fiscal resources are woefully inadequate to meet these demands, and/or the fiscal arrangements are not appropriate for this purpose. In addition, the structure of inter-governmental fiscal relations often does not provide adequate resources or incentives for improving infrastructure and services.

Decentralisation efforts in the African region are shifting much of the burden of infrastructure management and finance to sub-national levels of government. Many local

governments are newly formed and lack the capacity to fulfil these responsibilities, cf. the key-information in the following figure.⁵

PROFILE OF COUNTRIES INVOLVED IN THE STUDY			
ZAMBIA		SENEGAL	
Population: Total: 9.215 mill. (1996) Annual growth rate: 2.8% 15-64 years age: 5 mill. Above 64 years age: 3.7%	Local Government (LG): Year of recent LG-reform: 1991 No of levels of LG: 1 No. of LG: 72 Average Population: 128,000 Average staff: 1133 (1)	Population: Total: 8.534 mill. (1996) Annual growth rate: 2.5% 15-64 years age: 4 mill. Above 64 years age: 4.6%	Local Government (LG): Year of recent LG-reform: 1996 No of levels of LG: 2 No. of LG: 60 urban, 320 rural 10 regions Average staff: 474 (1)
Geography: Area: 762,000 sq. Km. Density: 12.1 inhab/sq. Km. Vegetation: High Plateau Savannah Climate: Tropical	Public Finance (revenues): Total revenue share of GDP: 21% LG revenue share of GDP: 0.8% Sources of LG revenue: (97) Own taxes: 21% Transfers: 3.4% Fees/charges: 23%	Geography: Area: 197,000 sq. Km. Density: 43.3 inhab/sq. Km. Vegetation: Savannah Semi dessert Climate: Tropical	Public Finance (revenues):(97) Total rev. share of GDP: 24% LG rev. share of GDP: 2% Sources of LG revenue: (97) Own taxes: 43% Transfers: 22% Fees/charges: 23%
GHANA		UGANDA	
Population: Total: 17.522 mill. (1996) Annual growth rate: 2.7% 15-64 years age: 9 mill. Above 64 years age: 4.8%	Local Government (LG): Year of recent LG-reform: 1998 No of levels of LG: 2 (2) No. of LG: 110 Districts + units Average Population: 159,300 Average staff: 540 (1)	Population: Total: 19.741 mill. (1996) Annual growth rate: 3.2% 15-64 years age: 10 mill. Above 64 years age: 3.6%	Local Government (LG): Year of recent LG-reform: 1997 No of levels of LG: 3 No. of LG: 1050 Average Population: 18,800 Average staff: 446 (1)
Geography: Area: 238,000 sq. Km. Density: 73.6 inhab/sq. Km. Vegetation: Rain Forest Climate: Tropical	Public Finance (revenues): (96) Total rev. share of GDP: 5.3% LG rev. share of GDP: 2.5% Sources of LG revenue: Own taxes: 18% Transfers: 64% Fees/charges: 18%	Geography: Area: 236,000 sq. Km. Density: 83.6 inhab/sq. Km. Vegetation: Savannah Climate: Tropical	Public Finance (revenues):97/98 Total rev. share of GDP: 16.1% LG rev. share of GDP: 4.5% * Sources of LG revenue: Own taxes: 15% Transfers: 66% Fees/charges: 5%
SWAZILAND		ZIMBABWE	
Population: Total: 0.926 mill. (1996) Annual growth rate: 3.1% 15-64 years: - Above 64 years age: -	Local Government (LG): Year of recent LG-reform: No of levels of LG: 1 No. of LG: 13 Average Population: 15,380 (1) Average staff: 118 (3)	Population: Total: 11.248 mill. (1996) Annual growth rate: 2.4% 15-64 years age: 6 mill. Above 64 years age: 4.7%	Local Government (LG): Year of recent LG-reform: - No of levels of LG: 1 No. of LG: 81 Average Population: 138,860 Average staff: N/A
Geography: Area: 17,000 sq. Km. Density: 47.1 inhab/sq. Km. Vegetation: Savannah Climate: Sub-Topical	Public Finance (revenues): (98) Total rev. share of GDP: 33.8% LG rev. share of GDP: 0.7% Sources of LG revenue: Own taxes: 71% Transfers: 18% Fees/charges: 6%	Geography: Area: 390,000 sq. Km. Density: 28.8 inhab/sq. Km. Vegetation: Savannah Climate: Tropical	Public Finance (revenues): (97) Total revenue share of GDP: 36% LG revenue share of GDP: 3.0% Sources of LG revenue: Own taxes: 21% Transfers: 33% Fees/charges: 35%

(1.) Average staff in sample SNGs (unweighted average). (2) Ghana has a large number of sub-units from 1998, approx. 16,000 units, public elected. (3) Only urban areas, estimated to cover approx. 200,000 inhabitants with 13 SNGs.

⁵ Financial data are drawn from the present Study on Fiscal Decentralisation (1998-2000). Figures shown for Zambia represent the average of 1994-97. Figures for Uganda date from 1997/98. Figures for Swaziland, Senegal and Ghana are from 1997.

As part of their decentralisation efforts, many African countries have begun to address *fiscal resource allocation and mobilisation*. This is an absolute necessity, but public resources are clearly not enough. Considerable *private financing* is also needed to meet the demand for infrastructure and services. In general, Africa has yet to attract significant private investment in infrastructure provision (especially electricity, urban water and solid waste), although some successes are starting to be registered.

To promote private sector participation, much more work needs to be done to ensure sound macro-economic fundamentals and good governance. Effort also needs to be made to develop capital markets and enhance the regulatory framework, institutional capacity and creditworthiness of utilities and local governments. In addition, the right mix of public financing (taxes, grants and user charges) is crucial for an efficient public sector.

Capital markets in African countries remain underdeveloped, and macro-economic stability, an essential requirement, is often lacking. Banking systems are weak and lack an effective regulatory framework. An enabling environment does not exist in most cases for long-term investments by social security agencies, pension funds and insurance companies.

Many governments are choosing to pursue decentralisation/municipal-strengthening programmes for a variety of reasons. The transfer of responsibility for local services to local authorities can help to limit demands on over-stretched central government budgets. Decentralisation can also allow a more efficient response to the needs of rapidly growing populations dispersed across extensive hinterlands. Broader government objectives to foster local democracy and accountability may also be supported through decentralisation processes, e.g. by bringing a closer relationship between the assignment of tasks and the financing of these tasks.

Multilateral and bilateral donors have also been broadly supportive of decentralisation initiatives in Africa and throughout the developing world in recent years. Many donors share the common objectives of linking enhanced service and infrastructure provision to the promotion of democratic processes and improved governance. Donors have naturally tended to focus their support on aspects of the decentralisation process that match their institutional strengths. Many bilateral donors have focused, for instance, on capacity building at the local level, legal and legislative reform and municipal administrative systems. IDBs have followed their comparative advantages by focusing on finance provision for key infrastructure and, increasingly, addressing market reforms required to mobilise private participation in provision of local services. In an increasing number of cases, donor support has been co-ordinated to assist government reform programmes more effectively.

The existing and proposed World Bank-assisted municipal infrastructure and strengthening projects in Sub-Saharan Africa encompass hundreds of millions of dollars in financing and include tens of millions of dollars required for complementary capacity building activities. To date, co-ordination among donors has been achieved by supporting country-specific projects. However, this approach has limited the scope of reform efforts, particularly in terms of promoting capital flow within the region into municipal infrastructure.

Among the diverse motivations and strategies of both governments and donors, the factors common to all decentralisation initiatives are the need for co-ordinated access *to finance* for critical infrastructure and services in tandem with *capacity building* at the local level. Some regional studies in Europe and Latin America show that the transfer of responsibilities for tasks to the local level without a parallel transfer of financial responsibilities (or the opposite) may lead to inappropriate results.⁶

1.3 The Regional Approach and the Methods of Work

Sufficient experience around the world has now been gained to allow development of a more systematic definition of the types of reforms and modes of assistance required to support government decentralisation initiatives.

The countries in which the World Bank is active in the Sub-Saharan region are at various stages in the decentralisation process. Indeed, taken as a group, these countries comprise a virtual continuum of the steps necessary to build strong municipal governance and infrastructure delivery systems. Given the rapidly emerging regional economy, the common goals of each of these countries in terms of delivering infrastructure through strong local governments, and the successful country-specific co-operation of the Bank and other donors, it would appear that a *regional approach* to building local government capacity and developing municipal finance markets would achieve a number of key efficiency gains.

Primary among these potential efficiencies, the research should improve *information flow* and assistance to participating countries in the region. By drawing participating countries into a regional effort, individual reform efforts should be greatly strengthened by the sharing of information on specific activities being undertaken in different countries. In addition, a regional programme should provide a *focal point* for private investors seeking to invest and participate in infrastructure and service provision. Finally, a regional approach should allow more efficient programming of donor resources over longer time horizons.

A key element in organising a successful regional programme of municipal capacity building and financial market development is a definition of a reform framework that builds on regional examples, systematises the key areas of reform and emphasises the interdependence of these reforms, leading to the desired ends. The first step of such a *framework* has been developed and is discussed in the following chapters. The framework contains indicators on the following five subjects:

- The division of tasks and responsibilities between various governmental levels and the general context for local governments, including the central government's commitment to decentralisation (Chapter 3)
- Municipal finance systems, including indicators on local government revenues, expenditures and inter-governmental fiscal relations (Chapter 4)

⁶ One example of this is the World Bank Policy Research Working Paper, No. 1387, "Fiscal Decentralisation and the Size of Government", Jaber Ehdai, December 1994.

- Elements of well-functioning municipal infrastructure delivery systems and infrastructure investment inventories (Chapter 5)
- The regulatory and legislative environment (Chapter 6)
- The institutional framework and basic capacity building requirements, including civil service reforms (Chapter 7)

Chapter 2 also contains an overview of international experience in the field of decentralisation, particularly as it relates to fiscal concerns. The elements of importance regarding local government infrastructure and service provision are dealt with separately, but are linked in the conclusions and recommendations presented in Chapter 8.

1.4 Indicators of Decentralisation⁷

As mentioned above, the analysis examines not only fiscal elements of decentralisation (e.g. revenue and credit possibilities), but also the institutional and regulatory environment for local governments and its interface with the financing of services and infrastructure. A large range of indicators covers different elements of decentralisation, although they are only partial measures of a complex system. Many of the indicators of decentralisation are interdependent and are assumed to have an impact upon each other. It is, for instance, not sufficient to have a large local government sector ratio in public expenses without a certain degree of influence and autonomy on the revenue and expenditure side. On the other hand, there is no value in having a high level of own expenditure decision-making power without some degree of control over the finance for services and infrastructure and access to stable revenue sources. The type and number of controls operating across levels of government are also key factors for measuring the level of decentralisation. Analysing the finance of infrastructure and services is necessary, but not sufficient. The regulatory and institutional framework must also be considered. It is, for instance, not appropriate to transfer all responsibility for service and infrastructure provision to local authorities that lack the human resource capacity to carry out their functions and to manage their financial autonomy.

There is no standard model for decentralisation applicable to all countries in the world or in the region. Appropriate decentralisation approaches have been initiated with different speed, form, content and procedure in various countries. Nevertheless, some major characteristics must be in place for decentralisation of government power actually to take place. Analysis of similarities and differences between country-specific decentralisation experiences should help identify practical solutions for making central/local government relations more efficient, effective and accountable to citizens. The indicators for decentralisation will be systematised in a final synthesis report for the six countries.

⁷ The problem of available data should be mentioned here. No common system of compiling statistics in the field of local government exists worldwide. There are several systems, each with its own logic, but none of them currently approaches the issue of finance from the sub-national government viewpoint. Therefore, the data should be evaluated with great caution. Despite these problems, the inevitable imperfections of this project should not hinder a first step in development of measures for comparisons and evaluation of progress.

A regional framework for municipal strengthening and infrastructure investment aims at being useful as both an analytical and an organisational tool. At the analytical level, compilation of data on infrastructure investment requirements, municipal finance systems, and relevant reforms inform each of the participating countries of the *tasks ahead*, while, at the same time, allowing quantification of country-specific and overall regional *needs for assistance*. On an organisational level, compilation of this framework should allow governments and donors to share information and programme assistance more efficiently over a longer time frame corresponding to each country's anticipated needs. It is also our hope that programming assistance on a multi-country or regional basis will provide greater flexibility to deploy resources in response to the rate at which key reforms are achieved in specific countries.

1.5 Finance and Organisation

A programme of the type described above is very ambitious. Therefore, the World Bank has identified a manageable *first step* as embodied in its "*Fiscal Decentralisation and Sub-National Finance*" programme which has been approved for funding under the Danish Trust Fund and USAID. This programme, which covers analysis of decentralisation in six countries (Zambia, Senegal, Ghana, Uganda, Swaziland and Zimbabwe), has been carried out in co-operation between the World Bank, the National Association of Local Authorities in Denmark (NALAD), USAID and local consultants in each of the six countries.⁸

The programme has emphasised the involvement of local experts in all phases of the country analyses and close contacts with the central and local government levels. The system in each country is examined both at the aggregate level and by use of sample local authorities representing different types of sub-national governments. These sample local authorities have been analysed in-depth and compared with the aggregate data at the central level.⁹

The *second step* is a discussion of the results of a national workshop held in each country and involving stakeholders from all levels of government, donors and experts within the field. The major findings of the national workshop are summarised in Chapter 9. A Sub-Saharan regional seminar will be held in mid-2000. There, research findings for the six countries will be compared, and regional lessons drawn.

The *third step* will entail the preparation of a regional synthesis report. The regional synthesis report will include broader benchmarks and indicators of progress in implementing decentralisation programmes on a regional basis.

⁸ The World Bank and NALAD have co-ordinated the work in all six countries. The Danish Trust Fund has financed the majority of the costs in four of the research countries and a part of the costs in the two other countries. USAID has financed the majority of research costs in the two of the countries (Ghana and Zimbabwe) and supported the study within the Zambia and Senegal.

⁹ Official statistics (IMF, OECD, national statistics etc.) combined with information from the sub-national and central governments has been used in the analysis. No single, unanimously accepted source of statistics for all countries in the world exists for finance, infrastructure and service provision of sub-national governments. Therefore, it has been necessary to adopt a pragmatic approach, where the official data have been combined with information available in the country and through experts at the central and local levels.

1.6 Executive Summary (Main Findings and Recommendations)

This Report has been funded by USAID, the World Bank and Danida and is based on a collaborative effort between USAID and the National Association of Local Authorities in Denmark (NALAD). The Study is a part of a larger Sub-Saharan initiative, covering six countries (Swaziland, Zambia, Senegal, Uganda, Ghana, and Zimbabwe), with the following main objectives:

- identify priorities in each of the six countries regarding systems, procedures and processes of decentralisation;
- foster cross-national learning on best practices; and
- support private and public investors (national as well as international) in the identification of future needs for investment in infrastructure and service provision at the local level, as well as the need for investment in capacity building in the field of administration and human resources.

The focal point of the Project is the sub-national governments and their environments in each of the countries.

The system of sub-national governments in Zimbabwe has been investigated using data and material from the central and local government levels. Seven sample local authorities - the cities of Harare and Kwekwe; towns of Gwanda, Rusape and Ruwa; and rural district councils of Gutu and Pfura - have been involved in the study. These authorities represent different types, sizes and regional locations of sub-national governments (SNGs) in the country.

The overall conclusion based on the seven sample SNGs is that local government in Zimbabwe runs on relatively sound and clearly regulated lines. Mayors and councillors are democratically elected, and the two associated national arms of government, the Ministry of Local Government and National Housing and the Local Government Board, perform the necessary regulatory and administrative functions to ensure effective operation of the system.

Government has stated a commitment to decentralisation by adopting 13 principles of decentralisation, and has taken steps to implement decentralisation in such areas as health and education. However, there are questions as to whether the present situation is sustainable, and whether the essential checks and balances applied are being used appropriately. On the one hand, there have been examples of abuse of power at the SNG level, while, on the other, SNGs are prevented from making decisions in critical areas like tariff determination by the current regulations.

We summarise this Report's main findings, conclusions and recommendations in the following paragraphs.

International decentralisation experiences (Chapter 2)

Chapter 2 highlights some of the international experiences from decentralisation. The analysis shows that there are many ways to obtain the most efficient level of decentralisation and the right mix between local autonomy, local capacity and the central government's need for co-ordination, especially in the field of finance. However, certain principles for revenues/expenditures and budgetary autonomy are generally accepted.

The context of sub-national governance in Zimbabwe (Chapter 3)

The government structure in Zimbabwe is mainly divided into central and local government. Local government comprises rural district councils (small urban growth points with their hinterlands of commercial farms and rural communal lands) and urban councils (i.e. cities, municipal town councils and local boards). Between central and local government there is the provincial council, which is largely a central government co-ordinating structure that represents different line ministries such as health, education, justice, etc.

Since 1990, the Government has taken concrete initiatives within the field of decentralisation. In 1991, government embarked on the Economic Structural Adjustment Programme (ESAP), and in 1998, the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) was launched. The two programmes entailed the creation of an enabling environment for greater, economic growth through exports and inwards investments and deregulation of the economy, with central government refocusing on its core business and decentralising local functions to sub-national governments. To support the decentralisation process, in 1996 central government came up with 13 principles and guidelines. These are summarised in table 1.1, below.

Table 1.1: Summary of the principles of decentralisation

- | |
|--|
| <ol style="list-style-type: none">1. That decentralisation is necessary and desirable based on the clear understanding that it promotes and strengthens democracy and civic responsibility as citizens participate in their governance and development.2. That decentralisation be defined and understood to mean the legislated transfer of functions and authority from central government to local authorities such as the rural district councils on a permanent basis.3. There is need for all Ministries to use the same local institutions for the implementation and management of decentralised functions and not to create parallel of separate institutions.4. That decentralisation is a process and not an event, as such, it should be implemented cautiously and progressively, having regard to the human, financial and material capacities of the local authorities to whom the transfers would be made.5. That in respect of all those activities and projects to be undertaken by local authorities, sector ministries retain the power and authority to set standards, monitor performance and consistency to national policies and standards, and intervene appropriately to ensure compliance.6. That an inter-ministerial committee of Ministers to manage decentralisation and capacity building be established. |
|--|

7. That central government, in implementing decentralisation shall strengthen financial, human and material resource capacities of rural district councils so as to make them effective institutions in the provision of the social and infrastructure services needed for suitable local development.
8. That central government will continue to be responsible for the provision of trunk services which impact upon more than one local authority area or are of a national character.
9. That the transfer of powers and functions by line Ministries to rural district councils be done by the line ministry concerned and that the Ministry of Local Government Rural and Urban Development will co-ordinate and facilitate this effort.
10. That all monies for recurrent and capital expenditure sourced by line ministries and are earmarked for rural district councils be disbursed to the rural district councils soon after the promulgation of the Appropriation Act.
11. That all loans to rural district councils should be channelled through the Ministry of Local Government Rural and National Housing.
12. That in Zimbabwe there be only two levels which collect taxes, levies and other user charges namely central government and local authorities.
13. That the Public Service commission will manage the transfer of personnel from central government to rural district councils where this happens as part of decentralisation.

Source: Discussion Paper on the Vision of Local Government in Zimbabwe, July 1999.

The provision of health and educational facilities and services, to a large extent, are being decentralised to local authorities in urban areas and the communities in rural district council areas. However, despite all the efforts and resources aimed at building the capacities of both rural and urban local authorities, little has been achieved in decentralising revenue mobilisation including external borrowing from the money and capital markets. In certain instances the decentralisation effort has been donor funded (e.g. through capacity building of local authorities), once the funding is exhausted there will be no reliable source of funding. Unless fundamental changes (including regulatory institutional and financial reforms) are put in place, decentralisation of functions may not be successful and will adversely affect infrastructure and service delivery.

The table below summarises the main findings, conclusions and recommendations with respect to Sub-national governance in Zimbabwe (Chapter 3).

Policy and Objectives (Central Government)	Findings	Comments	Recommendations
Decentralisation. The objectives of central government are to create self-sustaining SNGs. The 13 principles announced by central government in 1996 guide decentralisation. Decentralisation is understood to mean legislated transfer of functions and authority from central government to SNGs on a permanent basis. Functions of SNGs are laid down in the Urban and Rural District Councils Acts. The existing Lancaster House constitution does not provide for	The 13 principles are not yet fully implemented and do not refer to private sector involvement. Also the transfer of responsibility does not go hand in hand with the transfer of resources. Central government initiated funding mechanisms like SDF and PSIP either are not adequately funded or provide uncertain and varying amounts. Also, sample local authorities allege that the current decentralisation process is top down.	It should be emphasised that all Ministries use the same local institutions (especially SNGs) for the implementation and management of decentralised functions and not to create parallel or separate institutions. For instance, the running of schools has been decentralised to school development committees not SNGs, although SNGs are expected to build new schools.	Central government should continue with decentralisation in a co-ordinated manner, making sure that the transfer of functions is supported by financial and human resources. Also that the private sector should take a stake as one of the implementing sectors. Decentralisation should be discussed to allow for the bottom-up movement of ideas in order to determine what is feasible and the top-down movement of agreed

the existence of SNGs. However, the draft constitution which is under preparation refers to provincial, urban and rural councils			functions.
Capability building for the SNGs, and fiscal decentralisation	Central government has embarked on capacity building of SNGs through the Rural District Councils Capacity Building program and the Urban II and Private Sector Housing Programs. These programs have made good progress in as far as new infrastructure provision is concerned but little in terms of fiscal decentralisation.	High expenditure on infrastructure without sustainable sources of income for the maintenance and operation of infrastructure will result in short-term gains only.	In the short and medium term fiscal decentralisation should be the main focus, if the maintenance and operation of infrastructure is to be achieved.
Establishing a clear separation of responsibility between SNGs and CG	Although the responsibilities of SNGs are clearly laid down in the Urban and Rural District Councils Act, CG is still undertaking many of these functions. The responsibilities range from land use planning to the provision of water and other services	As long as SNGs know that CG is willing to undertake some of their functions free of charge, like what the Department of Physical Planning does, they will never take any steps to improve on the service. Hence there will remain many state functions at the local levels and the inherent accountability problems will adversely affect SNGs.	If the functions are carried out in co-operation between CG and SNGs (shared), it should be clear to both parties and the inhabitants who has the decisive mandate and responsibility. In the medium to long-term, focus should be on the separation of responsibilities between SNGs and CG so that accountability to the citizens is better handled.

Notes: CG – Central government; SNG – Sub-National Government;
Short-term – less than 5 years; Medium-term – 5 to 10 years; Long-term – more than 10 years

Public sector and sub-national government finances in Zimbabwe (Chapter 4)

The study shows that central government revenues rose from \$13.646 billion in 1994 to \$32.769 billion in 1997. This equates to an increase averaging 34% from year to year, which is much higher than the average inflation figure over the period. Expenditure also rose, dramatically increasing from \$16.583 billion in 1994 to \$36.454 billion in 1997, representing an annual average growth of 30%. There has also been an increase of central government debt in response to central government's widening funding shortfalls, with domestic debt rising by 136%, from \$12.875 billion in 1994 to \$30,3 billion in 1997. External debt has, however, been rising modestly over the period, reflecting changing patterns in borrowing strategies.

Sub-national government expenditures contributed on average 7.2% of total Public Sector recurrent expenditures over the period of review. This trend, however, contradicts the trend of decentralisation whereby local authorities are assuming greater responsibility for ISP. Evidence gathered in the field visits shows increasing financing demands by local authorities, and it is possible that the falling share of sub-national recurrent expenditures to the national figures is a reflection of aspects that need to be attended to in the decentralisation exercise.

The analysis shows some of the critical aspects that need to be addressed on the issue of decentralisation. For example:

- There is need to align the share of total Public Sector revenues and expenditure patterns to those revenue which accrue to sub-national governments vis-à-vis all expenditures the local authorities are expected to fund.
- The decentralisation of the health and education sectors from the central government level to the sub-national level has created hardships for the SNGs,

and most of them are finding it extremely difficult to fund these activities from their current revenue levels.

- The amount of money being invested by local authorities in capital development is falling in real terms. However, the availability of other funding sources, other than local authorities' own revenues, for the funding of capital development has alleviated the funding pressures.
- The largest single operating revenue source for sub-national governments is user charges (fees) for services rendered by local authorities, which include license fees and service charges. These constitute more than 50% of total sub-national revenues. It is, therefore, critical that the SNGs are provided with the autonomy to better harness this revenue source.

Central government disburses various types of transfers/grants to the sub-national governments. These are block/general grants, capital grants, specific grants, reimbursements, etc. Examples are health and education grants which are claimed by local authorities to fund shortfalls on health and education. In the past, grants were adequate, timely, and helped cover recurrent expenditure of councils in certain sectors. However, at present central government is finding it difficult to allocate its scarce financial resources, and transfers have become very unreliable both in terms of amount and time lines.

Finances from external sources like USAID, ADB and the World Bank have helped sub-national governments tremendously, and such funds are utilised mostly to finance capital expenditure for infrastructure e.g. housing, roads, water works, etc. However, sub-national governments are required to access these funds through the central government, and their indebtedness is also to the central government. Private sector funding of projects is very limited to isolated projects as a result of an understanding between a particular sub-national government and the private sector.

The amounts recovered on rates lag behind the value of the properties. In our view, the following factors will greatly improve the total amount of rates collected by sub-national governments:

- Updating of property values within a local authority should be undertaken more frequently (say every four or five years). Most local authorities amongst the sample group mentioned that they revalue their properties in 7 to 10 year intervals.
- The costing of economic levels of user charges should take place to meet the recurrent expenditure and to provide for asset replacement.
- Generally, local authorities should not depend on grant to finance normal expenditure. However, grants are needed to fund shortfalls in health and education, in the absence of autonomy to charge more economic fees.
- The ability of sub-national governments to access loans from both the public and private sector will affect the funds available, especially for capital development projects.

In 1998, USAID contracted Duff and Phelps Credit Rating to do an exercise of rating six local authorities (including Harare and Kwekwe), and the results of this study show that only one of the local authorities, Bulawayo, was creditworthy. However, it must be noted that the mere fact that all borrowings by sub-national governments require government approval, the general belief in the money and capital markets is that the central government will give an “implied” guarantee to the loan arrangements.

The table below summarises the main findings, conclusions and recommendations with respect to Chapter 4.

Central Govt Policy Objectives	Finding	Recommendations
SNGs should be autonomous	SNGs refer to central govt for approval to increase rates (for specific income groups). However because the proposed revenues from such income sources make-up a large part of SNGs’ budgets, the actual budgeted income substantially differs from actual income. SNGs refer to central govt for permission to borrow from sources other than central govt.	SNG budget systems must have internal mechanisms for approving all revenues to be recovered without the need to refer to central govt. SNGs must be allowed to access funding from money markets or capital markets (i.e. overdrafts or long-term loans).
Revenue allocation for SNGs’ services	SNGs’ basis for allocating revenues to costs centres is not related to the actual costs recovered from the specific activity	Accounting systems must be studied such that there is minimum cross subsidisation. As far as possible, costs must be fully recoverable from any cost centre. There should be more frequent updating of property values to ensure correct rating.
SNGs’ capital expenditure	Amounts of monies invested by SNGs in infrastructure related expenditures are not related to the actual service demands for most such capital projects. Amounts invested in sectors such as roads, water and lights appear to be a function of revenues/resources available as opposed to need.	Investments in the infrastructure must match demand and usage.
SNGs’ administrative capacities	<ul style="list-style-type: none"> SNGs’ functions are in themselves centralised. Internal municipality/city districts are mostly for “works” purposes, as opposed to having any administrative capacity. 	SNGs must decentralise further to allow for “on the spot” administration to be practised in respect of revenue recovery and distribution.

Sub-national infrastructure and service provision in Zimbabwe (Chapter 5)

Sub-national governments are responsible for a wide range of activities, including water supply, sewerage and drainage, solid waste management, street lighting, transport services, etc. Sub-national governments are also responsible for the operation of health care facilities, building and operating new primary schools and emergency services. While central government has devolved numerous responsibilities to sub-national governments, it has not devolved a corresponding level of financial support or revenue flows that would be consistent with the wide range of responsibilities. Some local authorities have stated that capital expenditure is lagging behind by as much as 10 years. Operation and maintenance budgets are under funded, resulting in deteriorating infrastructure.

Roads need rehabilitation and expansion to cater for increased traffic volumes. Due to inadequate Central Government action, sub-national governments are forced to carry out the

work on national trunk roads without compensation although national trunk roads are central government responsibility. The water supply infrastructure in Zimbabwe is generally good. Sub-national governments have been mainly responsible for the construction and running of primary schools since Independence. All local authorities are responsible for the clinics, while the larger cities like Harare are also responsible for running some of the infectious diseases hospitals.

The main constraint in the provision of public health services is that the Central Government prescribes the level of fees to be collected from the patients. The prescribed fees are far lower than the actual cost of service. As a result, there are insufficient funds to run the services efficiently and to expand the services. Drugs and equipment are in short supply. This results in some clinics referring many patients to the Government Central Hospitals, which are also failing to cope.

All the SNGs use traditional methods of budgeting for a tariff increases. This is arrived at by subtracting the estimated current revenue from estimated current expenditure. The problem with this method is that any increases in costs are translated into a deficit position. The tariffs charged by Councils are barely sufficient to cover operation and maintenance on existing infrastructure. The future for local authorities in as far as new infrastructure is concerned is quite grim.

Due to limited resources available to Central Government for financing local authority activities and due to high inflation, the ongoing debate is whether or not to allow sub-national governments to charge economic tariffs. From discussions with local officials of the Ministry of Local Government and National Housing and Ministry of Finance, there is growing consensus that sub-national governments should charge more economic tariffs, without necessarily obtaining approval from central government.

The table below summarises the main findings, conclusions and recommendations with respect to Chapter 5.

Policy and Objectives (Central Government)	Findings	Comments	Recommendations
To assign most of the ISP tasks to SNGs	All urban SNGs are involved in investment in new infrastructure projects particularly under the Urban II and Private Sector Housing Programs. Central Government is still heavily involved in the major part of new infrastructure projects in rural district councils, plus raw water supply for urban SNGs. Although the sample SNGs cover a significant share of the needs of the population for basic ISP, maintenance and operation are proving to be a problem. High urbanisation rate in recent years has increased the need for new ISP. A significant percentage of infrastructure is also beyond its economic life	The population coverage of most ISP areas (water, solid waste, health care, sewerage, roads and transport systems) is 70 to 90% for urban SNGs and 30 to 70% for rural SNGs. All infrastructure investments are through loans particularly through PSIP. Uneconomic tariffs are charged which seriously compromise cost recovery	<ul style="list-style-type: none"> • A review of the possibilities to transfer to rural district council ISP like water and sanitation and cost recovery for maintenance and operation should be undertaken in the short-term • Willingness to pay, affordability and local preferences should be taken into account when providing ISP rather than the use of the national standards. • Involvement of the public and private sector in the operation and maintenance of infrastructure should be encouraged in the medium-term. • Cost recovery should be implemented for all infra-

			structure, having regard to the need for special provisions to support the poor and those in weak income groups.
Involvement of the private sector in ISP	The private sector is involved in all ISP projects particularly the construction of ISP. But the participation is very limited. Due to the previous notion that ISP was the SNG of central government domain	The private sector has also been discouraged by the lengthy approval procedures, control on user charges in some sectors, the initial capital required as well as the risks involved in dealing with SNGs and central government	In the short-term a clear policy on private sector involvement should be developed. An enabling environment and adequate guarantees should be put in places for private sector involvement
To allow SNGs to charge economic tariffs in order to secure sustainable finance in ISP	SNGs are not charging economic tariffs because the tariffs are set based on norms rather than consumption. Also central government controls any increase of tariffs beyond 35% in high-density suburbs. The ability to pay for services is also affected by high poverty levels (72% of households in rural areas and 46% in urban areas are poor). Some ISP like street lighting have no direct tariff charge hence they are financed from other ISP tariffs	The fact that calculations for tariffs are based on norms compromises cost recovery. Also most tariffs are presented as a fixed figure without any variable component which also compromise cost recovery in an inflationary environment	<ul style="list-style-type: none"> • In the short-term all SNGs should be encouraged to use the formula in Section 5.46 for setting tariffs. • Tariff setting should be liberalised by CG so that SNGs are guided by market forces. • Cost recovery, to the extent possible, should cover all key ISP areas so that each pays more for itself. • SNGs should be encouraged to monitor the citizens' ability and willingness to pay, in order to deal with the effects of poverty

The regulatory environment in Zimbabwe (Chapter 6)

There are two key statutes that regulate the functions of sub-national governments in Zimbabwe: the Urban Councils Act (UCA) and the Rural District Councils Act (RDCA). The UCA provides for the establishments of municipalities and towns and their administration by local boards, municipal town councils. The RDCA provides for the declaration of districts and the establishment of rural district councils.

Other important Acts in the provision of infrastructure and services are Land Survey Act (Chapter 20:12) of 1933, Deed Registries Act and Education Act (Chapter 25:04). In addition to the above-mentioned legislation, the various Ministries are empowered to regulate particular activities through statutory instruments.

The current sentiment amongst sub-national government is that the legislation brings many players into the provision of infrastructure and services. Current legislation also gives considerable power to central government for infrastructure construction, standards and, in some cases, planning.

In terms of Urban Council Act, urban local authorities are not free to hire and fire senior staff specified in Section 131 of the Act such as the town clerk, chamber secretary, and any deputy and head of department or such other employee a council may prescribe. The hiring and firing of senior staff has to be approved by the Local Government Board. The Local Government Board is appointed by the Minister of Local Government and National Housing in terms of Section 116 of the Urban Councils Act. The functions of the seven-member board

are to provide guidance for the general organisation and control of employees in the service of councils and ensure the general well being and good administration of council staff.

Mobilisation of financial resources is also constrained by both legislation and government policy. For instance, urban local authorities have to submit some aspects of their budgets for approval by the Minister of Local Government and National Housing. The Minister has to approve some aspects of the budget relating to tariff and supplementary charges for high-density suburbs. There are delays of up to 6 months before these approvals.

Land use planning and management autonomy of local governments is very limited. Out of the seven sample local authorities, only the cities i.e. Harare and Kwekwe have town planners. The other five depend on the Department of Physical Planning for town planning requirements. The whole system is fraught with delays. Building guidelines and codes are established by central government and circulated to local authorities for implementation. In many cases, local authorities are not consulted when changes to plans are made by Department of physical planning.

Although the Regional Town and Country Planning Act provides for change of land use through special consent or consideration, the procedures can be used to a very limited extent. Any alteration, repeal or replacement of any master or local plan has to be approved by the Ministry of Local Government and National Housing. As a result, once prepared the local plans remain very rigid and restrict initiative innovation and flexibility.

Local authorities are not free to decide on the infrastructure and service provision on their own, for they require powers to do so from the Minister of Local Government as well as from the central government ministries and agencies which are involved in various components of ISP. For example, fees for health services are set by the Ministry of Health, and permits for transport are issued by the Ministry of Transport. The cities of Harare and Kwekwe are the only ones in the sample which have some degree of autonomy in preparing and approving land use plans. Local authorities have to get ministerial approval to borrow funds, including funds needed for infrastructure construction. Maintenance of this infrastructure suffers in most cases because local authorities cannot raise sufficient money due to central government tariff controls.

Decentralisation is seen as a way of promoting and strengthening democracy and civic responsibility, as citizens participate in local governance and development. In this spirit the Rural District Councils and Urban Councils Act have been amended through the Electoral Laws Amendment Act of 1997 to allow everyone to vote in local government elections, regardless of the property ownership status of the individual (previous legislation provided that only property owners could vote.)

Local authority budgetary process is provided for both in the Urban and Rural District Councils Acts respectively. The Urban Councils Act also provides that one of the functions of the executive committee in municipal and city councils shall be to supervise the preparation by the town clerk of annual draft estimates of income and expenditure for consideration by the council. In practice, there is a potential conflict and overlap between the

duties of the local government's financial and executive committees and this respect. Section 121 of the Urban Councils Act states that every committee shall prepare detailed estimates of income and expenditure on revenue and capital accounts and then submit to the finance committee which in turn presents the estimates to council for approval. However, the Rural District Councils Act is clearer in the budgetary process.

The fact that local authority budgets are on an annual basis presents problems in that infrastructure and service planning, implementation and funding are long-term. Hence, without a medium to long-term budgetary system, inadequate funds end up being mobilised, committed and allocated to infrastructure provision. As a result, external sourcing of funds also ends up being a yearly process. Where local authorities have medium and long-term infrastructure provision plans and budgets this assists in financing, planning and the sourcing of any external funding.

The table below summarises the main findings, conclusions and recommendations with respect to Chapter 6.

Policy and objectives (Central Government)	Findings	Comments	Recommendations
Administration and Management autonomy	<ul style="list-style-type: none"> SNGs are not free to hire and fire senior staff. Current legislation on those who aspire to be councillors does not include educational qualifications, personal integrity and honesty as part of the qualities of aspirant resulting in low quality councillors. The Urban Councils Act is not very clear on the delimitation duties of the executive mayor and the town clerk, resulting in confusion as regards responsibilities. 	<ul style="list-style-type: none"> It now takes close to six months to fill senior post and more than six months to get approval to fire senior staff due to length procedures involved. Sample SNG staff indicated that some decisions made by low calibre councillors negatively affect ISP, because some do not want councils to charge economic tariffs for fear of being voted out or being unpopular with party members. Current indications are that the executive mayor institution does not have sufficient checks and balances hence open to abuse. 	<ul style="list-style-type: none"> Legislation should allow councils to hire and fire staff, CG should only come in where there are disagreements, or alternatively create a special court of appeal to deal with disagreements Councillors should have a specified minimum level of education (e.g. 5 'O' Levels). Councillors and executive mayors should be more accountable to the residents, ratepayers and SNGs rather than to party. Their responsibilities should be clearly separate from the town clerks.
Financial resource mobilisation autonomy	<ul style="list-style-type: none"> SNGs are not allowed to increase tariffs for high-density suburbs beyond 35% without Central Government approval. Any new tariffs and supplementary charges for high density suburbs have to be gazetted through a statutory instrument, which takes close to 6 months to be passed by the Minister of Local Government resulting in delays on implementation. Government properties are exempted from rates. SNGs require the approval of the Minister of Local Government to borrow from state, other Local Authority funds and from the private 	<p>Central government controls seriously affect financial resource mobilisation, which directly affect the ISP. However, Ministries of Local Government and Finance have now taken a position to liberalise tariff setting and also improve the creditworthiness of SNGs so that they can borrow from the private sector. There are ongoing studies on the amendment of the law in order to accommodate the changes.</p>	<ul style="list-style-type: none"> SNGs should be allowed to charge economic tariffs so that their financial base is improved. Debt of SNGs should be controlled by means of debt limit legislation and the exercise of prudent management rather than the borrowing power approval processes that are lengthy. A one-city concept should be implemented so that both high density suburbs and other parts of the urban area are subjected to the same tariffs and rates. However the system should be flexible to ensure support for the poor citizens

	<p>sector through issue of stocks, bonds and bills.</p> <ul style="list-style-type: none"> CG has given directives to urban SNGs to treat those earning less than \$400 per month free of charge at their clinics and for rural SNGs to treat everyone free of charge 		
Planning and land delivery autonomy	<ul style="list-style-type: none"> Small urban centres including most rural SNGs rely on the Department of Physical Planning for town planning services. The same SNGs also rely on CG for land acquisition hence most have large expanses of state land Applications for development are handled by SNGs. Applications for land subdivisions are handled by Department of Physical Planning except for City, municipal and town councils. Local plans are approved by SNGs while Master plans are approved by the Minister and many SNGs do not have up-to-date plans. Minimum plot sizes, housing standards and ISP standards are set by CG. 	<ul style="list-style-type: none"> Land delivery is a very slow process due to the lengthy procedures; delays of six months to one year are very common. The surveyor general's office which approves all land surveys also adds to delays because it takes at least one year to get surveys approved. Delays of between 2 to 3 years have been experienced in getting leases agreements on state land. This has almost stopped development at growth points, where the urban state land office approves all leases 	<ul style="list-style-type: none"> Land acquisition and town planning and lease approvals should be decentralised to SNGs or provincial government offices so that quick decisions are made Approval processes for permits and development plans should be decentralised to SNGs, so that approvals are done in timely fashion.

The sub-national institutional environment in Zimbabwe (Chapter 7)

Local authorities in Zimbabwe have three distinct levels at which controls are exercised over their operations. The **political level** is the highest point of control, comprising the councillors as elected representatives of their communities. The next level down is the **policy level**, which is constituted by the councillors, the executive committee and other functional committees of council. The lowest level is the **management level**, comprising the executive mayor or chief executive officer, the town clerk and heads of department. These three levels are intended to provide checks and balances in the operations of the local authorities as well as to ensure that local needs are met.

The policy formulation responsibility in local authorities is the task of relevant committees of the council e.g. Finance Committee, Works Committee. These committees lay down policies for implementation by council management including policies on ISP. Again, as already indicated, implementation is often constrained by lack of adequate financial resources.

The basic employment conditions for sub-national governments are primarily regulated by Sections 131 to 148 of the Urban Councils Act, Sections 65 to 70 of the Rural District Councils Act and the Labour Relations Act. Sub-national government are not, generally, required to conform to civil service employment regulations although, in reality, the two sectors follow similar traditions and practices relating to employment conditions and standards.

Current legislation provides that the recruitment of senior staff (or designated positions) be approved by the Local Government Board or the Minister of Local Government in the case of rural district councils. The Board currently constitutes a significant impediment to efficient operations of councils. Recruitment of senior staff takes a long time because of the Local Government Boards delays. It was indicated to us that some positions have taken more than six months to fill. In our view, the Local Government Board could still provide the necessary checks and balances by reviewing and approving all decisions but on a “no objection” basis.

Local authorities in Zimbabwe have started using information technology in their operations. However, in most instances, there is under-utilisation of the potential of available technology. Most of the sample local authorities covered in the study, including the rural district councils, are at various levels of computerisation. The study established that while other local authorities have strategies and action plans for the systematic training of existing staff in order to upgrade their administrative and/or innovative capacities, others do not have.

Most local authorities have some measures for analysing internal procedures with the aim to re-adjust the administrative processes to facilitate optimal use of scarce resources. It is not clear how systematically applied the procedures are. The local authorities have internal audit units/ or departments for carrying out internal checks and controls and to review and advise on improvement of systems.

Generally, the level of local authorities technical and financial staff's experience with the daily management of the infrastructure components is low.

The table below summarises the main findings, conclusions and recommendations with respect to Chapter 7.

Policy and objectives (central government)	Findings	Comments	Recommendations
The Central Government policy intends to confer greater administrative and operative autonomy to SNGs.	<p>The powers conferred by law on the Minister of Local Government are regarded as limiting the initiative of local authorities to run their affairs in a manner they see fit.</p> <p>Local authorities are constrained by the need to refer to the Local Government Board decisions on recruitment and firing of senior staff – this adversely affects the quality of staff</p> <p>There are controls on remuneration of senior staff and this constrains the ability of local authorities to attract and retain suitable staff.</p> <p>Technical and financial management skills in local authorities are generally low.</p>	<p>Local authorities can increase their potential to attract and retain staff if they are given autonomy to make decisions on staff recruitment, remuneration and dismissal.</p> <p>The Local government Board plays an important role as a safeguard against the whims and excesses of council officials but, in practice, the Board currently constitutes a significant impediment to efficient operations of councils.</p>	<p>Local governments should be granted the autonomy to recruit, remunerate and dismiss staff on the basis of their circumstances and special needs.</p> <p>Local authorities should also be able to determine the number and qualifications of their staff and, thereby establish greater accountability.</p> <p>The Local Government Board should be retained to review and ratify decisions of local authorities on a “no objection” basis.</p>

	<p>Local authorities in Zimbabwe have started using information technology in their operations but there is under-utilisation of its potential.</p> <p>The process of planning, development, control and land delivery is not always viewed as clear and transparent</p>		
<p>The establishment of an efficient and effective local government institutions to assume responsibility for decentralised functions.</p>	<p>The regulatory framework imposes constraints to the local authorities on dismissal, remuneration and hiring of senior key staff.</p>	<p>The whole concept of decentralisation is being viewed with mixed feelings among local authorities. On the one hand, there is welcome of the autonomy this will bring but, on the other hand, there is concern that decentralised activities have not been supported by financial commitments from central government.</p>	<p>On balance, local authorities in Zimbabwe are reasonably well-developed and competent institutions. It is recommended that the process of devolving authority (and hence greater autonomy) to local authorities should be speeded up.</p>
<p>Develop capacity of local authorities to innovate and improve their management capacity</p>	<p>Various local authorities have some innovative programs to improve their management performance including in such areas as outsourcing of services, privatisation, commercialisation and capacity building</p>	<p>A number of examples are available of specific management practices and arrangements being pursued by local authorities in Zimbabwe.</p> <p>Local authorities also have experience with and access to specialist expertise that assists them in identifying innovative management approaches.</p>	<p>It is recommended that local authorities build on their experiences to date to strengthen their innovative capacities. This also requires that there be a greater sharing of knowledge and experience among the SNGs.</p> <p>It is recommended that there should be greater co-operation between central and sub-national governments in the budgeting process by setting up a formal forum for financial negotiations between the two.</p>
<p>Enhancement of self-governance among local authorities</p>	<p>The extent to which administrative practices support self-governance and decision making at local level vary. However, there is a general perception of lack of autonomy and self-governance, and this constrains the process of policy formulation and implementation in local authorities.</p>		<p>There should be a greater effort to strengthen the policy-making structures of local authorities (management committees) through a combination of training, empowerment and accountability.</p> <p>Simultaneously, civic society involvement in SNG affairs needs to be enhanced through better information disclosure and education on civic rights and entitlements.</p>

CHAPTER TWO

DECENTRALISATION OF THE PUBLIC SECTOR – OBJECTIVES, METHODS AND EXPERIENCES

2.1 Introduction

The development of democracy and decentralisation at the local level has increasingly captured international interest, especially developing countries and Eastern European countries in transition. The main objective of this development is to improve public sector operations and thus contribute to the quality of life of citizens.

Decentralisation has been an important method of tackling many of the challenges of the nation states. These include increasing demands on public services, demographic pressure (more elderly and young people) and growing public expectations regarding the quality of services.

Decentralisation is characterised by public accountability, as the local self-government is subject to democratic control. Decentralisation allows citizens to participate in and influence the decisions made by the councils of local authorities. Decentralisation thus forms an important component of the development of democracy, as reflected in the *European Charter of Local Self-Government* adopted by the Council of Europe in 1985. The basis for decentralising public tasks and financing consists of several components, of which the following are of major importance:

- Local self-government denotes the rights and the abilities of local authorities, within the limits of law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population (art. 3.1.)
- Public responsibilities shall generally be exercised, in preference, by the authorities, which are closest to the citizens. Allocation of responsibility to another authority should weight up the extent and nature of the task and the requirements of efficiency and economy (art. 4.3.)
- Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers (art. 9.1) ¹⁰
- At least a part of their own resources should be derived from local taxes and charges of which, within the limits of the statute, the local authorities shall have the power to determine the rate ¹¹

¹⁰ European Charter of Local Self-Government adopted by the Council of Europe 1985. "Own" resources means the "possibility freely to dispose of".

Decentralisation to lower levels of government is a complex phenomenon. It involves issues of finance, administration, control, regulation, reporting and accountability – all comprising part of the interrelationship between levels of government and with semi-public and private actors as well. The complex system of intergovernmental relations comprises the term **governance**, where “*good governance*” implies a focus on accountability for performance and results, i.e. the provision of services to the citizens in an efficient, effective and responsive manner. The shift from jurisdictional and procedural concerns to “good governance” marks a shift in paradigm that is of vital importance for the functioning of the public sector.

The importance of decentralisation can further be seen from the development in the democratic perspective of the European Union, where the role of local authorities is being strengthened. Recent amendments to the Treaty of the European Union state that the Union is one “in which decisions are taken as closely as possible to the citizens” – the so-called principle of “**subsidiarity**”. This principle has also been the main strategy in other parts of the world and a guiding principle for many countries in development and transition.

Local and regional authorities in this way play a central role by having a close relationship to citizens and have greater influence on how democracy, efficiency and transparency develop. This ensures that the provision of public services is most responsive to local needs and conditions.

Most public services to households and enterprises are generally most efficiently provided by local government. Efficient decisions must be based on good information, and it can be very difficult at the central level to secure necessary information about local matters. Local government service provision also makes it easier to adjust the service level and quality to meet the expectations and needs of the citizens within a given area.¹²

Fiscal decentralisation is generally accepted as the way to enhance political, institutional and economic development. The economic benefits from decentralisation are difficult to quantify, but evidence in Denmark, Norway and other countries shows that there is a U-shaped relationship between average expenditure for administration and the size of the authority. This suggests that both very small and very large units are costly compared to those of medium size.¹³ Evidence shows that local government in most countries with less than 5,000 inhabitants will generally be too costly to provide services at the local level.¹⁴

Parallel to this development, the international community, especially donors, increasingly demand democratic progress and decentralisation by the recipients of aid, and of applicants

¹¹ Alain Decamp: Working group on “The European Charter of Local Self-Government, Finances of the Local Authorities” (implementation of Article 9 of the Charter), Strassbourg, Oct. 21, 1997.

¹² The argument for more efficient operation of the public sector was mentioned in the debates in the Nordic countries when local governments were legislated in the mid 19th century.

¹³ Cf. e.g. in Kenneth Davey and Gábor Péteri: “Local Government Finance: Options for Reform”, Nagykovácsi, 1998, p. 19 ff.

¹⁴ Kenneth Davey: “Political and Fiscal Decentralisation-Reforms in the Baltic Sea States – Proceedings of the Regional FDI Conference”, Section on: Public Administration in Central and Eastern Europe, November 24-25, 1999 Copenhagen.

wishing to join their clubs. Crucial in the development of a democratic society is the establishment of local authorities with elected councils, functions to perform and financial backing.

This Chapter describes trends in the development of the modern, decentralised public sector and some of the major *indicators* of decentralisation. The presentation primarily focuses on and trends in the OECD countries, but also provides a comparison to the situation in some of the Sub-Saharan countries involved in the research. This overview of international decentralisation experience, particularly within the field of local government finance, allows the results of the country research to be seen in a more global context.

Despite common decentralisation objectives among many countries and within international fora, the experiences have shown that the practical implementation of decentralisation and the time span required for it vary greatly from one country to another.¹⁵

In some of the OECD countries, the historic development took the form of federations of states with independent legislative powers. This occurred because people, for historical reasons, were unwilling to accept central authority, or because cultural and other differences made it impossible for them to live together in a unitary state¹⁶. The federal constitutions guarantee the rights of the member states to perform specific functions, and it secures their methods of financing. The federal countries often have strong anti-central attitudes, but decentralisation beyond the intermediate state level is left for the states to decide upon, and decentralisation to the local level is not impressive.

In the unitary countries, decentralisation was historically initiated by a centre and was driven by reasons of democracy and/or of efficiency.

Unitary and federal decentralisation policies are very different issues. Decentralisation in the federal sense is usually very clear and absolute, but this is rarely the case when unitary countries delegate functions.

The parliaments of unitary countries rarely decide to decentralise all of the functions suited for delegation to local authorities. Often, decentralisation has been viewed as being a more effective way to deliver centrally delegated public services than would have been the case with central provision. Countries torn by internal religious, ethnic, linguistic or other tensions often need to apply a federal model with an independent regional tier of government. Countries organised as unitary states may have internal divisions, and they may benefit from including features from the federal model in the organisation of local government. In both cases, to gain the benefits from efficiency and democracy, decentralisation to the lowest level should not be neglected. The present study on decentralisation in African countries focuses on decentralisation to the lowest level, the towns and municipalities (and in some countries districts/regions), and not on federal solutions.

¹⁵ The information about particular countries relates to a recent year. It has not been possible to check if reforms that are more recent have changed the situation.

¹⁶ In the case of Germany, the allied forces imposed the federal solution after the war in order to prevent the re-emergence of a strong German state.

2.2 The Global Trend of Growth of the Public Sector, Financial Constraints and Conditions for Decentralisation

The role of the public sector as supplier of services and welfare benefits has constantly increased since the age of industrialisation, as witnessed by the development of tax ratios over the years. OECD records show that tax ratios (tax revenues as percentages of GDP) have increased since 1965 by half: from 26% to 38% (see *Table 2.1*).

Table 2.1: Tax Ratios as per cent of GDP 1965-94, OECD Countries

Ratios in per cent	1965	1970	1975	1980	1985	1990	1994
OECD-countries	26.3	29.5	32.5	34.1	35.9	37.0	38.4

Source: Revenue Statistics. OECD. 1997.

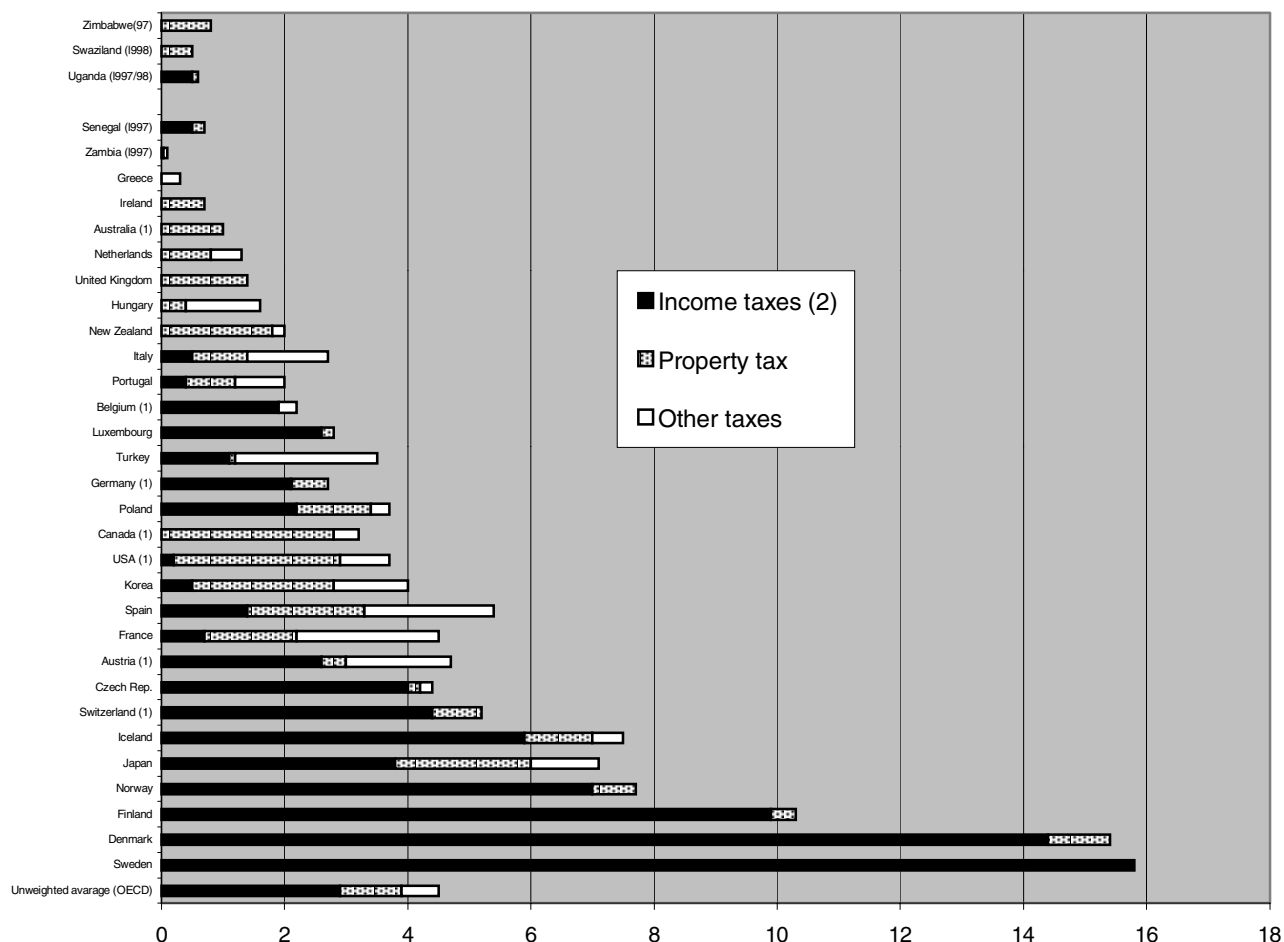
In this three-decade period, most countries have experienced a steady increase in demand for public services. The political willingness to meet this demand has prevailed within the concept of the welfare state, the result being a substantial increase in the provision of services. Among the most important reasons for the increased demand for institutionalised welfare services has been the trend toward an increasing number of elderly people in many countries and the longer duration of education combined with increased employment of women outside the home. However, there is no single, generally accepted economic explanation for this growth in public services. Income elastic demand, new knowledge and technology, imperfect organisation and decision making all have been shown to contribute.

One reason why it has been so complicated to explain the growth of the public sector is that it is not a direct result of the working of economic forces; rather, it is a product of political decisions. Any service may be public if it is politically decided that it is to be tax financed, supplied free of charges or subsidised. Therefore, the concept of public services is not given and not uniform between countries.

The importance of the *local government sector* is shown in *Table 2.2*, which indicates local government tax as a share of GDP (see also Appendix No. 1 to Chapter 2):

Table 2.2

Local tax revenues as per cent of GDP. 1997 for OECD countries and 1997/98 for African countries



Source: OECD, Revenue Statistics 1965-1998, OECD 1999. African countries: Data from the present Study on Fiscal Decentralisation and Sub-National Finance, collected from various sources (unofficial data). Zambia, 1997 figures, Source: Central Statistical Office. Swaziland 1998, Ghana 1996, Senegal 1997, Uganda 1997-98, Zimbabwe 1997.

The tax financing of services in any country is a political choice, and it is a political responsibility to ensure that taxpayers are only burdened with the cost of such services, and only for very good reasons. Welfare services and transfer levels for redistribution can be unrealistic when considering the economic capacity of the country. The result then becomes high taxes or inflation followed by low economic growth and a decline in available resources.

Decentralisation is sometimes seen as one way to create greater accountability in the public sector, e.g. a way to keep spending within the capacity to tax. However, experience from a number of countries shows that decentralisation may also take place under conditions of general financial constraints, where central government transfers responsibilities for public service provision to lower levels of government without a corresponding transfer of financial means.

In many cases, there has been a tendency that the financing was not decentralised with the public service functions. In the post World War II decades, expenditure on public welfare services grew quickly in many countries, resulting in so-called “vertical imbalances” and the need for central government grants. The same process is now being repeated in several of the countries in transition in Eastern Europe, Asia and Africa. It is noteworthy that decentralisation in some Latin American countries seems to follow a reverse pattern: to guarantee decentralisation revenue before decentralising responsibilities.

Decentralisation can be a less painful way in the short-term for central governments to overcome national budget constraints and unbalances.¹⁷ It can be justified to the extent that efficiency gains are generated by decentralisation of responsibilities. This again requires lower levels of government to be furnished with some degree of managerial and/or financial discretionary power and autonomy in order to be able to compensate by innovation, flexibility and adaptability to local needs and conditions. In this way, decentralisation can be seen as a major option for promoting “good governance”.

The size and organisational structure of the public sector in any country is very much a result of political choice. However, data suggest that it is most likely that the public sector’s role will increase for countries in early stages of development.

Therefore, the role of the public sector will remain one of the most important political issues in any country. The central and local governments’ ability to collect taxes is crucial to finance public services. The public sector of developing countries can be expected to grow with economic development. Developing countries must prepare their institutions so that this development is efficient, government spending is controlled and resources are mobilised. Decentralisation is one way to mobilise needed resources and improve performance.

The benefits of public expenditures have to be carefully weighted against their costs. Poor management and wasteful misallocation in the public sector can easily result in stagnation of the whole economy, popular mistrust of politicians and increased levels of tax non-payment. These risks can be minimized under certain conditions by decentralising the public sector and thus mobilising local populations to scrutinize and control the level of expenditure and taxes.

An inefficient public sector will not become efficient by decentralisation alone. First, problems of control/supervision and of local organizational and administrative capability must be solved. The need for justice must be satisfied, legal rights guaranteed and democratic controls established¹⁸. Related efficient administrative systems such as budget and accounting systems,

¹⁷. Unfunded mandates may also preclude the implementation of legislation and new tasks and jeopardise cordial central/local government relations. . This has especially been the case in a number of Central and Eastern European countries (in transition), where many tasks have been transferred without sufficient finance, cf. Ricard M. Bird, Robert D. Ebel, and Christine L. Wallish (editors), “Decentralisation of the Socialist States, Intergovernmental Finance in Transition Economies, International Bank of Reconstruction and Development, Regional and Sectoral Studies”, 1995.

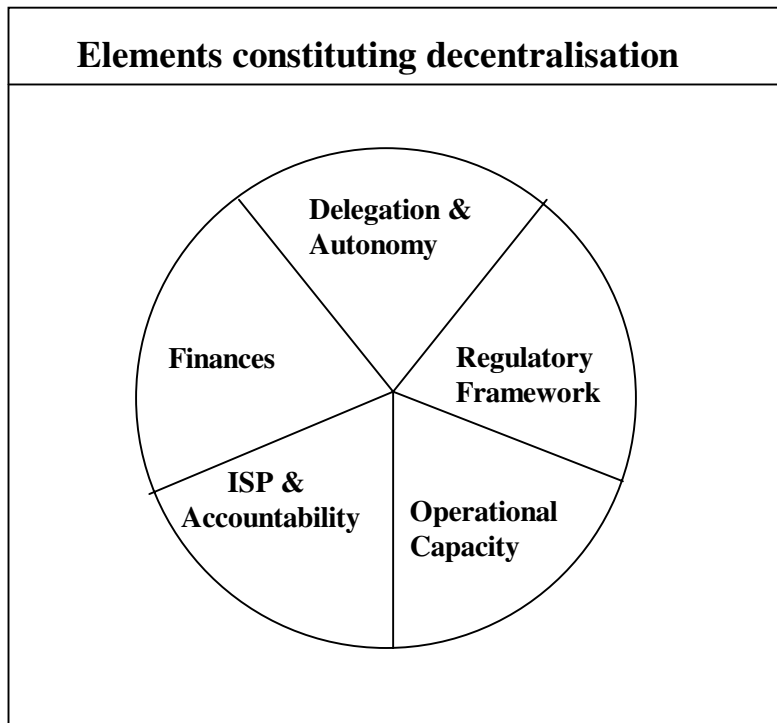
¹⁸ These issues are central in the IBRD World development report 1997, which concludes (pg. 162) that “strengthening the rule of law must be a vital first step” For African development.

indicators for services provision/performance, and audit and tax systems should be developed as well. Without these conditions, decentralisation of the public sector cannot serve its purpose.

2.3 Indicators of the Decentralisation of the Public Sector

The major elements constituting decentralisation of the public sector are shown in the figure below.

Figure with Indicators



ISP = Infrastructure and Service Provision

2.3.1 Delegation, Responsibility and Autonomy

Some of the necessary indicators of decentralisation are the relative sizes of local government revenues and expenditures.

2.3.1.1 Decentralised public purchasing power by disbursements and actual local government consumption

The extent of actual decentralisation is difficult to describe, but one of the first appropriate indicators is local government expenditure. An analysis of public expenditures shows that only four of the eighteen OECD countries allocate less than 7 per cent of GDP to local government (see the tables below).

Table 2.3: Local Government Disbursements as per cent of GDP (1995)

	Disbursements	Consumption
Zambia (1997)	0.5	
Senegal (1997)	1.8	
Ghana (1996)	2.6	
Uganda (97/98)	4.0	
Swaziland (1998)	0.6	
Zimbabwe (1997)	3.0	
OECD-countries:		
Australia	4.1	0.0
Austria	7.1	3.7
Belgium	7.0	4.4
Canada	11.2	8.9
Finland	18.4	14.4
Denmark	24.4	17.5
France	7.9	5.1
Greece 94	3.8	3.2
Germany	5.8	3.8
Iceland	7.7	5.3
Ireland 94	10.6	7.7
Italy	12.0	7.5
Japan	12.8	7.4
Korea	10.1	4.8
Netherlands	14.0	6.9
Norway	16.9	12.6
Portugal 93	3.9	2.9
Spain 94	9.8	6.2
Sweden	22.2	17.8
UK	10.1	7.3
US 93	13.7	9.5

Source: The table is based on OECD National Accounts Statistics. The figures show net of fees and charges. The figures from the Sub-Saharan countries are of various sources and from the Study and should be treated with due caution. Zambia: Data from 1997, Source: Ministry of Finance. The concept of local government includes provinces and regions, but not the state level in federal countries. For Australia, the OECD figures have been adjusted to exclude state finances.

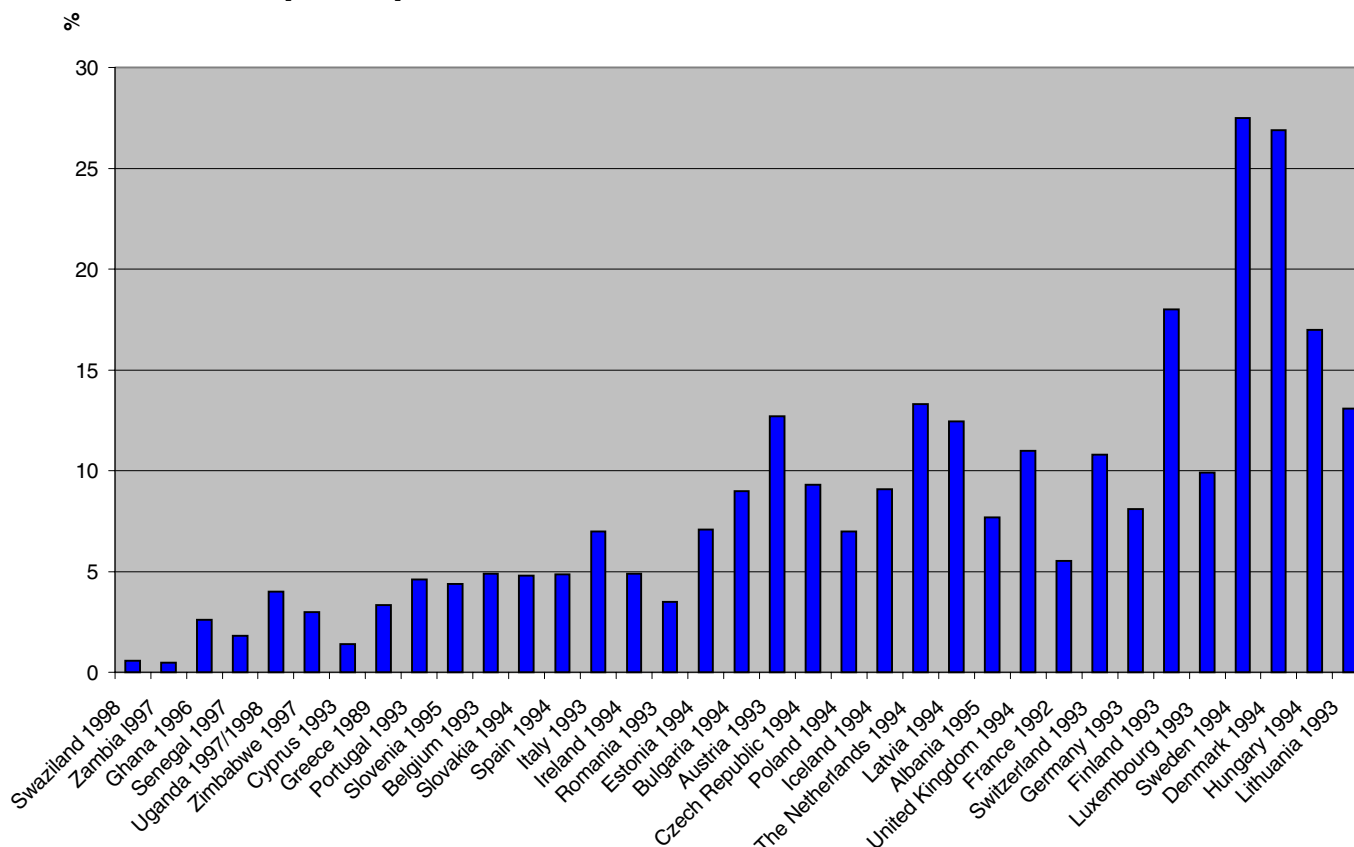
Disbursements include: Transfers as well as service expenditure. For Denmark, agent-type transfers have been deducted from the OECD figures. Capital expenditure is not included.

Consumption is local government salaries and purchases. The figures for the African countries are derived from the present research (different sources), and a direct comparison should be made with great caution. Figures for the African countries are drawn from the case studies on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision and not from official figures. Senegal: 1997 figures based on extrapolation. Uganda 1997/98 figures and Swaziland 1997 figures.

Table 2.4 below shows local government expenditure in relation to central government expenditure:

Table 2.4: Local Government Expenditure in Relation to Central Government Expenditure

Municipal expenditure in relation to Gross Domestic Product



Council of Europe, "Local Finance in Europe", No. 61, Strasbourg, 1997. Only the municipal level of local governments. Figures from African countries were collected as a part of the study on Fiscal Decentralisation and Sub-National Finance, 1998-2000 (unofficial figures) and include all sub-national governments. 1) Figures from DK include expenditures, which are 100% reimbursed by the State.

Developing countries seem to have a lower local government share of the GDP and of total public expenditures. This tendency has been confirmed by the present study. An example is Zambia, where the local government expenditure only constituted approximately 3% of the total public expenditure in 1997.¹⁹

Such figures are, of course, only a first step in comparing the differences between countries. For example, tightly controlled countries, such as Japan, may rank higher than justified by the actual degree of decentralisation. In the Netherlands, the high figure for local government expenditure is very much due to decentralisation towards private non-profit organisations/associations and not to democratic local authorities. This pattern is also seen in El Salvador, Bolivia, and a

¹⁹ Data are from the Study on Fiscal Decentralisation and Sub-National Finance. The figures are based on data from the Ministry of Finance in Zambia.

number of the research countries. It is clear that an analysis like this has to be supplemented by other indicators of autonomy as well.²⁰

2.3.1.2 The decentralisation of tasks and responsibilities across levels of government

Local Government responsibilities for the provision of public services vary greatly from country to country. These responsibilities are in some countries decreed by the constitution, in others by separate legislation and in a few by a presidential decree. The responsibilities could be fully decentralized or they could be decentralised in some cases and shared among different levels of government in others. Furthermore, the distribution of responsibilities can be seen in close relation to the issue of the degree of autonomy concerning specific responsibilities. Information concerning distribution is not available in a systematic way for all OECD countries, and, accordingly, the table below only includes countries with available information.

Table 2.5: Local Government Responsibilities²¹

	Education	Health	Social Security & welfare	Housing	Community amenities	Recreational & cultural affairs	Economic services
Uganda	S	S	S	SG	SNG	SNG	SNG
Senegal	S	S	S	S	S	S	S
Ghana	CG	CG			S	S	S
Swaziland	CG	CG			CG/SNG	CG	CG
Zambia	CG	CG	S	S	SNG	NA	SNG/S
Zimbabwe	S	S	S	S	SNG	S	SNG
Latvia {1}	S	S	S	S	S	S	S
Austria {2}	S	S	S	SNG	S	S	S
Belgium {2}	SNG	S	S	SNG	SNG	S	S
Denmark	S	SNG	SNG	SNG	SNG	S	S

²⁰ One example of very controlled functions recorded as local expenditure is Japan, where functions delegated to local authorities until recently have been regarded as central expenditure disbursed by local authorities (“agency delegated functions”). Another example is Slesvig-Holstein, a German land, where decentralisation of the schools only means that the local authorities can build the schools. The Ministry strictly details everything taking place inside the schools. Chapters 6 and 7 explore these indicators further.

²¹ The table shows where the **major** responsibilities are assigned. Within each category, some minor tasks may be carried out by another level. The following sources have been used to complete the table:

2nd Questionnaire on the Responsibilities of Local Authorities” contributions from Country Experts to the Council of Europe’s Working Group on “the European Charter of Local Self-Government”

”Regional and Local Government in the European Union” by the Committee of the Regions: Sub-Commission on Local and Regional Finances, February 1996.

“Strategy Development on Decentralizing Public Administration Structure”, by VNG: Association of Netherlands Municipalities, 1996.

“Kap. 7: Opgavefordelingen i andre lande – Opgavekommissionen” by the Danish Minister of the Interior, October 1998.

“Managing Across Levels of Government”, OECD Report 1997.

“The Reform of Inter-governmental Fiscal Relations in Developing and Emerging Market Economies” by Anwar Shah: The World Bank’s Policy and Research Series no. 23, 1994.

“Nordic Local Government” by E. Albæk, L. Rose, L. Strömberg and K. Ståhlberg: The Association of Finnish Local Authorities, Helsinki 1996.

{1,3,4}							
Finland {1,3,4}	S	SNG	SNG	SNG	SNG	S	S
France {3,2}	S	S	S	SNG	SNG	S	SNG
Germany {2,5}	S	S	SNG	SNG	SNG	SNG	S
Iceland {1}	S	S	SNG	S	SNG	S	S
Ireland {2}	CG	CG	CG	SNG	SNG	S	S
Japan {5,6}	S	S	S	SNG	SNG	SNG	S
Netherlands {1,2}	S	S	S	SNG	SNG	S	S
Norway {3,7}	S	SNG	SNG	SNG	SNG	S	S
Portugal {1,2}	S	S	S	S	SNG	S	S
Spain {2}	S	S	S	S	SNG	S	S
Sweden {1,2}	S	SNG	SNG	SNG	SNG	S	S
UK ²² {1,3,2}	S	S	S	S	S	S	S
US {5}	S	S	S	S	SNG	SNG	S

The tabulation comprises: CG=Central Government, S=Shared & SNG=Sub-National Government.

Comparisons of functions delegated to various levels of governments show a surprisingly uniform pattern between countries. The difference between a highly decentralised country, with strong local authorities and a high degree of autonomy, and a very centralised one is seen, not so much in the number of functions delegated, but in the degree of freedom left to local authorities to decide which services to offer their citizens and how to implement such services.

The basic local functions - sanitary measures, road maintenance, street lighting etc. – have traditionally been purely local services financed out of local fees, charges and taxes. As far back as 200 years ago, the responsibility for redistribution responsibilities like free schools, poverty assistance, and care for the poor and sick was also in several countries delegated to local authorities.

The latter type of expenditure has been growing in importance with the development of the modern welfare state. Where these responsibilities are delegated to the local levels of government, disputes arise on who has the responsibility and the power to decide. The problems arise not only in the case of primary schools, but it has proven difficult to distribute functions like social assistance and health. A study of the EU countries has shown that local governments in all EU countries are responsible for physical planning, public health control, waste collection and disposal, parks and open areas, recreational amenities and culture, public transport and some social services (including services for elderly people and child care). The degree of local government responsibility for other services varies between countries.²³

The issue of distribution of functions by level of government is now under discussion in several countries. For example, commissions have been set up in Denmark and Norway. In Sweden, experiments are being made with new types of enlarged regions.

²² Northern Ireland is not included as it differs too much from the rest of UK. Another particularity in UK is that many services are not the responsibility of sub national governments but are provided by agencies of central government e.g. water supply, post-16 education, urban development; housing and the provider of these and other responsibilities varies from region to region in UK.

²³ Kenneth Davey and Gabor Peteri (ed), "Local Government Finance- Options for Reforms", Oct. 1998, Local Government know how programme, p. 12.

One lesson to be drawn is that central Parliaments, generally speaking, are only willing to delegate a share of their responsibility for the supply of free public services in the modern welfare state. These services are dependant on what counts at the ballot, and they are the issues picked up by the press in its search for “stories”.

The unwillingness of central Parliaments to share their powers with local authorities may also express political resistance against democracy. Decentralisation means that they have to share their influence regarding government expenditures and taxation.

2.3.1.3 The Decision-Making Power of Local Authorities: the Degree of Autonomy at the Local Level

Decentralisation is a means of distributing political power. It has now been strongly established in former communist countries and in countries like Belgium and Spain. As early as the mid 19th century, the Scandinavian kings formed coalitions with local authorities to counterbalance the power of the nobility.

Political decentralisation depends on the central government’s willingness to allow for local differences in service levels, and the two issues tend to merge into one.

Countries with strong anti-centralist traditions, such as the USA, prefer decentralised solutions. This is true of federal countries concerning the distribution of functions between the central and the state level – but not between the state and local authorities. Table 3 suggests that the federal countries, which developed on the idea of decentralisation, are generally not those that delegate most to the local level.

It can also be seen from Tables 2.3 and 2.4 that none of the large countries are among those most decentralised. The distribution of functions to different levels of government is a highly political question. Because large countries typically have histories of minority suppression, they have needed strong central governments to create stability. Such countries seem to have two ways to go: they develop either federal solutions or centralist traditions. In the latter case, the tables indicate that they typically prefer comparatively centralist arrangements.

As mentioned above, there are economic gains in efficient decentralisation. However, decentralisation is also a political question, and there is no "right" way for any given country to decentralise.

The issue of autonomy is related to the, often quite complex, degree of discretion that local authorities exercise in their various functions and responsibilities. This issue is also tied to the main reasons for decentralisation of the public sector: to increase overall efficiency and effectiveness by allowing local authorities (with a close relationship to the people), to improve responsiveness, accountability and performance of service production and delivery. In many countries, dynamic and innovative leadership of some local authorities has been used to find new ways and means of generating improved efficiency in the handling of functions.

Several elements can be used to describe the degree of autonomy of local authorities. One of these concerns the possibility for the central government to withdraw or limit the discretionary

power of the lower level of government. The constitution of some countries protects the discretionary power of local governments. Another element concerns their potential command over self-generated resources: the share of and nature of own taxes, decisions regarding taxation rates and the establishment of the tax base, and the power to apply user charges and to borrow money. A high degree of autonomy is experienced in the Nordic countries, France and United States, whereas this kind of financial autonomy is quite limited in the Netherlands and Ireland.²⁴

Autonomy can be seen in connection with central governments' overall objectives for economic policy and for the equitable provision of public services nationwide. In order to balance local wishes for autonomy with these national objectives, many countries have adopted minimum standards for different types of public services. These minimum standards have been established by considering the viewpoints of the local authorities and by involving associations of local authorities in their elaboration. A number of countries have established various fora for co-operation concerning the establishment of guidelines influencing decisions of local authorities in the field of own taxes, local expenditure targets and related matters. In this regard, associations of local authorities often play a major role.

2.3.2 The Operational Capacity Reflected in the Structure of Government Related to Number of Levels and Sizes of Local Authorities

2.3.2.1 The Municipal Level

Two traditions of local government structure can be identified. There is the British tradition of ad-hoc authorities, developed at the end of the 18th century in response to new urban needs following industrialisation. Special boards were created for paving roads, street lighting, police and garbage removal. Later, these functions were gathered under multi-purpose districts and counties. The *single purpose* model for local government has survived, for example, in the United States, where numerous elected boards, each with its own specialised functions and financing, are common. An advantage of this model is the close democratic influence on the public service delivery and the economy of scale that is often achieved. Some of the disadvantages are the lack of overall priorities, the lack of co-ordination and accountability, the lack of simplicity and the obscured visibility of the tax rates.

The other tradition is a *multipurpose* local government organisation developed out of very old local structures. These were mostly church districts or central subdivisions created and staffed by the King for control purposes that subsequently evolved into authorities with locally elected councils to handle the joint affairs of the local population.

The social pressures shaping local governments, however, were the same in both cases: migration to the cities paired with growing expectations regarding the level and quality of free welfare services since the world war required newly structured and organised local governments.

Century-old units have become depopulated and unable to meet the demands of the new age, and large reductions in the number of local units have taken place. Figures have been collected for different countries by the Council of Europe (see *Table 2.6*).

²⁴ Alan Decamp (editor), Working Group on The European Charter of Self-Government", Oct. 1997.

Table 2.6: Number of Local Authorities, 1950 and 1992

COUNTRY	Reduction in number since 1950. Pct.	Number 1992	Average size 1992	Per cent less than 10.000 inhabitants 1992
Zambia (1999)		72	140.230	Very few SNGs
Uganda (1999)		1050	19050*	Few of the sub-counties
Swaziland (1999)		13	15000**	Many of the rural SNGs
Senegal (1999)		433	214780	Many of the rural districts
Ghana (1999)		110*** + 1800 urban/Zonal councils and 16000 unit com.	N/A	Many of the lower tiers of SNGs
Zimbabwe (1999)		81	145680	Few of the rural SNGs
Council of Europe Countries				
Austria	42	2301	3340	91.5
Belgium	78	589	16960	17.3
Bulgaria	88	255	35000	8.2
Czech Rep.	44	6196	13730	95.7
Denmark	80	275	18760	6.9
Finland	16	460	10870	49.5
France	5	36763	1580	95.2
Germany	67	8077	4925	84.0
Greece	1	5922	1700	96.7
Iceland	14	197	1330	96.5
Italy	plus 4	8100	7130	72.9
Netherlands	36	647	23200	11.2
Portugal	plus 1	305	32300	8.5
Spain	12	8082	4930	86.2
Sweden	87	286	30040	3.1
Switzerland	3	3021	2210	92.0
UK	76	484	118440	N/A.

Source: *The size of municipalities, efficiency and citizens participation. Council of Europe. Local and regional authorities in Europe, No. 56. Council of Europe Press, 1995. Data from the African countries has been collected during the study on Fiscal Decentralisation and Sub-National Finance, 1998-2000. Senegal figures includes 43 arrondissements*

*, Uganda: The 45 districts are very large, all with more than 100.000 inhabitants, but the lower tiers of SNGs are characterised by smaller units.

** Swaziland: Only the urban population is estimated to cover approx. 20% of the country, i.e. approx. 200,000 inhabitants.

*** Ghana has a great number of smaller SNGs under these district assemblies, cf. the country study. The system was introduced in 1998, and is still not fully implemented

Since 1980, the move towards larger units has slowed, and only very few recent examples can be found. One example is the reforms in Scotland in 1992. These were part of a large change of power for the Scottish office, and as the existing local government structure was quite new, deep-rooted feelings of belonging had not yet been established. In Central and Eastern Europe, a large number of smaller local authorities have been established in connection with the transition, which has created some problems of fragmentation.²⁵

In Africa, many new units have been established in the last 20-30 years, e.g. in Zambia, Uganda, Ghana, Senegal and Swaziland.

²⁵ In some countries (for example, Latvia and Estonia) there are still ongoing reform plans with the aim to reduce the number of local authorities.

Although efficiency gains may be achieved through amalgamations of local authorities, political resistance at the local level has been significant; very few reforms have been implemented without an element of force from the central government. This may explain why the speed in conglomeration seems to have been reduced by the modern political climate and the increasing powers of the media, both of which have made reforms against the will of the local people more difficult. Instead, the structural reforms have been supplemented by trends toward making a split between, on the one hand, local authorities as providers, and, on the other hand, the public institutions as more or less independent – perhaps even private - suppliers. There are countries (Germany and the Netherlands) where associations and non-public organisations are responsible for many of the decentralised functions: for example, social welfare and health. Another possibility is to join in different forms of inter-municipal cooperation arrangements²⁶.

It can be seen from Table 2.6 that in some cases small units were maintained in thinly or unevenly populated countries (Finland, Iceland, Norway and perhaps Austria, Greece and Spain), though the example of Sweden demonstrates that this need not necessarily be the case.

Reforms have not been implemented on a major scale in countries such as France, Italy, and Germany, and there has been convergence between contrasting traditions in recent years. In the latter case, reforms have been implemented in some länder, while others have refused reforms. Recent reform efforts in France have failed because of political resistance.

The question of the optimal size of local authorities has been a subject of concern to local government experts in recent years. Evidence gives no clear answers, but many investigations indicate that local authorities with less than 5,000 inhabitants have increasing costs and declines in efficiency with their present tasks and functions. Results from investigations give no clear answers in the case of local authorities with over 5,000 inhabitants.

2.3.2.2 The Middle Tier

Many counties have established an intermediate level of government between the central government and municipalities. Sometimes, these are merely local representatives of the central government²⁷, and, in federal countries, the state level often has legislative powers similar to that of the central government. Such authorities are not local authorities. However, in a number of countries there is a local authority placed between the central and the municipal levels. As to the responsibilities of the intermediate authorities, there are two models.

One model is the Nordic model (Denmark, Finland, Iceland, Norway, and Sweden), where the intermediate level consists of units so large that they can handle functions for larger population units than exist at the municipal level. This is also the model in some African countries such as Senegal. In Senegal 10 districts were established in 1997 to conduct some regional tasks, e.g. regional planning. The units of the intermediate level are in this model parallel to the municipalities, though with different responsibilities. In most cases, they have their own elected

²⁶ This is very common in countries such as Netherlands and Finland, but is experienced in almost all European countries.

²⁷ Nearly all countries have a certain central government presence at the regional level, and many countries also at the local level. A good example is Senegal.

boards. In other countries (Belgium, Finland, the Netherlands, and Spain), small local units cooperate in the provision of local services. The role of intermediate government in the Nordic countries is under discussion, especially with regard to hospital service.

Another model is an intermediate level of regions overseeing and controlling local authorities (Belgium, France, Italy, and Greece). They may even include elements of ministerial regional administration and, in this way, become one of the possible instruments of central control. This is a very common model in a number of African countries, e.g. in the so-called prefect systems.

There has been a number of recent reforms creating a regional level of government between the central and the municipal levels (Finland 1994, France 1982, Greece 1994, Ireland 1994). However, the tendency is not clear. In Scotland, Wales, England and some German länder, the intermediate level has been eliminated. In the Dutch province of Friesland, a four-year experiment has been initiated to test a model with clearer and less interwoven distribution of responsibilities between the two levels.

Some general conclusions seem to have emerged. Firstly, there is a connection between the size of municipalities and the role played by the intermediate level. Small municipalities seem to be more in need of supervision and control. Secondly, there is a correlation between the role of intermediate government and the degree of decentralisation. A high degree of decentralisation is often correlated with the intermediate level.

Recent developments have not influenced either of these models. The new Finnish regions have been made responsible for regional planning and environmental functions, and are voluntary municipal associations. In France, the new regional authorities have been given responsibilities within the field of education and transport. In Greece, regional planning and primary education have been decentralised to the new regions.

New thinking on the role of local government in other countries has resulted in political discussions on the need for an intermediate level. Proposals have been made in Denmark, Sweden and Norway to take functions from the intermediate levels and transfer them to municipal partnerships, to central governments or (for hospitals in particular) to independent units in market like constructions.

In the East European countries, the reforms after the communist regime have been mixed; but the general picture seems to suggest a two tier local structure, with quite large upper tier authorities having controlling functions in some cases.

2.3.3 Infrastructure and Service Provision and the Issues of Accountability

2.3.3.1 Efficiency and Responsiveness in Local Government Infrastructure and Service Provision – Public Accountability

Delegation of responsibilities for infrastructure and service provision to local governments can result in very different types and levels of services by area, depending on local conditions and priorities. The consequence of local self-government is that the client or service orientation of decision-making and administration re-orientates the focus away from mere production and

towards effective distribution of public services. From a local perspective, the resulting disparities of quantities and qualities of public services throughout local authorities may appear questionable, and the voters can express their opinion at the next council election thus securing public accountability of the decisions made.

Participatory decision-making and other types of user involvement can further extend the deviation from the national average for service provision by user boards of schools, kindergartens or advisory committees for the provision of services to the elderly. These boards have been established recently in many countries. Indirectly, the councils of local government can also ensure that their decisions comply with the opinion of their electorates by the carrying out user-surveys. These surveys may question citizens' willingness to accept a reduction in the level and quality of services in order to obtain a corresponding reduction in the level of local taxes or question whether or not they are satisfied with the present balance between expenditure and revenue. The use of these surveys has increased in recent years in many countries.

However, disparities in the level and quality of services provided by various local governments can conflict with national policies and priorities. To secure compliance with national priorities with respect to type, quantity and quality of services, the central government can establish guidelines or minimum standards after consultation with the local governments..

Alternatively, the central government, by use of the financial resource allocation mechanism of earmarking transfers, can heavily influence local government decision-making in terms of the type, quantity and quality of services provided. The issue of different types of financial transfers is analysed further in Section 2.3.5.2 below.

The consultative and coordinative approach by setting guidelines and national minimum-standards to secure national priorities and increased equity has become more widespread and, furthermore, complies with the European Charter of Local Self-government instead of having rigid control and detailed legislation.

2.3.3.2 Effective Administration - Managerial Accountability

Managerial accountability emphasises efficiency in the optimal use of resources compared with achieved results related to expressed targets. The focus is not merely on compliance of services provided with the legal, regulatory and procedural framework, but also on performance and quality of the output related to different service areas.

The focus on managerial accountability as a means to achieve effective public administration is in accordance with theories and experiences of managerial economics of the private sector, which uses delegation of competence to enhance entrepreneurship and innovative approaches to service provision

The delegation of competence within the context of the local government entities calls for a division of power and responsibilities between the political leadership (the domain of local policies and priorities) and the administrative leadership (the domain of optimal compliance and performance related to the targets established by political decision-making). The clearer the

division between the two types of leadership, the more potential there is for effective administration.

Performance related managerial accountability shifts the focus of the political leadership away from a project-level to a policy-level orientation. The mechanism of target performance leadership often leads to even further delegation of power and decentralisation to institutions under the domain of the local government. An increase in performance is quite often experienced in association with the increased flexibility in service production and distribution. This in itself legitimates and initiates the sub-delegation of responsibilities. In the forefront, there is the effective use of human resources, administrative capital and information technology.

Managerial accountability can be constrained by the institutional (and, partly, the regulatory) framework of local governments. It is influenced by the degree of competence that the administrative leadership possesses and by its ability to recruit and develop the heads of departments and sub-government institutions as well as the staff. The autonomy of hiring and firing is in compliance with the civil service code or more generally the labour market code and the human resource management by capacity building through restructuring of the local government organisation and systematic training of major categories of staff. With respect to administrative capital and information technology, the accountability is related to the degree of autonomy of the administrative leadership to introduce innovative approaches in the carrying out of the different tasks of the local government administration. In many countries, e.g. within Europe, there has been a tendency to ease these constraints and let the local authorities more freely organise their human resources. This matter will be dealt with in more in detail in Chapter 7.

The central government needs to be able to draw upon managerial accountability, which it may do by the introduction of a framework for “experimentation”. This framework has more flexibility in relation to the division of responsibilities among different levels of government, often on an ad-hoc basis, for a single or a few local governments in specified functional areas of administration. A number of countries (such as Germany, the Nordic countries, Switzerland, Canada and U.S.A) have this kind of framework to influence the division of responsibilities among different levels of government. Other countries have instead, or supplementary to this, established co-ordination mechanisms to secure more optimal solutions in the cases of shared or partly overlapping responsibilities.

2.3.4 Regulatory Framework

2.3.4.1 Legislative and Regulatory Framework of Local Governments as Entities

The highest protection of the autonomy of local governments is the constitution. The Nordic Countries, some of the federal countries and some of the new countries in Central and Eastern Europe are examples of this high level of security²⁸. In other countries, autonomy is a part of the special legislation concerning local authorities, and, in a few cases, the autonomy of local

²⁸ In many countries, the principles of local self-determination are included in the constitution (for example Austria, Belgium, Greece, Denmark, Italy, Netherlands, Sweden, Bulgaria and Latvia). The same is the case in a number of African countries, most directly in the Constitution in Uganda, 1995. In England and Wales, it is part of common law. However, the parliaments of these countries normally determine which functions are to be decentralized.

authorities is established by a presidential decree offering only quite limited security of local self-government in cases of controversy.

A clear regulatory framework, first and foremost a clear law on local governments, is a very important condition for the provision of services by local governments. A clear division of responsibilities, a broad legal framework for local government functions and a clear description of the relationship between the different levels of government and competencies is a prerequisite for a well-functioning system of sub-national governments. In recent years, many reforms have been initiated in order to bring greater clarity in this area, especially in Central and Eastern Europe.

Another closely linked factor is the degree of control exercised by the central government (e.g. control of the use of expenses; decision-making power regarding land, property, human resource management; and organisational structure).

Most countries, especially in the OECD, have recently attempted to stimulate consultation and co-ordination among different levels of governments, rather than strengthen formal controls, e.g. through prefect systems²⁹. There has been a tendency to move away from strict legislation and detailed rules towards more goal-oriented and performance related dialogue between different levels of government³⁰.

2.3.4.2 Restraints and Controls on the Functions of Local Government

Apart from the regulatory and legislative framework for local governments as entities, there may exist restraints on their various functions and competences. Such restraints could take the form of special legislation, by-laws, letters of instruction from line ministries and special codes (such as building codes and hygienic codes).

Restraints could also entail formal requirements for approval, prescribed procedures or co-ordination prior to local government decision-making. For example, in many countries, local governments are empowered to take loans but must seek prior approval, despite being deemed creditworthy by the lending institution.³¹ Thus, a procedure that appears to be in favour of autonomy of the local government decision-making in practice may be a restraint.

The co-ordination type of restraint often refers to systems of regular agreement on guidelines for local government activities established between the central ministries and the national associations of local governments. The co-ordination agreement is considered more flexible than a legislative framework, easier to adapt to changing circumstances and thus more comprehensive. Again, however, it is necessary to consider the total regulatory framework in order to be able to estimate the degree of autonomy of local governments.

²⁹ For a more detailed treatment of this subject see, "Managing Across Levels of Governments", OECD, 1997, p. 2.

³⁰ cf. above.

³¹ See e.g. Council of Europe: "Local Authorities' Budgetary Deficits" and Excessive Indebtedness", Strassbourg.

2.3.4.3 Regulatory framework related to private participation in infrastructure and service delivery

A field of special importance for local governments to enhance their flexibility and competitiveness concerns private sector participation in infrastructure and service provision.

Until recently, in many countries the regulatory framework restricted methods for improving service provision by local authorities, especially in periods of financial constraint. The intentions of the local councils could be to use the market mechanism to effectively improve the administration by creating incentives for innovation or changes in working procedures and norms.

For councils seeking a flexible mix of public, private or public-private partnerships, the steps for provision of the regulatory framework may appear complex and troublesome. The way the private sector could be involved covers a whole range of conceptual and practical solutions where public function may be commercialised, management delegated or ownership transferred to the private sector.

The trend in many countries shows an increasing awareness of the necessity to create a competitive environment for the provision of infrastructure and services. This development is enhanced by a requirement from central government or, in the case of the European Union, from the European Commission to undertake tendering processes in more and more fields of public sector functions.

2.3.5 Fiscal Decentralisation

Fiscal indicators are important to delimit local government autonomy and the level of decentralisation.

Section 2.3.3 and 2.3.4 gave a short overview of local government *expenses* and some indicators of autonomy. Of equal importance is the subject of local government revenues.

2.3.5.1. Composition of Revenues

Careful consideration of the *composition of revenues* is very important. The composition of revenues varies greatly from one country to another. Typically, the following main types of local government revenues can be identified:

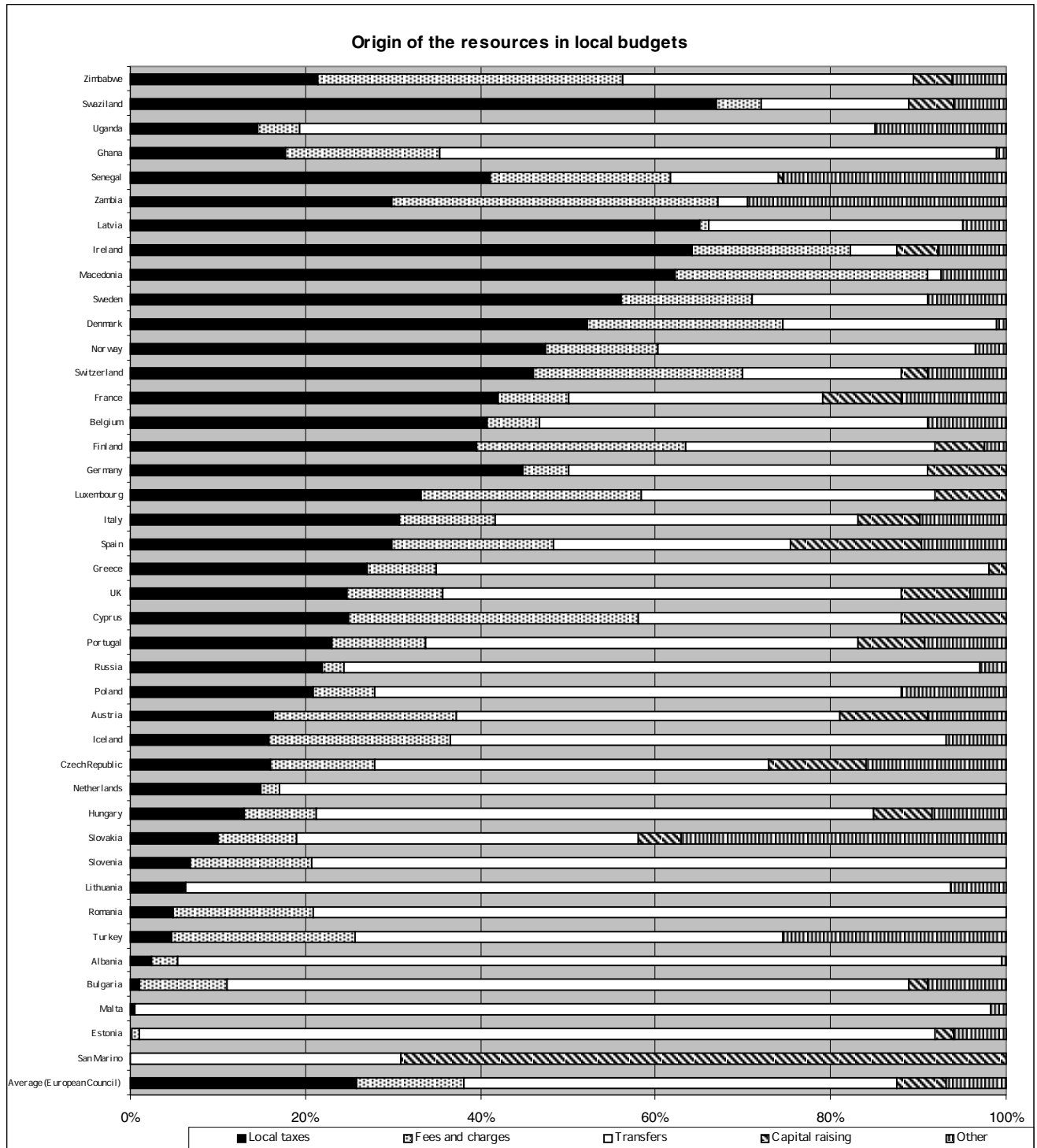
- Revenue from the sale of services - non-tax revenues and user charges/fees.
- Tax revenues - local taxes or shared national taxes.
- Different types of grants (e.g. general and specific) made available to local governments from the central government.
- Borrowing, e.g. for investment expenditure.

“Own revenue sources” are understood as resources where the local governments can influence the revenue level and are able to dispose of the revenues freely give the highest level of autonomy. These are often connected with local taxes and different kinds of user charges³².

The distribution of these categories varies greatly from country to country (see Table 2.7 below):

³² It is difficult to make a rank order of revenues according to the level of autonomy, as other factors have an impact as well. However, generally, the following order is useful: 1) own revenue sources (own taxes and user charges), 2) shared taxes, 3) general grants, 4) conditional grants, 5) specific and discretionary grants and 6) grants given to “agent functions”. In the definition of own taxes, factors such as the possibility to set the tax rate, to define the tax base and to influence the collection of taxes (indirectly influence the level of revenue) are important. All these factors will be investigated in Chapters 4 and 6.

Table 2.7:



The table is based on reports by members of the group of experts, the work by the DEXIA and in the absence of any such figures, statistics included in the so-called CDLR report. Paper from the working group on “The European Charter of Local Self Government”, Strassbourg 21, October 1997, Finance of Local authorities (impl. Of Art. 9 of the charter, cf. also appendix No. 2). Africa: Cf. this report.

Economic and political problems at the central government level sometimes result in the delegation of responsibility without the delegation of tax powers or grants; the difference is referred to as *the “vertical imbalance”* in the public sector economy.

Small vertical imbalances *ex ante* (i.e. before the local budgets are made) in favour of the government are indispensable instruments for the control of local authorities. They give incentives for local authorities to improve their tax effort and their efficiency in the delivery of local services. In Brazil, Colombia and Venezuela, revenues have preceded the delegation of responsibilities. Such imbalances in favour of local governments tend to promote excessive spending³³.

However, large vertical imbalances in favour of central government easily result in uncontrolled deficit financing and accumulation of local debt. At some later stage, they must be replaced by grants to the local authorities to cover the vertical imbalance *ex post*, and at this late stage, decisions on excessive local expenditure may be difficult to reverse. The present research has confirmed is the case in many African countries.

There is a delicate equilibrium point between *ex ante* and *ex post* imbalance. The point here is not to misuse the introduction of good incentives for local efficiency so that the institution of local government becomes discredited.

Vertical imbalances *ex post* can be defined as grants received by local governments. Once local provision is decided, the major choice is between grants and local taxes. Local taxes may be grant-like tax sharing receipts (see below) or own local taxes. Own local taxes are those where the local authority has some influence over taxation (level, base or collection). This means that the local population must suffer higher taxation if they want better services or if the local authority is inefficient and wasteful. Modest service standards and good management are rewarded by low local taxes. This gives the right incentives for the local population at election time. A high level of own taxation also deprives the local councils the possibility of placing responsibility for failing delivery of local services on the lack of money from the central government.

The advantage of own local taxes over tax sharing arrangements is that own taxation results in *accountability*; it affects the behaviour of the local population and the local councils in a positive way. The combination of *ex ante*, non-financed small vertical imbalances with the existence of own local taxes is a strong recipe for better efficiency in a decentralised public sector.

The table below gives some indications of the choice between grants and taxes in different countries. The table shows that the proportion of local taxes varies greatly from country to country.

³³ Kiichiro Fukasaka and Ricardo Hausmann (eds.): “Democracy, Decentralisation and Deficits in Latin America”, OECD Development Centre, 1998.

Table 2.8: Relationship between Taxes and Grants for Local Authorities in Different Countries. 1995

Per cent	Grants/donor contributions	Local taxes ³⁴
Uganda (1997/98)	76.9	23.1
Swaziland (1998)	17.7	82.3
Ghana (1996)	63.8	36.2
Senegal (1997)	22.0	78.0
Zimbabwe (1997)	33.3	67.7
Zambia (97)	3.4	96.6
OECD-countries		
Australia	15.9	84.1
Austria	15.1	84.9
Belgium	54.2	45.8
Canada	47.4	52.6
Czech Rep.	28.7	71.3
Denmark (1)	21.6	78.4
France	35.9	64.1
Germany	31.4	68.1
Iceland	9.9	90.1
Ireland	73.9	26.1
Mexico	4.2	95.8
Netherlands	72.6	27.4
Norway	38.7	61.3
Poland	29.4	70.6
Spain	86.0	14.0
Sweden	18.0	82.0
UK	72.3	27.7
US	38.8	61.2

Source: Revenue Statistics 1965-97. OECD 1998. The data from Sub-Saharan countries are from the Study on Fiscal Decentralisation and Sub-National Finance, 1999-2000. Zambia: based on data from Ministry of Finance (1997 figures: User charges is included in local taxes)

Uganda: 1997/98 figures. Ghana: Only based on six sample SNGs. Swaziland: 1998 figures (loans excluded).

(1) Figures adjusted for SNG administration of national transfers (old age pensions).

The countries with the largest share of grants are English-speaking countries: Canada, Ireland, UK and the US. In these countries, local governments have been left with insufficient tax capacity to cover the costs of the delegated functions. They have only access to property taxation, and the property tax has limited revenue potential. Property tax is regarded as a perfect local tax by economists, but, politically, it is a very unpopular tax and yields no more than 4 per cent in any OECD country. Only in Canada, Japan, Luxembourg, UK and US does it yield more than 3 per cent. This is in most cases less than the cost of a modern primary school system.

The importance of grants vs. local taxes ranks average in Germany. However, this masks the inclusion under taxes of figures for tax sharing receipts.

³⁴ Including tax-sharing revenues. For African countries also other revenues.

Local councils seem to prefer tax sharing for grants, as they believe that they receive a fixed proportion of the taxes the central government collects in their jurisdiction³⁵. Local authorities believe that this is a guarantee against cuts in revenue in the case that the central government needs to save. The disadvantage of tax sharing is the same seen from the point of view of the central government; tax sharing weakens its instruments of control.

In Germany, sharing of the income tax is the traditional way of filling the vertical imbalance, and the German tradition has been adopted in German-speaking Europe. In the OECD statistics (the basis for the figures in this report), tax-sharing receipts are included under local taxes and cannot be separated (a reform within this area has been initiated)³⁶.

The Nordic countries (Denmark, Sweden, Norway, Iceland and Finland) are traditionally countries with the highest proportion of taxes and of own taxes. This is explained by the use of the personal income tax as a local tax. Personal income tax has large revenue potential in Europe. In Denmark and Sweden, it yields more than 15 per cent of the GDP, leaving very limited needs for grant financing.

2.3.5.2. Local Taxes

Local taxes are normally the greatest source of income, and they represent one of the most important features of local authority autonomy. The possibility of influencing either the tax base, the tax rate or the collected revenues is a very important condition for the local authorities, making them able to adapt the service level to the financial possibilities.

The arguments for the introduction of own local taxes have been made above. However, a number of conditions should be met for a tax to be a good “own” local tax.

- Firstly, the revenue of a good local tax should develop over time in the same way as the costs of fulfilling the growing need for local public services.
- Secondly, local taxes should not be too sensitive to cyclical fluctuations, as the local services normally are not suitable as instruments for demand management.
- Thirdly, a good local tax should be distributed relatively equally among local authorities. Equalisation of the taxes throughout the local authorities may reduce this problem, but not eliminate it.
- Fourth, the size of the potential revenue is important. If the local authorities are allowed only relatively small yielding taxes, vertical imbalances result that will have to be otherwise covered.

³⁵ Jørgen Lotz, “Proceedings of the Regional FDI Conference”, November 24-25, 1997 Copenhagen, p. 113.

³⁶ The OECD has initiated work to produce figures making it possible to distinguish between tax shares and local taxes. In the present research, we have tried to make a distinction between the two types as they differ in terms of degree of autonomy.

- Fifth, there should be a close relationship between the citizens who pay and the citizen who benefit.
- Sixth, the tax administration should be without major problems, i.e. the tax yield should be much higher than the administrative costs.

As has been shown above, the size of the vertical imbalance in different countries is closely related to the local government tax structure. It was shown that the dependency on grants in the countries relying on property taxes was much higher than the reliance on grants in the countries relying on more buoyant taxes, like a local income tax. These findings may not be directly applicable to the African region, where property tax seems to be more buoyant than the income tax. However, this research has shown that property tax alone cannot finance the present tasks.

There is considerable variation in the national styles of local taxation, as can be seen from the table which shows groupings of countries with somewhat similar composition of local taxes, based on figures from the previous table.

Table 2.9: Local Government Taxes, per cent of Total Local Tax Revenue (1997)

	Income taxes (2)	Property tax	Other taxes	Total
Zambia (3) (1997)	16.1	36.2	51.3	100
Senegal (Dakar) (4)	15.1	29.8	55.1	100
Ghana	N/A	N/A	N/A	N/A
Uganda (1997/98)	82.6	17.4	0	100
Swaziland (1998)	0	100	0	100
Zimbabwe (1997)	0	100	0	100
Sweden	99.7	0.0	0.3	100
Finland	95.8	4.0	0.2	100
Denmark	93.4	6.5	0.1	100
Luxembourg	93.1	5.7	1.2	100
Norway	89.9	9.4	0.7	100
Czech Rep.	89.2	5.2	5.6	100
Switzerland (1)	84.4	15.0	0.5	100
Germany (1)	77.1	21.7	1.1	100
Belgium (1)	82.4	0.0	17.6	100
Iceland	78.2	14.7	7.1	100
Poland	59.5	32.5	8.2	100
Japan	52.6	30.4	17.0	100
Austria (1)	35.5	9.4	55.1	100
Turkey	30.8	3.0	66.2	100
Portugal	22.7	38.8	38.5	100
Spain	26.4	34.9	38.7	100
France	15.5	31.4	53.1	100
Korea	12.3	57.1	30.6	100
USA (1)	6.0	73.3	20.7	100
Italy	18.4	34.4	47.2	100

Ireland	0.0	100.0	0.0	100
Australia (1)	0.0	100.0	0.0	100
United Kingdom	0.0	99.1	0.9	100
New Zealand	0.0	90.6	9.9	100
Netherlands (1)	0.0	66.2	37.8	100
Hungary	0.0	22.2	72.8	100
Unweighted average (4)	44.7	34.8	20.4	100

(1): Federal states. Only tax revenues of local government are included, not state taxes.

(2): Includes personal and company income tax revenues.

(3): Personal levy is classified as personal income tax. Data from Central Statistical Office, Zambia

(4) : Unweighted average of 26 OECD countries.

Source: OECD, *Revenue Statistics 1965-1998*, OECD 1999. Data from the African countries is from the *Study on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision in the Sub-Saharan African Countries, 1998-2000*. Uganda: *Decentralisation Secretariat, 1997/98*. Senegal, *Dakar 1997 as example*. Zimbabwe 1997 figures, Swaziland 1998 figures.

Table 2.10: Local¹ Tax Structures, 1994 (Unweighted Averages, Per Cent)

Taxes (tax sharing receipts included) on:	English speaking: Canada, USA, New Zealand, Australia, UK	Nordic countries: Denmark, Sweden, Norway, Finland.	Federal German speaking: Austria, Germany, Switzerland.	Unitary, Europe centre/ south France, Italy, Spain
Income	1	95	72	18
Property	89	5	14	39
Others	10	-	14	44
Total	100	100	100	100

Source: Revenue statistics. OECD 1996. (See appendix 1).

All levels except central and federal state governments.

The tables also show that the English speaking countries and the Netherlands have local tax structures dominated by property taxes, while those, for example, of the Nordic countries emphasise local income taxation.

The local tax structure of the German speaking countries is dominated by the sharing of income tax. Another feature of these countries, which is also found in the last group of countries, is the widespread use of “business taxes,” like the “Gewerbesteuer” in Germany and the “Taxe professionnelle” in France. They are taxes collected on composite tax bases of items such as the rental value of buildings and equipment, local payroll and turn over. In the table, they are classified as by the OECD according to the different tax bases.

In spite of generally accepted economic advantages, the neutrality of the local property tax, and the buoyancy of the local income tax, changes from one major tax source to another are not frequent. Introduction of local taxes is politically sensitive, new taxes are difficult to introduce, and once introduced they are difficult to replace with other local tax sources.

These are the patterns for the financing of decentralisation in the old OECD countries. These patterns are found also in the countries having later developed systems of local government financing. The tentative findings in the African research countries are that the most important local government tax type is the property tax, with a potential for other types of taxes and revenues.

In the Eastern European countries in transition, the local tax systems are only in the early stages of development. The “own” revenue sources consist typically of limited revenue from property taxes, often with central government restrictions on the local rate, and income tax. The German model of income tax sharing is widely used. These revenues have left the local governments with little own revenue. In Japan and Korea, the major tax revenue is property tax, which is also supplemented with tax sharing receipts.

2.3.5.3 Grants and Local Government Equalisation

2.3.5.3.1 The Vertical Imbalance

In most countries, the central government provides grants to local authorities (see the tables above). The primary reason is that the state has not allowed local authorities sufficient tax powers to finance the expenditure assignments of local government; but there are a number of other good reasons for a certain amount of state grants/transfers to lower levels of governments.

2.3.5.3.2 Grants

Grants offer a good instrument for central government to bring local authorities into the general macroeconomic management of the economy. Local services like schools and social services should not bear the brunt of adjustments in stabilisation policies; but, in periods of severe imbalances, adjustment of such services cannot be avoided, as witnessed by recent experiences in welfare states like Sweden and Finland.

Grants may also offer instruments to influence priorities in expenditure decisions at the local level. Firstly, it must be ensured that the grants are transformed into local services and not into the private wealth of local citizens. (In rich countries, economists have given this phenomenon the derogatory name of “the flypaper effect”: the money sticks where it hits). Secondly, the central government wants to be able to influence local priorities so that they conform to central government priorities. Therefore, some of the grants are commonly designed as *special* grants for specific earmarked purposes. In contrast, *general* grants are for the free use by local authorities. Thirdly, grants can be used for equalisation purposes: to level out the differences between the “rich” and the “poorer” local authorities and to stabilise development across the different regions of a country.³⁷ Finally, grants can be appropriate to use for adjustment of the economy in situations when tasks are transferred between the levels of governments (as a kind of compensation).

³⁷ In Swaziland, it is discussed whether grants can compensate for the fact that the inhabitants from some informal settlements use the services within certain local authorities (as a form of cost-sharing).

Specific Grants

In terms of autonomy, grants vary from general grants, designed and distributed by objective criteria (high), to specific grants, made on a discretionary basis (low).

One way to follow some of the above-mentioned objectives is to use what has been called specific grants. One example is a grant for capital purposes that can be conditioned so that the local authority must have prior approval of a project before the grant is given. Grants for operational expenditure may be automatically conditioned by local spending in accordance with specific rules, but discretionary grants are known also for operational expenditure, often in order to promote new kinds of services among local authorities. To compensate for the central lack of information and to test the strength of local priorities, some local co-financing is often required.

There are several problems with specific grants. Experiences from Chile (grants for schools and primary health care) and Colombia (matching grants for rural roads) showed that high reimbursement rates encouraged spending and became a drain on central government finances. Subsequently, reimbursement rates were reduced, but the result was that the richest authorities with the highest fiscal capacity also received the major proportion of the grants. In Chile and Colombia, this resulted in inequalities in spending³⁸.

Specific grants require controls, auditing and much bureaucracy. This has been found to result in inefficient decision-making and to weaken economic responsibility. The Council of Europe Charter of Local Self-Government, which has now been ratified by a number of countries, states that specific grants should be changed to general grants. In recent years, reforms have been introduced in the OECD countries to replace specific grants with general grants.

Grants and Equalisation

The need for grants varies among authorities because their expenditure needs are not the same. Roads and water supply may be most costly in mountainous regions, and the costs of education and social welfare may be highest in urban areas. If some uniformity of service levels is desired, it is necessary to compensate for these extra costs. Furthermore, if local authorities are allowed some tax powers, it must be taken into account also that tax capacity varies among local authorities. The method of grant distribution also must compensate for less than average local tax powers.

The compensation for low tax capacity and high expenditure needs is called local government equalisation. Systems that consider one or both elements are developed in many countries around the World³⁹.

Political critiques are often heard from losers who claim that their country's system of local government equalisation is too complicated. There are several reasons why it has to be so. Equalisation deals with the politically very difficult questions of redistribution; some have to

³⁸ Kiitichiro Fukasaka and Ricardo Hausmann (eds.): "Democracy, decentralisation and deficits in Latin America". OECD Development Center, 1998.

³⁹ In a number of African countries, systems of equalisation are presently under development, e.g. in Uganda and in Swaziland. The Council of Europe has developed agreed principles for this: "Equalisation of resources between local authorities", Recommendation No. R (91) 4 and explanatory memorandum, Council of Europe.

give to others without getting anything in return. The result is that compromises have to be reached, and it is often politically expedient to compensate for needs of a petty nature.

Finally, it may be noted that equalisation can be implemented without central government grants if the so-called solidarity (or “Robin Hood”) model is applied, as it is in Denmark, German länder, and Sweden. The idea is that the funds needed to support poor authorities are taken from the rich authorities. The method results in a more complete equalisation than is typical when grants are used, because the richest authorities are drawn into the system. The disadvantages of this system are political, and it has resulted in internal tensions between groups of local authorities. In contrast, grant financed equalisation seems to make everybody happy by some fiscal illusion, everyone gets something and nobody seems to have to pay. The potential for conflict built into this method means that it is not a model for countries in need of nation building, like Canada, China, Russia or Ukraine.

Changing from specific grants to general grants complicates the measure of equalisation of differences in local expenditure needs⁴⁰. The idea of the general grants is to leave the local authorities to find the most locally efficient solutions. However, this means that the performance related criteria of the specific grants should be replaced by general “neutral” criteria for grants.

An example is the system inherited by a number of Eastern European countries from the communist regime. In some countries, criteria for needs are a set of “norms”, a number of which measure the population and its age groups, but most of which measure the number of services being supplied. Each client is assigned a norm cost, depending on the kind of institution, all somewhat below average costs. The equalisation is implemented by paying these amounts to the local authority producing the service. Some elements of this still exist, and, in some countries, the measure of local expenditure need for old age care is based on the number of elderly staying in old age homes.⁴¹

This is quite different from the methods used in most Northern European countries, where the measures of expenditure needs do not include the *number of services* but are replaced by “objective” measures of needs, understood as the cost of the number of expected clients. In the Nordic countries, the measure for the same need for finance of the elderly care is the *number of elderly people*. This leaves it up to each local authority to deliver the desired services to the elderly people at an appropriate quality and amount.

The problems of finding acceptable objective criteria for measuring expenditure needs as a basis for grant distribution are formidable. Measures of expenditure needs based on objective criteria tend to be complicated. Furthermore, local authority needs may be so different that a comparison may not be possible, the problems being typically in the extremes – the needs of small, thinly populated rural authorities measured against needs of large urban authorities.

⁴⁰ This is especially a problem in developing countries where data is very restricted/limited.

⁴¹ In Bulgaria, a number the criteria for expenditure needs are based on the number of places in different social institutions.

The more functions that are delegated to local authorities, the more factors that must be considered and the more complicated the formula becomes. Therefore, the system can easily become a target for criticism, especially from the contributing local governments.

It can be seen that the design of the measure of expenditure needs is closely related to the choice between specific and general grants. The move towards general, objective criteria – as well as to general grants – must depend on the local capacity to administer and produce services. When these conditions are satisfied, gains in efficiency should be possible by shifting to general grants and objective criteria of needs, and this way leaves more discretion to the local authorities. Ideally, the design of grants should both support poorer areas and encourage revenue mobilisation and cost efficiency.

Procedures for Distribution

Besides the above-mentioned conditions, it is equally important for local authorities to have a clear knowledge and understanding of the principles, timing and organisation of the grant distribution process. In some countries, local authorities know of the grants 6 months before the budget year and the distribution is 100% transparent, while in other countries grants are insecure, non-transparent and transferred very late in the budget year with non-stable instalment rates.

Tax Capacity and Tax Effort and Links to Transfers

When local authorities are allowed their own tax collection, and significant tax sources are made available, the need for equalisation of the tax base arises as well.

The difficulty of measuring and comparing differences in the tax capacity of local authorities is first the role of the local authorities themselves in improving their tax capacity. If this is not controlled, equalisation gives adverse incentives for local tax efforts. For example, in China, one of the most pressing problems is the question of how to control that the apparent low tax capacity of certain provinces is not the result of the lack of effort by the local tax administration. For this reason, it is important to develop incentives for local authorities to collect taxes and at the same time secure certain equal financial possibilities across local governments to increase revenues and to balance the finance with the needs. Local efficiency in tax collection should not be punished by a reduction of the grants from the central government ⁴².

2.4 Concluding Remarks

The above analysis of some of the indicators of decentralisation showed that many different models have been pursued around the world to set up the optimal financial system of local government and an appropriate regulatory and institutional framework for local government service provision and infrastructure. The analysis showed a trend in the direction of decentralisation, but with a great variation of methods and strategies. The following chapters contain the main findings from the country study Zimbabwe.

⁴² In some countries (for example, Latvia), there are instances where the system has provided the local authorities with incentives to increase the tax exemptions from property tax, thereby reducing the total revenues.

Appendix No. 1 (to Table No.2.2): Local Tax Revenues as per cent of GDP, 1997

	Income tax (2)	Proper- ty tax	Other taxes	Total local taxes
Sweden	15.8	0	0	15.8
Denmark	14.4	1	0	15.4
Finland	9.9	0.4	0	10.3
Norway	7.0	0.7	0	7.7
Japan	3.8	2.2	1.1	7.1
Iceland	5.9	1.1	0.5	7.5
Switzerland (1)	4.4	0.8	0	5.2
Czech Rep.	4.0	0.2	0.2	4.4
Austria (1)	2.6	0.4	1.7	4.7
France	0.7	1.5	2.3	4.5
Spain	1.4	1.9	2.1	4.4
Korea	0.5	2.3	1.2	4.0
USA (1)	0.2	2.7	0.8	3.7
Canada (1)	0	2.8	0.4	3.2
Poland	2.2	1.2	0.3	3.7
Germany (1)	2.1	0.6	0	2.7
Turkey	1.1	0.1	2.3	3.3
Luxembourg	2.6	0.2	0	2.8
Belgium (1)	1.9	0	0.3	2.2
Portugal	0.4	0.8	0.8	2
Italy	0.5	0.9	1.3	2.7
New Zealand	0	1.8	0.2	2
Hungary	0	0.4	1.2	1.6
United Kingdom	0	1.4	0	1.4
Netherlands	0	0.8	0.5	1.3
Australia (1)	0	1	0	1
Ireland	0	0.7	0	0.7
Greece	0	0	0.3	0.3
Unweighted average	2.9	1.0	0.6	4.5
Zambia	0.03	0.07	0.09	0.2
Senegal				0.8
Ghana	N/A	N/A	N/A	N/A
Uganda	0.54	0.11	0	0.65
Swaziland	0	0.5	0	0.5
Zimbabwe	0	0.8	0	0.8

(1): Federal country. Figures include only taxes at the local level.

(2): Personal and company income tax.

Source: OECD 1999, Revenue Statistics 1965-1998. Zambia figures (1997): Ministry of Finance and Central Statistical Office. Swaziland: 1998 figures, Study 1999. Senegal 1997 figures, Study 1999. Uganda: Figures 1997/98, Study 1999. Ghana 1996, Study 1999. Zimbabwe 1997 figures, Study 2000. All figures from African countries are from the Study on Fiscal Decentralisation and Sub-National Governance Finance in Relation to Infrastructure and Service Provision.

Appendix No. 2 (to Table 2.2): Origin of the Resources in Local Budgets

	Local taxes	Fees and charges	Transfers	Capital raising	Other
Albania	2.5	3.0	94.0	0	0.5
Austria	16.3	21.0	43.7	10.0	9.0
Belgium	40.8	6.0	44.3	0	9.0
Bulgaria	1.0	10.0	78.0	2.0	9.0
Cyprus	25.0	33.0	30.0	12.0	0
Czech Republic	16.0	12.0	45.0	11.0	16.0
Denmark	52.2	22.3	24.5	0	1
Estonia	0.1	0.9	91.0	2.0	6.0
Finland	39.5	24.0	28.4	5.6	2.5
France	42.0	8.0	29.0	9.0	12.0
Germany	35.0	4.0	32.0	7.0	0
Greece	27.0	8.0	63.0	2.0	0
Hungary	13.0	8.2	63.6	6.7	8.5
Iceland	16.0	21.0	57.0	0	7.0
Ireland	64.2	18.0	5.4	4.6	7.8
Italy	31.0	11.0	42.0	7.0	10.0
Latvia	65.0	1.0	29.0	0	5
Lithuania	6.4	0	87.3	0	6.3
Luxembourg	32.9	24.9	33.2	8.0	0
Malta	0.5	0	97.8	0	1.7
Netherlands	15.0	2.0	83.0	0	0
Norway	47.5	12.8	36.2	0	3.5
Poland	21.0	7.0	60.0	0	12.0
Portugal	23.0	10.8	49.5	7.5	9.4
Romania	5.0	16.0	79.0	0	0
Russia	22.0	2.5	72.5	0	3.0
San Marino	0	0	31.0	69.0	0
Slovakia	10.0	9.0	39.0	5.0	37.0
Slovenia	6.8	13.9	79.3	0	0
Spain	29.8	18.5	27.1	14.9	9.7
Sweden	56.0	15.0	20.0	0	9.0
Switzerland	46.0	24.0	18.0	3.0	9.0
Macedonia	62.3	28.8	1.5	0	7.4
Turkey	4.8	20.9	48.9	0	25.5
United Kingdom	25.0	11.0	53.0	8.0	4.0
Average	25.7	12.2	49.0	5.6	6.9

Zambia	29.8	37.3	3.4	0	29.5
Senegal	41.1	20.5	12.4	0.5	25.5
Ghana	17.8	17.6	63.8	0	1.0
Uganda	14.5	4.9	65.5	0	15
Swaziland	67.3	5.2	16.7	5.2	5.1
Zimbabwe	21.4	34.8	33.3	4.3	6.2

The table is drawn up on the basis of reports by members of the group of experts, the work by the DEXIA and in absence of any such figures, on the statistics included in a so-called CDLR report. Paper from a working group on "The European Charter of Local Self Government", Strasbourg 21 October 1997, Finances of Local Authorities (implementation of art. 9 of the charter). The figures from African countries were collected during the study on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision in Sub-Saharan Countries, 1998-2000. Zambia: Average 1994-98 figures: Source: Central Statistical Office. Senegal 1997 estimates, Local taxes for Senegal are composed of own taxes: 39.7% and shared taxes: 1.5%. Uganda: Figures 1997/98. Swaziland: 1998 figures. Zimbabwe 1997 figures, Ghana 1996 figures from 6 sample SNGs.

CHAPTER THREE

THE CONTEXT OF SUB-NATIONAL GOVERNANCE IN ZIMBABWE

3.0 General introduction to Zimbabwe

Zimbabwe is a multi-party democracy and attained its independence from Britain in April 1980 following a 13-year war of liberation. Occupying some 390,757 square kilometres in south central Africa, the country is bounded by Mozambique to the east, Zambia to the north and northwest, South Africa to the south and Botswana to the southwest. The country is landlocked, lies wholly within the tropics and is part of the great plateau, which traverses Africa.

The country has a population of 12.4 million people (1999 estimate), about 31% of whom live in urban areas. The majority of these reside in Harare, the capital city, in the nearby Chitungwiza, which mainly accommodates Harare's industrial workers, and in Bulawayo, Zimbabwe's second city. English is the official and business language of the country while the most widely spoken vernacular languages are Shona and Ndebele. A summary of the basic information on Zimbabwe is included in **Table 3.1**.

Table 3.1: Basic information on Zimbabwe (Source: Zimbabwe Investment Review, 1992 Census Report)

Land area	390 245 square kilometres
Population	11.8 million (1997 estimate)
Population growth rate	2.5 percent (1997 intercensal)
Population density	31.77 people per square kilometre
Rural areas	1969; 82%, 1982; 76%, 1992; 70%, 1997;68
Urban areas	1969; 18%, 1982; 24%, 1992; 30%, 1997;32
Religion	90 percent Christian (estimate)
Capital city	Harare
Second largest city	Bulawayo
Languages	English (official), Shona, Ndebele
Neighbouring countries	Zambia, Botswana, Mozambique, South Africa
Climate	Sub-tropical/ Savannah
Political system	Multi-party parliamentary democracy
Economic Growth Rate	1995: 2.5%; 1996: 7.2%; (Actual) 3% - 1997
Currency	1 Zimbabwe Dollar = 100 cents
Measures	Metric system
Time	GMT + 2 hours

Zimbabwe is well endowed with natural resources including minerals, wild life and arable land. Agriculture is the backbone of the country's economy and directly and indirectly provides more than 50% of total employment in the country, over 26% of it formal, and contributes over 15% of the Gross Domestic Product (GDP). Commerce, comprising construction, distribution, transport and financial services is the largest sector of the economy and accounts for over 40% of GDP. Table 3.2 summarises economic performance of Zimbabwe since 1965.

Table 3.2 Summary of Economic Performance of Zimbabwe 1965 – 1996

	Average GDP Growth Per Annum (%)	Average Per Capital Income Growth Per Annum (%)	Development Strategy
1965 - 1979	4,7	1,7	Growth driven by import substitution and industrialisation along with some diversification in agriculture and mine. Economy went into reverse in the mid 1970s, as the liberation struggle intensified and the economy suffered from shocks – most notably sharp increases in oil prices.
1980 – 1989	4,3	1,1	After a brief boom in 1980 – 81, the economy slowed in the face of adverse exogenous shocks – drought and depressed primary product prices. Import substitution lost momentum and increased government intervention and controls in pursuit of the growth with equity policy, discouraged investment which was seriously constrained by inadequate foreign exchange. In the late 1980s export incentives were introduced in an effort to alleviate the foreign exchange crisis.

1990 – 1996	1,8	-1,3	<p>Economic Structural Adjustment Programme (ESAP) introduced in 1991. To be implemented from 1991 to 1995 and achieve the following targets.</p> <ul style="list-style-type: none"> ▪ 5% growth of GDP per annum ▪ A rise in investment to 25% of GDP ▪ Export growth rate of 9% per year ▪ Reduce budget deficit to 5% of GDP from 10.4% ▪ Reduce inflation from 17.7% in 1990 to 10% ▪ A 25% reduction of the civil service ▪ Reduce direct subsidies from Z\$629 million in 1990/91 to Z\$60 million in 1995 <p>Despite increased investment and impressive growth of non-traditional exports, real living standards declined. Most macro economic targets were missed, inflation accelerated, unemployment and poverty increased. A new economic reform programme (ZIMPREST) was launched in May 1998, but its macro economic targets have been missed.</p>
-------------	-----	------	---

Source: Zimbabwe Human Development Report 1999.

In May 1998, the Central Government launched the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), which will be operational until year 2000. Some of the targets of ZIMPREST are summarised in Table 3.3.

Table 3.3 ZIMPREST targets

Indicators/Targets	1998	1999	2000
GDP growth per annum (%)	6,3%	6,1%	6,3%
Inflation (%)	22	18,5%	8
Budget Deficit per annum	7.9%	6	5
Employment (millions)	1.33	1.39	1.46

Source: Poverty Reduction Forum 1999-12-23

Table 3.4 Zimbabwe's GDP (at factor cost)

	1992	1993	1994	1995	1996
Total Z\$					
At current prices	31,321	38,803	50,837	59,449	76,242
At constant (1990) prices	18,881	19,265	20,284	20,237	21,696
Real change (%)	-5.5	2.0	5.3	-0.2	7.2
Per head (Z\$)					
At current prices	3,009	3,626	4,605	5,223	6,402
At constant (1990) prices	1,814	1,801	1,837	1,778	1,822
Real change (%)	8.6	-0.7	1.9	-3.2	2.5

In his year 2000 budget, the Minister of Finance indicated that the Zimbabwean economy had experienced slow growth, 1,5 percent in 1998 and an estimated 1,2 percent in 1999. The reason being high inflation, which was 44,6 percent in December 1998 and currently estimated at close to 70 percent. Other problems cited by the Minister were high interest rates and foreign currency shortages. Commercial lending interest rates have increased from 40,5 percent per annum in January 1999 to above 60 percent in December 1999. This has made the cost of money to be unaffordable for investors. In 1998, there was a deficit of US\$204 million in the balance of payments. In June 1999, Central Government debt stood at \$146 billion or 67,7 percent of GDP, and domestic debt was estimated at \$21,6 billion⁴³.

The slow growth in the economy has also had a negative impact on local authority revenue mobilisation and the provision of infrastructure. High inflation means that ratepayers are struggling to pay rates and tariffs and will always try to stop local authorities from increasing the tariffs. High cost of borrowed money means little or no investment from the private sector resulting in loss of potential rates and other revenues to local authorities. Shortage of foreign currency also means that it is now difficult for local authorities to import machinery and equipment without donor funds. These problems, which have trickled down to local authorities, mean that it is becoming very difficult to provide infrastructure.

Zimbabwe has a highly developed banking and financial infrastructure with several commercial banks, merchant banks, lease and hire purchase finance houses, building societies and a post office savings bank. These institutions fall under the supervision of the Reserve Bank of Zimbabwe, and they offer a wide range of financial services covering banking, leasing and hire purchase financing, mortgage finance, gilts and semi-gilts. The financial sector, in line with the economic reforms, has been de-regulated to encourage greater competition and to limit control in areas such as interest rates and inter-bank foreign exchange rates, which are now determined by the market.

The country has over 60 direct insurers, professional re-insurers and insurance brokers who operate life and non-life funds. The Zimbabwe Credit Insurance Corporation underwrites political risk and commercial risk including insolvency of buyer, non-payment of undisputed debt by buyers and failure or refusal by the buyer to accept delivery of goods.

The highly developed banking and financial infrastructure has a huge potential for the provision of funds for infrastructure development, but only if local authorities improve their credit worthiness.

Labour relations are governed by the Labour Relations Act 1986, which has been amended, as part of the economic reform programme, to allow for mutual employer/employee negotiations on terms and conditions of service including salaries and wages, discipline, retrenchment and "hiring and firing". Such negotiations are conducted under the overall auspices of National Employment Councils, which comprise management and workers representatives. The government acts as an arbitrator when there is an impasse.

⁴³ Year 2000 Budget Speech: as reported by The Chronicle of 22 October 1999.

While labour issues in the private and public sector are clearly laid down in the Labour Relations Act and the Public Service Act, respectively, there is still confusion in the Local Authorities. For instance, at the moment provisions of the Urban Councils Act, Rural District Councils Act and Labour Relations Act are being used. However, the Urban and Rural District Councils' Acts do not provide detailed procedures in respect of recruitment, selection, promotion and handling of grievances for junior and lower rank council employees. In consequence, procedures for recruiting and firing senior officer are cumbersome.

Zimbabwe has embarked on a Land Reform Programme, which is intended to redistribute land to the majority of its landless citizens. The government has expressed a commitment to an orderly and transparent land reform programme, which does not disrupt agricultural production and undermine investor confidence. The government, through the programme, intends to acquire five million hectares of land to resettle up to 100 000 families.

Rural district councils are the ones that will carry the responsibility to plan and provide most of the infrastructure required: for instance, schools, water supply and roads. This entails rural district councils employing civil engineers and planners to effectively manage and provide the infrastructure.

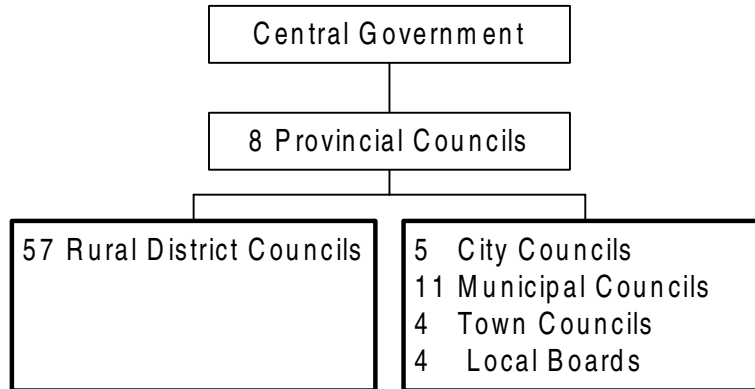
Zimbabwe is governed under a constitution, which was negotiated at Lancaster House in London in 1979 – 80. The Constitution has been revised several times since Independence and is due for a major revision following the submission of recommendations on a new constitution by the Constitution Review Commission. The current constitution does not refer to the local government in Zimbabwe. The only sections which refer to institutions closer to local government that there shall be chiefs (traditional leaders) to preside over the tribes people in Zimbabwe and Section 111(a) which refers to provincial, district or regional governors. It states that for the better administration of Zimbabwe, through an Act of Parliament the President may appoint governors for any areas within Zimbabwe. At present, the President appoints provincial governors for each of the eight provinces in the country.

3.1 Government structure

The Government in Zimbabwe is mainly divided into central and local government. Local government comprises rural district councils and urban councils (i.e. city, municipal town councils and local boards). Between central and local government there is the provincial council, which is largely a central government co-ordinating structure. Figure 3(a) illustrates the intergovernmental relations.

Figure 3(a) Intergovernmental relations

Figure 3 (a) Intergovernmental relations



3.1.1 Central Government

Central government is led by the executive president, and more than 20 Ministers assist the president to run the country. The policy-making body in central government is the Cabinet, which comprises all the Ministers (excluding deputy Ministers). Each Ministry is staffed by a permanent body of civil servants (i.e. permanent, deputy and assistant secretaries and senior administrative officers). The senior civil servants (who are the Ministry's managers) are based in Harare. They are supported by provincial, district and field staff, who account for their activities not to the local authorities but to the Ministry's "managers" in Harare. Key ministries in terms of infrastructure and service provision in local government areas are as follows:

- Ministry of Local Government and National Housing: - The ministry is in charge of local authority establishment, administration and management. It provides guidelines and standards for housing, infrastructure and service provision as well as town planning, for both rural and urban areas. The Ministry is also responsible for the management of state land through the Urban State Land Office. Local authorities reports to this Ministry.
- Ministry of Rural Resources and Water Development - The Ministry is in charge of the planning, allocation and provision of water, through the Department of Water. It is also responsible for the provision of water, roads and other services in rural district council areas through the District Development Fund (DDF). Local authorities deal with this Ministry quite often.
- Ministry of Transport and Energy - The Ministry is the road authority in the country, hence it controls grants for the provision and maintenance of state roads or other declared roads within local authority areas. It issues vehicle licences and public transport operators' licences. The whole energy sector (including electricity) is controlled by the Ministry, hence local authorities

have to deal with the Ministry or government agencies under it (e.g. ZESA) quite.

- Ministry of Education, Sports and Culture - This Ministry is responsible for approving the establishment of both primary and secondary schools. It provides grants for meeting part of the schools running costs and pays teachers (whether or not the school belongs to central government or the local authority). The Ministry has to authorise increases in school fees and development levies.
- Ministry of Health and Child Welfare - The Ministry has to approve the establishment of any health facility, and the employment of health personnel. In smaller local authorities, the Ministry pays health staff working in local authority clinics through grants. As a result, local authority staff are answerable to both the local authority and the district medical officer (who is a central government employee). The Ministry has to approve fees charged at local authority clinics. It also controls general health standards in the country.
- Ministry of Mines, Environment and Tourism - This Ministry is in charge of the mining towns and settlements through the Mining Commissioners. It is also the local planning authority for areas of tourist attraction like national parks, game reserves, sanctuaries and forest areas through the National Parks and Wildlife Department and The Forestry Commission.
- Ministry of Lands and Agriculture - This ministry is largely involved in peri-urban and rural areas. The Ministry is responsible for land acquisition for resettlement and other rural uses. It is also involved in land use planning in rural areas, and also the establishment of small to medium dams and irrigation schemes, as well as agricultural extension through Agritex.

Other key central government agencies and departments are the Surveyor General's office, Deeds Registrar's office. The two offices are responsible for land survey plus registration and land transfers respectively. The Post and Telecommunications Corporation is responsible for postal services and telephone systems.

It is therefore important to note that some of the typical local authority functions are still performed by central government through its line Ministries.

3.1.2 Provincial councils

There are eight provinces in Zimbabwe, namely Mashonaland West, Mashonaland East, Mashonaland Central, Manicaland, Midlands, Masvingo, Matebeleland North and Matebeleland South. Harare and Bulawayo are also provinces in their own right, but do not have provincial councils. Provincial councils have been established through the provisions of the 1985 Provincial Councils and Administration Act. Each provincial council is chaired by the governor. Governors are politicians appointed by the country's president to spearhead development in each province. A provincial council is not a local authority, but it is technocratic structure chaired by a politician to co-ordinate activities of line Ministries as

well as local authorities. Line Ministries and local authorities are represented in the provincial council. The provincial administrator is a civil servant who manages the affairs of the provincial council and he reports both to the Minister of Local Government and National Housing and the provincial governor (whose position is that of a Minister).

Up to now the position of a provincial council remains as confusing as it was when they were established. For instance, a provincial council is not a local government structure, but is a co-ordinating structure which co-ordinates central government activities. However, the provincial council does not control any budget, and only influences development through lobbying. Urban councils are not fully integrated in this structure because their link with central government is through the Ministry of Local Government and National Housing. Rural District Councils deal with the provincial council more often because of their heavy reliance on central government funding. As a result, most of the issues handled at provincial council meetings are more to do with rural than urban areas, further discouraging urban local authorities' attendance.

3.1.3 Urban local governments

The Urban Councils Act does not define the word urban. However, in the 1992 population census report, an urban area is defined as:

- A designated urban area in terms of law; and
- places which have the following characteristics:
 - 2500 inhabitants or more,
 - compact settlement pattern and
 - the majority (more than 50%) of the employed persons engaged in non-agricultural occupations.

Whilst many small centres and mining towns are defined as urban in terms of the 1992 population census criteria, they remain under the administration of rural district councils. For any centre to fall under the premises of the urban Councils Act, the President has to declare it as a local government area, town or city using the following procedure outlined in Section 14 of the Act:

- A growth point, unincorporated urban area, local board, town or municipal council may apply to the Minister in the form and manner prescribed for a change of its Status.
- The Minister shall consider any application made to him and, if he decides to grant the application, shall take the following steps to effect change of status:
 - appoint, at the expense of the council, a commission to consider the matter and make recommendations;
 - after the appointment of the commission, announce the fact in the Government Gazette and in three issues of a newspaper, and invite representations over a 30 days period from the first publication;

- if there are no objections to the establishment of the commission, it then starts its work, guided by the first schedule of the Urban Councils Act, and it reports to the Minister of Local Government;
- after receiving the report, the Minister tables it in Parliament for approval; and
- once approval by Parliament, the report is submitted goes to the President who may then declares the new status by proclamation in the Government Gazette.

Therefore, growth points like Mount Darwin and Gutu, which have not been declared by the President as towns, remain under the administration of the rural district councils (which are generally rural local governments). Urban local governments are divided into city, municipal and town councils as well as local boards.

However, the distinction between a municipal and city council is not clear, because of similarities in administrative structures, local service provision and functions. In reality, municipal status is transitional. It is a status through which a town aspiring for city status can prepare itself before it is accorded the relatively autonomous city status.

For any municipality to become a city council, a commission of inquiry has to be appointed by the Minister of Local Government and National Housing to assess whether or not the municipality qualifies for city status. To arrive at a decision, which it recommends to the Minister, the commission uses a combination of criteria relating to the level of urbanisation and schedule clearly outlines that the commission has to take into account:

- population size, density, growth and distribution;
- employment growth and opportunities;
- total evaluation of property;
- significance of the municipality as a cultural, commercial, industrial and recreational centre; and
- the managerial and administrative capacity of the municipality.

If the commission satisfies the Minister that the municipality is ready for city status, the Minister recommends Parliament's approval. Once approved by Parliament, city status can then be declared by the President. Once a municipality is declared a city council:

- Staff salaries can be upgraded.
- Due to a large tax base, significant financial autonomy is achieved.
- Highly qualified staff can be attracted due to higher salaries.
- Due to improved management capacity, land acquisition and planning can be handled in-house.

A. City councils

There are five city councils in Zimbabwe namely: Harare, Bulawayo, Gweru, Mutare and Kwekwe. Kwekwe is the only urban centre that has attained city council status since independence (1980). The policy, management and administrative structures for city councils are provided in the Urban Councils Act (Chapter 29:15), are as follows:

- The Council
- Management committees
- Executive mayor
- Town clerk
- Department heads

Section 38 of the Urban Councils Act states that every council area shall be governed by a council. Every city council comprises an executive mayor (who is elected by the city's inhabitants and chairs all council functions and meetings), as well as locally elected councillors. In order to discharge its duties efficiently and effectively, each city council is required by 5.92 of the Act to establish statutory committees, which then exercise delegated responsibilities, in running councils' affairs, as follows:

- Executive Committee;
- Finance Committee;
- Health and Housing Committee;
- Environmental Management Committee;
- Audit Committee; and
- Procurement Board (Section 210 of the Urban Councils Act).

In addition to the statutory committees, city councils are free to establish any other management committees that they feel are necessary for the good management of council's affairs.

Section 38 read together with Section 64 of the Urban Councils Act, vests the control and administration of every city council in the executive mayor, subject to the general control of the city council. The town clerk, who is the top city manager, reports to the mayor. On technical and management issues, the town clerk is supported by heads of departments, who are experts in their fields.

Sections 131 to 134 provides for the following senior officials to be employed by each city council:

- Town clerk;
- Chamber Secretary (responsible for administrative and secretarial services to council; and

- Deputy Town Clerk and heads of departments (e.g. City treasurer, city engineer etc).

B. Municipal councils

In Zimbabwe there are eleven municipalities namely: Chitungwiza, Kadoma, Masvingo, Chinhoyi, Marondera, Chegutu, Redcliff, Kariba, Bindura, Victoria Falls and Gwanda. These mainly comprise large towns which are either strategically located or provincial capitals. As a result, they have reasonably large economic and revenue bases, although all of them are struggling to finance and maintain infrastructure within their areas of jurisdiction. The policy, management and administrative structures of municipalities are the same as those of city councils. The difference between municipalities and cities is determined by size of the population rateable property, employment business generated and infrastructure provision. It should also be noted that although cities are bigger than municipalities the divisions are largely dependent on the commission established in terms of section 14 of UCA.

C. Town councils

There are four town councils in Zimbabwe namely Zvishavane, Karoi, Rusape and Shurugwi. These are small towns that are district administrative and service centres. For any urban centre to become a town council, it should have at least six urban wards (councillors). The policy, management and administrative structures of town councils are slightly different from those of city and municipal councils and, in order of seniority, are as follows:

- Town council
- Management committees
- Town secretary
- Department heads

A town council is composed of locally elected councillors, one for each ward. The councillors then elect a council chairperson from amongst themselves. The council chairperson has no executive powers such as those are conferred on the executive mayor. Town councils have management committees similar to those in city and municipal councils, in terms of functions and composition.

The management team in any town council comprises the secretary to the town council, who is the top manager, and the departmental heads, who are managers in their specialised fields. The secretary reports directly to the town council (not the chairperson because, in town councils, the authority to run affairs is vested in council not the chairperson).

D. Local Boards

There are four local boards in the country, namely Ruwa, Chirundu, Hwange and Epworth. Local boards are administered and managed by ministerial appointees or elected councillors depending on what the Minister considers appropriate. Local boards come into existence

when an area is declared a local government area, due to its need for a special type of administration and management structure. Once a local board is appointed it becomes both a policy and management institution. However, the Minister of Local Government has to approve many aspects of the management of local boards. For example, the number of management committees and departments has to be approved by the Minister. Hence, in a sense local board areas are directly administered by central government through the Minister of Local Government. The administrative secretary is the most senior manager and reports to the local board

3.1.4 Rural local governments

Rural area in Zimbabwe are divided into communal lands (formerly district council areas), resettlement and commercial farming areas (formerly rural council areas), and protected rural lands which include forest land, national and recreational parks, safari area and sanctuaries. Rural District Councils are the local authorities for the former district and rural council areas. The Ministry of Mines, Environment and Tourism is the local authority for the declared protected rural lands. Through the provisions of the Rural District Council Act of 1988, rural and district councils were amalgamated to form 57 rural district councils in 1993. Each Rural District Council comprises councillors who are elected by inhabitants at ward level in the district. Each council establishes committees, which deal with specific delegated responsibilities. The Council itself deals with policy issues. It is supported by staff who deal with technical and managerial aspects, and the chief executive officer is the top manager.

However, as things now stand, there is potential conflict between the district administrator (former chief civil servant in charge of the district councils) and the chief executive officer of the councils. Currently, central government is using the district administrator to co-ordinate activities of line Ministries as well as to monitor and supervise rural district councils. This means that central government activities are not co-ordinated by rural district councils, making the district administrator more powerful than the chief executive officer.

In terms of Section 60 of the Rural District Councils Act, the district administrator should preside at all rural district development committee meeting. The functions of this committee include the annual preparation of the annual district development plan. Although the rural district development committee is one of the rural district council committees, the chief executive officer and council itself play a very small role in the committee's proceedings because this committee is dominated by line government Ministries, which control their individual budgets. While the district administrator presides over the preparation of the annual district development plan he/she has no control in the development of the budgets of line ministries or rural district councils. Below the rural district council there is a ward development committee.

It is important to note that Central Government is now bringing back traditional leaders into rural district council structures through village and ward assemblies, which will replace ward and village development committees. This move has been necessitated by the fact that grassroots communities respect the traditional leadership more than the political committees. However, it is not yet clear when these new structures will be put in place.

3.2 The government's policy, objectives and strategies on sub-national government finance and development of local authority governments

3.2.1 Background

The economic performance of Zimbabwe has been divided into the following periods (please refer to table 3.2 for details):

- 1965 – 1979, which was mainly characterised by import substitution through industrialisation and diversification in agriculture and mining;
- 1980 – 1989, a period characterised by central government controls and interventions to achieve growth with equity;
- 1990 – 1996, a period characterised by liberalisation and deregulation of the economy as well as the reduction in central government employees and subsidies; and
- 1998 to the present, during which liberalisation and deregulation continued, but the effects of previous policies (e.g. that it is not sustainable to implement centralist policies) began to be felt.

The legislation background is as follows: Before independence in 1980, sub-national governments were divided into the following categories:

- African Councils were established in terms of the African Councils Act of 1957, and they comprised appointees in charge of the administration of the tribal trust lands (currently known as communal lands). The district commissioner was the top manager. African councils were given authority to impose rates, tariffs and make bye-laws as well as exercise powers comparable to those of a town council. Hence, they had authority and relevant autonomy to raise revenue from the local population through various fee and taxes (e.g. hut tax, dog and bicycle licences).
- Rural Councils were established in terms of the Rural Councils Act. These were responsible for the administration of commercial farms. The council comprised elected councillors, and the Chief Executive officer was the top manager. The councils were given authority to charge rates and fees and were general financially stable.

Urban councils were established in terms of the Urban Councils Act, and were divided into city, municipal and town councils including local boards. Each urban council was divided into two: the European and African areas. The urban council was largely responsible for the European area (which comprised the low and medium density suburbs and the town centre). African areas mainly covered African townships (high density suburbs), and the township superintendents were in charge. The two areas had separate accounts and revenue bases. In terms of expenditure most of it was in European areas, hence they had high quality infrastructure. African areas comprised rented accommodation and poor infrastructure.

At independence in 1980, central government was more concerned with the promotion of socio-economic development and the reduction of inherited inequalities. To address these issues, in 1981 central government came up with the “growth with equity” policy. Some of the principles outlined in this policy are:

- Provide, improve and extend the basic economic and social infrastructure so as to save adequately the Zimbabwean urban and rural economy;
- Provide, improve and extend social services to lower income groups in the urban and rural areas and consider possible schemes of social security services where they do not exist; and
- Reform the fiscal and monetary systems in order to achieve greater equity and efficiency.

During the 1980 and 1989 period central government chose to focus on areas which were neglected by the 1965 to 1979 policies and strategies. The tribal trust lands (communal lands) and the high-density suburbs in urban councils became the areas of focus.

In 1980, 220 African councils were replaced by 55 district councils under the District Councils Act. Under the Act, central government had responsibility to administer communal lands and resettlement areas through the district councils. District administrators (civil servants) were appointed to run district councils. The district councils did not have any autonomy, because central government funded the projects and provided technical expertise through line Ministries.

Rural councils were left to administer commercial farming areas using the Rural Councils Act of 1961. Central government did not commit any resources to the rural councils because they were generally self-sufficient and could afford to borrow from the Public Sector Investment Programme, General Development Loan Fund and the Housing Loan Funds⁴⁴.

In urban council areas, government came up with a one city concept. European and African areas were amalgamated to create one urban council for each town. Central government chose to focus on former African areas (i.e. high density areas). It then stipulated through policy and legislation that:

- All tariffs, fees and supplementary charges (i.e. property tax) in high-density areas were to be approved by the Minister of Local Government through a statutory instrument.
- All urban councils had to have one council comprising representatives from high density areas and other parts of the town.
- Urban councils were to channel substantial resources to high-density suburbs for the development of housing, infrastructure and social facilities.
- Urban councils were to introduce home-ownership policy in high-density areas.

⁴⁴ Which are government loan funds that are used to finance capital projects in sub-national government areas.

Although all urban councils remained operational under the 1973 Urban Councils Act, universal suffrage was introduced in every town.

Low cost housing and associated infrastructure and social services were identified as the most required. In order to provide low cost housing central government channelled resources in the following manner:

- Loan guarantees were made available to home seekers through the Government Housing Guarantee system and local authority guarantees.
- National Housing Fund loans were allocated to all local authorities.
- Building society loans were extended to low-income beneficiaries.
- Additional funds for housing investment were generated from the tax-free paid up permanent shares in building societies.
- Employer assisted home-ownership housing was encouraged.

Donor organisations like USAID and the World Bank supported many central government programmes in urban local authorities. For instance in 1982, the government of Zimbabwe embarked on a programme to provide housing for approximately 18 800 low-income households. The USAID Mission in Zimbabwe and the Regional office of Housing and Urban Development in East and Southern Africa supported the programme through two Housing Guaranty loans of US\$25 million each and a grant of US\$0.75 million for technical assistance, training and commodities. Central government contributed US\$23 million.

On completion in 1987 the programme had provided 19 360 serviced residential plots, 17 000 house construction loans and a variety of community facilities (primary and secondary schools and local markets with public toilets). The urban centres that benefited are Harare, Chitungwiza, Marondera, Kadoma, Chinhoyi, Redcliff, Chiredzi, Chipinge, Bindura and Gwanda. This programme influenced central government housing policy, in particular by:

- lowering minimum housing standards, which resulted in increased affordability of the units by low-income households;
- acceptance and adoption of a self-help approach to housing delivery; and
- establishing mechanisms for the involvement of the private sector building societies in providing mortgage finance for low-income households.

Local authorities accessed the above funds through borrowing from the National Housing Fund. The World Bank supported the Urban I project under Loan No. 2445-zim, which was implemented between 1984 and 1989. When the project ended, a total of US\$95 million had been spent on infrastructure and housing finance. The project delivered 18 185 serviced residential plots in Harare, Masvingo, Marondera and Mutare. The policy influence of the project was similar to the USAID project.

Donor supported programmes influenced government policy to involve the private sector in the provision of housing and the associated infrastructure and social services. However,

during the 1980 to 1989 period, central government remained very active in the funding of infrastructure and local authority development of district councils. In 1984, the then Prime Minister gave a directive for the establishment of ward and village development committees in every district council. A village comprised one thousand people, while a ward was made up of 6 villages. Each ward had to elect a councillor who represented it at the district council level. The ward councillor chairs the ward development committee. Similarly, at the village level, a development committee was elected locally. These structures were created to allow a “bottom-up” process in development and needs assessment. However, the district council remained the sub-national government. The 1984 directive was legislated in 1985 through the Provincial Councils and Administration Act, which also created the provincial councils responsibilities for the co-ordination of development programmes in the province. Provincial councils are made up of government Ministries and departments representatives and are chaired by a provincial governor appointed by the President.

The Provincial Councils and Administration Act also provided for the preparation of five-year and annual integrated development plan at the district and provincial levels. It should be noted that the structures created did not give anatomy to the district and provincial councils in terms of revenue mobilisation or expenditure but entrenched central government involvement. For instance, central government took over the building and running of educational and health facilities in district councils. It also took charge of the provision of infrastructure like water and sanitation. For instance, NORAD financed the preparation of the National Master Plan for rural water supply and sanitation, which was completed in 1984. Using the outputs of this master plan, central government started implementing an integrated rural water supply and sanitation programme in various districts through the following Ministries:

- Ministry of Local Government (responsible for the overall co-ordination)
- Ministry of Water (responsible for borehole drilling and siting)
- District Development Fund – (responsible for borehole drilling, deep wells and maintenance of all rural water supplies)
- Ministry of Health (responsible for health education, sanitation, construction and shallow wells digging)
- Ministry of National Affairs – (responsible for community mobilisation, training and pre-siting exercises)
- Ministry of Finance – (responsible for donor co-ordination, control funds and monitoring).

The district councils had a very limited role in co-ordinating the Ministries. The ward development committee became the focal institution, which mobilised people since donors insisted on community participation.

Through the growth point and service centre policy, government implemented through PSIP an infrastructure development programme in district councils’ growth points and rural service centres (these are small urban centres which provided service and administrative functions to district council areas) in the following manner:

- Phase I (1983 to 1984) provided basic infrastructure including water reticulation, basic feeder roads, bus termini, housing and basic social services.
- Phase II (1984 to 1985) provided more sophisticated infrastructure, including sewerage, extension of water, roads electrification.
- Phase III (1985 to 1986) focused on centres experiencing rapid development in order to expand sophisticated infrastructure.

Growth points like Gutu and Pfura as well as rural service centres in council areas benefited from the \$60 million programme. However, by the end of 1989, it became apparent to central government that the centralist approach and welfare policies that it had adopted were not sustainable. As a result, in July 1993 the rural and district councils were amalgamated to form rural district councils. Rural district councils were given wider functional responsibilities similar to those of urban local authorities.

In November 1993, the Ministry of Local Government and National Housing launched the Rural District Councils Capacity Building Programme. The programme components included:

- Institutional development
- Human resources development
- Capital development pilot project.

The programme is scheduled for completion in 2001. At the end of this project, it is hoped that Rural District Councils' capacities to provide social infrastructure will have significantly improved. Another programme that influenced central government policy on decentralisation is the Economic Structural Adjustment Programme (1991-1995). This programme meant that central government largely concentrated on its core business and decentralised some of the functions to local authorities. In 1994, central government adopted the Poverty Alleviation Action Programme in order to deal with poverty caused by ESAP and other factors. This programme is being implemented mainly by the rural district councils. Its major aims are to:

- decentralise decision making in such a manner that the poor will be able to participate effectively;
- allocate resources to facilitate the consultative process amongst partners for community involvement; and
- target public expenditure to those areas with potential for highest benefits for the poor.

Significant donor funds are being channelled to rural district councils for the implementation of the programme.

3.2.2 Present Situation

However, it should be noted that central government is responsible for many functions in rural district council areas. For instance, central government is still involved in the running of rural health centres. Rural district councils are only required to provide cleaning materials, fuel, repair and maintenance and administrative costs. While the Ministry of Health pays nurses, provides medical equipment and drugs.

In schools, central government has decentralised the building and running of schools to school development committees, hence the rural district councils have been sidelined. The provision of water and sanitation and the running of growth points are still central government responsibilities. Hence, the rural district council roles are still largely lobbying and co-ordinating development, although the capacity building, the poverty alleviation and CAMPFIRE programmes are slowly changing this by according the councils a central role and channelling resources through them.

In urban local authorities, a lot of funds are being channelled into infrastructure and service provision through the World Bank Urban II project and the Private Sector Housing Programme funded by the USAID. For example, Rusape got Z\$14.1 million from Urban II in 1998 for sewerage, housing, vehicle and machinery.

To support the decentralisation process, in 1996 central government came up with 13 principles to guide the process. These are summarised in Table 3.5

Despite all the efforts and resources aimed at building the capacities of both rural and urban local authorities, central government still has to approve:

- any external borrowing by local authorities;
- tariff increments in high density suburbs; and
- health and education fees increments.

Also central government wants to decentralise the provision of educational and health facilities to local authorities but without resources to construct, operate and maintain the facilities. It should be noted that private sector involvement in the funding, construction, operation and maintenance of infrastructure in urban areas is very minimum. Central government's 13 principles do not refer to private sector involvement in any way. Unless these fundamental changes are put in place, decentralisation of functions may not be successful and will adversely affect infrastructure and service delivery.

However, it should be noted that central government policies and objectives are changing. Central government is now in favour of private sector involvement in the provision of infrastructure and services. The local government Capital Development Project, which is being negotiated with the World Bank, is an indication of this commitment. Central government also wants to remove its control on external borrowing by sub-national governments and decontrol tariff and fees increments in high-density suburbs. The Ministry

of Local Government has already identified sections of the Urban Councils Act, which need to be amended. It is now working on the amendments.

Table 3.5 Summary of the principles of decentralisation

14. That decentralisation is necessary and desirable based on the clear understanding that it promotes and strengthens democracy and civic responsibility as citizens participate in their governance and development.
15. That decentralisation be defined and understood to mean the legislated transfer of functions and authority from central government to local authorities such as the rural district councils on a permanent basis.
16. There is need for all Ministries to use the same local institutions for the implementation and management of decentralised functions and not to create parallel of separate institutions.
17. That decentralisation is a process and not an event, as such, it should be implemented cautiously and progressively, having regard to the human, financial and material capacities of the local authorities to whom the transfers would be made.
18. That in respect of all those activities and projects to be undertaken by local authorities, sector ministries retain the power and authority to set standards, monitor performance and consistency to national policies and standards, and intervene appropriately to ensure compliance.
19. That an inter-ministerial committee of Ministers to manage decentralisation and capacity building be established.
20. That central government, in implementing decentralisation shall strengthen financial, human and material resource capacities of rural district councils so as to make them effective institutions in the provision of the social and infrastructure services needed for suitable local development.
21. That central government will continue to be responsible for the provision of trunk services which impact upon more than one local authority area or are of a national character.
22. That the transfer of powers and functions by line Ministries to rural district councils be done by the line ministry concerned and that the Ministry of Local Government Rural and Urban Development will co-ordinate and facilitate this effort.
23. That all monies for recurrent and capital expenditure sourced by line ministries and are earmarked for rural district councils be disbursed to the rural district councils soon after the promulgation of the Appropriation Act.
24. That all loans to rural district councils should be channelled through the Ministry of Local Government Rural and National Housing.
25. That in Zimbabwe there be only two levels which collect taxes, levies and other user charges namely central government and local authorities.
26. That the Public Service Commission will manage the transfer of personnel from central government to rural district councils where this happens as part of decentralisation.

Source: Discussion Paper on the Vision of Local Government in Zimbabwe, July 1999.

3.3 Concrete reform initiatives within the field of decentralisation including fiscal decentralisation

Since 1990, the Government has taken concrete initiatives within the field of decentralisation. In 1991 government embarked on the Economic Structural Adjustment Programme (ESAP), and in 1998 the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) was launched. The two programmes entailed the creation of an enabling environment and central government refocusing on its core business and decentralising local functions to sub-national governments.

In 1993 to 1994, district and rural councils were amalgamated to create Rural District. In November 1993, central government launched the Rural District Councils Capacity Building Program, which commenced implementation in 1996. The institutional development component is funded by DFID and is scheduled for completion in 2001. The capital development component is funded by SIDA, the Netherlands and the World Bank and is scheduled for completion in 2002. The human resources development component is also funded by SIDA and is scheduled for completion in 2003. However, a recent assessment by the Ministry of Local Government has indicated that:

- Rural district councils are not drawing up proper project implementation plans under the district development grants.
- Most RDCs recorded over-expenditure, and there is a mismatch between the financial and physical progress.
- Most RDCs now openly discuss their failings. They are acknowledging that their problems are not only lack of resources but also institutional shortcomings.
- No RDCs are making use of loan funds and the main reason being their inability to meet the eligibility criteria.

In 1994, central government launched the Poverty Alleviation Action Plan (PAAP). The programme is aimed at:

- targeting social expenditures;
- decentralising programme implementation;
- a participatory approach to poverty alleviation; and
- a partnership approach to address distortions in social provision and poverty alleviation.

All the pilot rural district councils under this programme have employed a PAAP officer who assists communities to come up with projects to be implemented by council. Also under the PAAP programme, there is the community action project (CAP). The project is aimed at strengthening the bottom-up planning and making funds available for the community

projects. Once the communities identify their project and it is approved by council, it is then allocated funds for implementation.

The capacity building and the PAAP programmes are channelling significant into RDCs to improve their capacity; they are good examples of decentralised expenditure. However, not much has happened in terms of revenue generation and mobilisation.

The CAMPFIRE project (this is a project implemented by rural district councils, which encourages sustainable use of wildlife and other natural resources by making those who harvest pay) is the one that generates revenue for use by the local authorities and communities involved.

In urban areas, two programmes are substantially contributing to urban councils' reforms: the World Bank funded Urban II programme and the USAID funded Private Sector Housing Program. These programs have sought to increase private sector involvement in the provision of infrastructure. The World Bank, as part of its Urban Development program, has assisted some local authorities to establish computerised information management systems. On the other hand, USAID is supporting initiatives on improving municipal finance, particularly improving urban councils' credit rating.

Central government is also proposing the Local Government Capital Development Project. This project is to benefit all the 24 urban and 57 rural district council. The proposed project, with funding of US\$110 million, is scheduled to commence in January 2003. The components of the project are:

- local government infrastructure finance: this will provide matching grants to rural and urban councils that achieve creditworthiness, prepare infrastructure investment programmes and secure commitments from the local capital market to finance a portion of the required investment.
- restructuring of distressed councils: a restructuring facility will provide funding to local authorities experiencing financial distress.
- capacity building/technical assistance: local authorities will be assisted to improve creditworthiness to enable them to secure a credit rating. Assist councils that are already creditworthy in the identification and packaging of projects for submission for private financing and matching grants.
- district development grants: continue funding RDC capital development component.
- institutional support: financing of the institutional structure, Technical Appraisal Group and Management Unit, which will assist in project implementation and co-ordination.

The Ministry of Local Government and National Housing and the Ministry of Finance are aware that if local authorities are to be able to repay money borrowed from the private sector, central government has to stop controlling tariff increments. As a result, the two Ministries have agreed that local authorities should be left alone to determine tariff levels so that market

forces determine what is charged. Ministry of Local Government is now working on the amendment to the Urban Councils Act, to make it possible for tariff and fee increments to go ahead without central government approval.

The Ministry of Local Government and National Housing, together with the Association of Rural District councils and the Urban Councils Association of Zimbabwe, put forward the following recommendations to the Constitutional Commission that:

- Zimbabwe has a two-tier system of government represented by central and local government;
- the system of local government be based on urban councils and rural district councils with boundaries as presently constituted which boundaries can be altered with the consent of the inhabitants;
- councillors be elected on the basis of equal universal adult suffrage;
- the local government elections be conducted by an Independent Electoral commission;
- a local authority has the right to govern affairs on its own initiative, subject to national legislation;
- central government may not compromise or impede a local authority's rights to exercise its powers or perform its functions;
- there be established for each local authority a sound financial base with adequate and reliable sources of revenue and that the local government be the sole taxing authority of land and property;
- the objects of a local authority be:
 - to provide democratic and accountable government in a sustainable manner;
 - to provide services to the community in a sustainable manner;
 - draft legislation that affects the institution of local government must be published in a manner that allows local authorities to make recommendations on the draft;
 - persons in the service of local government must be recruited by and subject to the control of the local authority;
 - an intervention Board with a national representation of local authorities be set up with such power to intervene in a local authority's affairs where it is necessary to restore services or protect the interest of the inhabitants;
 - where intervention is necessary in order to restore services in a council area or to protect the interests of the inhabitants, the Minister may take such measures as are necessary, but that such measures will be subject to ratification within 14 days by the Intervention Board; and
 - a local authority fund, into which no less than 10% of the total revenue of Zimbabwe Government will be paid, be established.

- Councils have the right to form, take part and associate with organisations representing local authorities.⁴⁵

It is felt that these recommendations, if they are incorporated into the constitution of Zimbabwe, will guarantee local authorities the autonomy they require. The joint submission does not mention the principles for distribution of grants, the need for a consultative process and the question of users fees.

3.4 Division of tasks and responsibilities between central government and sub-national government

The Urban Councils Act, specifically the Second Schedule, details infrastructure and services urban local authorities should provide. The first schedule of the Rural District Councils Act provides services and infrastructure rural district councils should also provide. Table 3.6 indicates division of tasks and responsibilities between central government and local authorities as presently in force.

Table 3.6: Division of tasks and responsibilities between central and local government

INFRASTRUCTURE/ SERVICE	CITY COUNCILS	MUNICIPAL COUNCILS	TOWN COUNCILS	LOCAL BOARDS	RURAL DISTRICT COUNCILS
Raw water supplies (dams)	C	C	C	C	C
Water treatment reticulation	L	Lc	Lc	Cl	C
Sewage disposal	L	L	L	L	L
Refuse collection and disposal	L	L	L	L	L
Road construction	L	Lc	Lc	C	C
Road maintenance	L	Lc	Lc	Lc	Lc
Electricity	C	C	C	C	C
Street lighting	L	Lc	Lc	Lc	Lc
Street cleaning	L	L	L	L	L
Housing estates	Lc	Lc	Cl	Cl	C
Public transport infrastructure	L	L	L	L	L
Public transport permits	C	C	C	C	C
Provision of public conveniences	L	L	L	L	L
Provision & maintenance of parks, cemeteries	L	L	L	L	L
Pollution control	L	Lc	Cl	C	C
Pest control	L	Lc	Cl	C	C
Urban planning	Lc	Cl	Cl	C	C
Land acquisition development & disposal	Lc	Lc	Cl	C	C
Traffic control, car parking	L	L	L	L	L
Motor vehicle licensing	L	L	L	L	L
Recreational facilities	L	L	L	L	L
Issuing of trade licenses	L	L	L	L	L
Pre-schools	L	L	L	L	L
Primary schools	Lc	Lc	Lc	Lc	Lc
Secondary schools	C	CL	C	C	CL
Hospitals	Cl	C	C	C	C
Clinics	L	Lc	Lc	Lc	LC
Ambulances	L	Lc	lc	c	c
Fire services	Lc	L	L	-	-
Commercial undertakings (e.g. traditional beer)	L	L	L	L	L
Social Welfare	Cl	Cl	Cl	Cl	C

KEY; LI – Local Government, Cc Central Government

Capital letter denotes major responsibility, small letter denotes minor responsibility

⁴⁵ Source: Joint submission to the Constitutional Commission

Although the law is clear on what authorities should provide, in practice central government still provides services and infrastructure local authorities are mandated to provide, resulting, in many instances, in duplicating effort.

3.4.1 Division of tasks

It is the responsibility of the local authorities to administer the areas under their jurisdiction. However, central government controls alterations of the boundaries and the hiring and firing of local authority senior staff. This shows that although public services are supposed to be the task of local authorities, central government and parastatals play an important role.

3.4.1.1 Education

In urban areas, primary schools are provided by either local government or the private sector. In rural district council areas, provision of primary schools has been decentralised to beneficiary communities through school development Committees; Church organisations also provide primary schools. Rural district councils are, to a large extent, not providing any primary school facilities. Central government still pays teachers' salaries in community and church and schools.

In urban local authorities, central government, church organisations and the private sector provide secondary school facilities. In rural district councils, secondary school facilities are provided by the council, communities and church organisations. Central government pays all the teachers.

The provision of educational facilities is to a large extent being decentralised to local authorities in urban areas and the communities in rural district council areas.

3.4.1.2 Health

Health is another area where central government and local authorities share responsibility. For instance, hospitals are mainly provided by central governments. Local authorities have confined themselves to the provision of specialised hospitals (e.g. infectious disease hospitals provided by cities of Harare and Bulawayo). Local authorities mainly provide clinics and ambulances. However, the Ministry of Health and Child Welfare controls fees charged at local authority clinics. For small towns and rural district councils the Ministry pays staff employed at local authority clinics. Even drugs are ordered through the central government medical stores, through the district medical officers. As a result of the overlap of tasks and control by central government, health delivery by local authorities is adversely affected.

3.4.1.3 Social Security and Welfare

Social security and welfare is the responsibility of central government through the Social Welfare department and Social Dimensions Fund. The Social Dimensions Fund was established in 1991 with the aim of cushioning vulnerable groups and poor communities against the effects of ESAP through the following targeted interventions:

- to compensate the poor for new or increased user charges in education and health and for deregulated maize meal prices. Payments were designed to finance exemptions from health fees, school fees and examination fees for households with incomes below \$400,00 per month together with per capita cash food benefit of \$4,00 per month for urban households earning less than \$200,00 per month; and
- employment and training programme, which provided an introductory one week training course in starting up a new business, along with loans for small enterprise start-ups⁴⁶.

However, the assistance provided fell far short of the demand.

Table 3.7: Assistance under Social Dimension Fund between 1992 and 1996

Type Of Assistance	Number Of Beneficiaries	Cost Of The Assistance
School Fees	602 829 Pupils	\$1 000 000 000.00
Examination Fees	293 400 Pupils	\$28 000 000.00
Food Programme	42 074 People	\$1 700 000.00
Health Fees	364 081 People	\$37 000 000.00

Source: Institute of Development Studies Policy Dialogue Series No. 1; 1006

The Zimbabwe Human Development Report indicated that 75% of rural households and 25% of urban households have incomes below the \$400,00 threshold for free medical care and education. Many hospitals have reported that only 20% of outstanding accounts are settled through the SDF. Rural district councils are even in a worse off position because they are not allowed to charge any user fees at their clinics. This means that health services are free, even for those who can afford to pay. Urban councils have complained that they cannot afford to provide adequate health services because the Minister of Health controls the user fees, and the SDF does not honour their claims for those earning less than \$400,000. Education has suffered the same fate with regards to the SDF. Although central government is currently in the process of decentralising education and health, it continues to retain many responsibilities for these functions. Sub-national governments mainly provide sport fields, community halls, beer halls and amenities like parks.

3.4.1.4 Housing

Housing provision has been deregulated; hence, the private sector, housing co-operatives and building societies are heavily involved. However, land delivery and zoning is still the responsibility of local authorities and central government. Housing and infrastructure standards are controlled by central government.

3.4.1.5 Sewerage

Sewerage, solid waste management, community amenities and recreational facilities are constructed, operated and maintained by local authorities. The private sector is also involved in the provision of these services.

⁴⁶ Zimbabwe Human Development Report, 1998

3.4.1.6 Roads

Roads are constructed and maintained by local authorities, with the exception of state roads. State roads are the responsibility of central government. Local authorities are supposed to maintain these roads using grants from central government. In reality, the provision of these grants is irregular and insufficient. At growth points like Gutu and Pfura central government constructs the roads. Maintenance is done by either the local authorities or central government (through the Central Rates Fund).

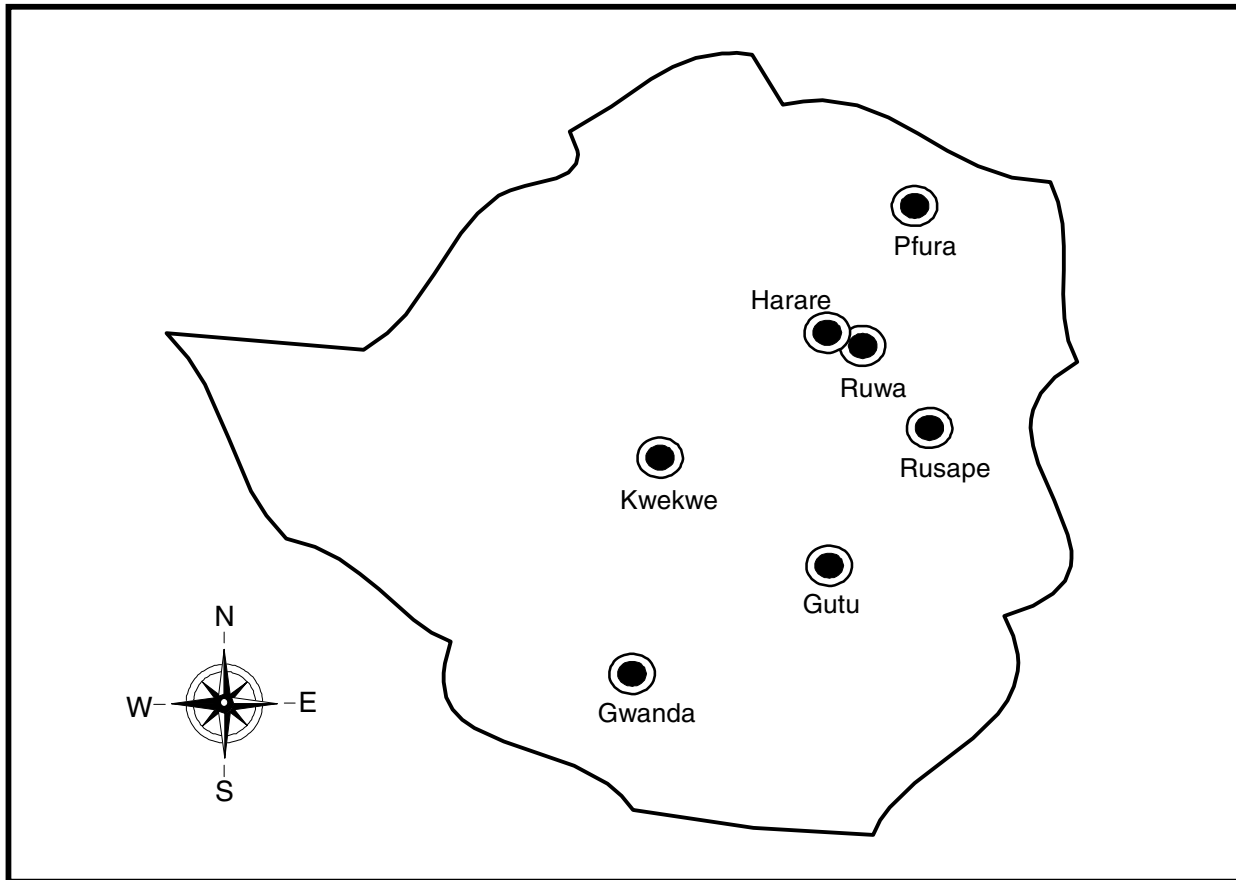
3.4.1.7 Water

Provision of water is shared by central and local government. Central government normally provides raw water to local authorities. Local authorities, in turn, buy the raw water from central government, purify the water, and distributes it to consumers. In small urban centres, central government provides purified water to the consumers (e.g. Ruwa Gutu and Pfura). Electricity is provided by the Zimbabwe Electricity Supply Authority (ZESA), which is a parastatal. Local authorities are responsible for street lighting.

3.5 The Sample Sub-National Governments

The analysis of the fiscal decentralisation in Zimbabwe is based on case studies of seven local authorities, which are shown on the map at Figure 3.1. The sample local authorities are Ruwa, Harare, Kwekwe, Gwanda, Rusape, Gutu and Pfura. These local authorities were selected at random by a joint panel of the consultants, USAID and NALAD. The Ministry of Local Government and National Housing was informed of the selected local authorities prior to the commencement of the study. A brief synopsis of the seven local authorities is given below.

Figure 3.1: Map of Zimbabwe showing the seven sample SNGs covered in the study



3.5.1 Harare City Council

a) Introduction

Harare is the capital city of Zimbabwe. It is located in the northern part of the country in an agriculturally rich region. Most of the tobacco, wheat, soybeans, horticultural activities and intensive beef production take place around Harare. As a result, the city has attracted a lot of agro-processing industries. Since central government offices and private headquarters are located in the city, this has provided a very strong base for the development of service industry in the city. Hence, the city has both the largest, and most diversified rates base and economy. Property was valued at \$16.2 billion at the end of 1997.

The current population of Harare is estimated at 2 million people. Harare is growing into a primate city.

Table 3.7 Harare's key statistics (source 1992 National Census Report)

Population	1 189 103(1992) 2 000 000 (1999) ⁴⁷
Number of Households	296 439
Average Household size	4.0
Literacy rate (15 years and above)	94
Birth rate (per 1000)	33
Mortality rate (per 1000)	7.9
Life expectancy 1990 (years)	64
Unemployment (%)	20
Size (sq km)	570
Total Employees (1999)	10 392
Total Revenue (1997)	1 071 682 410
Total Expenditure (1997)	1 557 155 881
Per Capita Expenditure (1997) current pop	778.58
Number of Employees Per Capita (1999)	0.01

b) Administration, Management and Staffing

The City of Harare is led by a executive mayor who is elected by Harare inhabitants and city councillors who are also elected by the inhabitants. However, currently the city is being run by commissioners appointed by the Minister of Local Government and National Housing. All the councillors and the executive mayor were suspended in February 1999, by the Minister of Local Government and National Housing on allegations of mismanagement.

City of Harare has the following committees:

- Audit Committee
- Environmental Management Committee
- Health Housing and Community Services Committee
- Education Committee
- Procurement Board
- Finance Committee
- Executive Committee

Council delegates responsibilities to each committee. The executive committee works as the council's cabinet and is chaired by the executive mayor. The Harare City Council employs 10 392 people. The town clerk is the top most senior staff member. He reports to the executive mayor, not the council. At the time of the study, the Executive mayor and all the councillors were on suspension, and the city was being run by commissioners appointed by the Minister of Local Government and National Housing⁴⁸.

⁴⁷ 1992 population figures are based on the 1992 national population census. All 1999 populations are estimates based on the 1997 inter-censal growth rates.

⁴⁸ The Executive Mayor and the entire council were indefinitely suspended by the Minister of Local Government and National Housing for alleged mismanagement of the city. This followed an investigation by Commission of Inquiry appointed by the Minister.

Financial Management

In 1996 Harare City Council's income was \$867.7 million, and in 1997 it was \$1 071.7 million. Water sale is the largest single contributor to income, and on average contributes 29.1%. The bulk of the water is sold to industrial and commercial concerns. Rates contribute 21.9% of revenue on average.

Staff costs are high at 51.1% of the total recurrent expenditure compared to the 28% level recommended by the Minister of Local Government and National Housing to be spent on staff cost. In 1997, council spent \$1557.2 million, which resulted in a deficit of \$458.58 million. In 1996, council spent \$347.1 million on capital expenditure and \$357.6 million in 1997. In both 1996 and 1997, council financed most of its capital expenditure from borrowed money: 70.3% and 90.2%, respectively.

3.5.2 Kwekwe City Council

a. Introduction

Kwekwe is the fifth largest city in Zimbabwe. It is located in the Midlands province, about 213 kilometres south of the city of Harare. The city of Kwekwe is located in the goldbelt. Gold, iron and chrome are mined around the city. As a result, the city is now an industrial hub in the country, and has big companies like the Zimbabwe Mining and Smelting Company (ZIMASCO) and Sable Chemicals Operational. The current population is estimated at 113,000, and property is valued at \$200 million, of which \$51 million represents residential property.

Table 3.8 Kwekwe's key statistics (Source: 1992 National Census Report, Recent financial reports)

Population (1992)	75 425 (1992) 113 000 (1999)
Number of Households	17 607
Average Household Size	4.3
Literacy Rate (15 years and older)	93
Birth Rate (per 1000)	36
Mortality Rate (per 1000)	9.7
Life Expectancy 1999	61
Unemployment (%)	29
Size (ha)	8400
Total Employees (1999)	817
Total Revenue (1997)	62 245 581
Total Expenditure (1997)	97 259 693
Per Capita Expenditure (1997) (current pop)	

b. Administration, Management, and Staffing

The policy or political structure of the city of Kwekwe comprises Kwekwe City Council, where councillors are elected by all the inhabitants of the city who are 18 years and above. The executive mayor, who is also elected by the locals, administers council activities on a day-to-day basis. There are 14 councillors in Kwekwe City Council. The council is divided into the following committees:

- Executive Committee
- Works Committee
- Housing Committee
- Health and Education Committee
- Finance Committee
- Audit Committee
- Procurement Board

Each committee is led by a chairperson and deals with particular issues delegated to it by the council. The administration and management structure is divided into the following departments:

- Chamber Secretary's department
- Treasurer's department
- Works department
- Health department
- Housing and Social Services department
- Procurement Board

These are headed by chief officers qualified in the sector concerned, and the town clerk is the senior manager in the council. All the key positions are currently filled by qualified personnel. Kwekwe currently employs 817 people.

c. Financial Management

In 1996, Kwekwe's income was \$52 million and \$62 million in 1997. Just like in Harare, water was the highest single contributor (e.g. 24.7% in 1996 and 27% in 1997). Liquor and housing are the other important contributors. Rates contributed 14.9% in 1997. Total expenditure in 1997 was \$97 million. Staff costs remained the single largest expenses at 34.7% of the expenditure, well above the 28% recommended by the Minister of Local Government and National Housing.

In 1996, council used \$67 million and \$21.1 million in 1997 on capital expenditure.

d. General Issues

The city of Kwekwe is relatively better managed than other local authorities of its size. All its management positions are filled up. Therefore, if resources are made available Kwekwe is in a better position to provide infrastructure and services. Kwekwe is the only urban centre that attained city status after the country's independence (i.e. in 1980), indicating that it has continued to grow and is relatively well managed. However, it should be noted that the city is struggling to raise funds just like any other urban centre in the country, largely due to central government controls.

3.5.3 Gwanda Municipal Council

a. Introduction

The officer of Matebeleland South Province and the provincial and district government are located in the town. It is located in the southern part of the country, 126 kilometres from the city of Bulawayo, which is the second largest city in the country, and 565 kilometres from the city of Harare. The town is situated along the Bulawayo to Beitbridge road and rail, which means that there is great potential for the establishment of tollgates so that passing traffic especially from South Africa to Bulawayo, Victoria Falls and Zambia can pay towards the maintenance of roads in the town. The economic activities around Gwanda are mainly mining and cattle ranching. However, Gwanda seems to have gained very little from the activities due to its proximity to the city of Bulawayo.

Table 3.9 Gwanda's key statistics (Source: 1992 National Census Report)

Population	10 565 (1992) 20 000 (1999)
Number of Households	2 755
Average Households Size	3.8
Literacy Rate (15 years and above)	93
Birth Rate (per 1000)	34
Mortality Rate (per 1000)	7.2
Life Expectancy 1990 (years)	65
Unemployment (%)	27
Size (ha)	1956
Total Employees (1999)	187
Total Revenue (1997)	7 611 266
Total Expenditure (1997)	17 755 478
Per capita expenditure (current pop)	887.77

The current population of Gwanda is estimated at 20 000 people.

b. Administration, Management and Staffing

Gwanda's status was upgraded early this year from a town council to a municipal council. In August 1999, the residents of Gwanda elected their first executive mayor. The Gwanda municipal council has 9 elected councillors who are the policy makers of the town.

Gwanda Municipality is divided into the following Committees:

- Executive Committee
- Environmental Management and Works Committee
- Health and Housing Committee
- Finance and Licensing Committee
- Procurement Committee
- Audit Committee

All the committees are chaired and run by councillors and make decisions on particular delegated responsibilities. The executive mayor chairs the executive committee. The municipality's management structure is divided into the following departments:

- Finance department
- Housing and Community Services department
- Administration department
- Engineering and Works department
- Health department

Each department is headed by a professional in that particular field, supported by other staff and general staff. All the departmental heads report to the town clerk who is the council's top manager. The town clerk reports to the executive mayor.

Gwanda municipality has a staff establishment of 205 but currently employs 187 people. The following critical posts are vacant: deputy treasurer, chamber secretary, deputy engineer, and there is no personnel and legal section and town planning section. The current town clerk is working on acting basis.

c. General Issues

Gwanda municipality is buying purified water from the Ministry of Rural Resources and Water Development. Council feels that this water is expensive; hence, it would prefer to have its own purification plant. Also Gwanda has problems with the provision of infrastructure and services because most of the land is controlled and owned by central government. The development approval processes are lengthy, and the municipality does not employ its own town planning staff; hence, it has to rely on central government planners. Central government does not pay its water bills on time, and Gwanda municipality ends up subsidising central government.

3.5.4 Rusape Town Council

a. Introduction

Rusape is a relatively small town located in the Manicaland Province, along the Harare to Mutare and Beira (in Mozambique) rail and road. It is located about 170 kilometres east of Harare. The main economic activities around Rusape are crop cultivation and livestock rearing. Rusape town council has a small revenue base due to its small size. Table 3.10 below indicates the key statistics for the town.

The current population of Rusape is estimated at more than 20 000 people.

Table 3.10: Rusape's key statistics (Source: 1992 National Census Report)

Population	13 920 (1992) 20 000 (1999)
Number of Households	3 458
Average Household Size	4.0
Literacy Rate (15 years of above)	93
Birth Rate (per 1000)	34

Mortality Rate (per 1000)	8.5
Life Expectancy 1990 (years)	63
Unemployment (%)	27
Size (ha)	1730
Total Employees (1999)	235
Total Revenue (1997)	18 576 940
Total Expenditure (1997)	15 409 459
Per Capita Expenditure	770.47
Number of employees per Capita	0.01

b. Administration, Management and Staffing

Rusape is a town council and is run by elected councillors. Councillors elect the council chairperson from amongst themselves.

The Secretary is the top manager in the local authority, and all departmental heads report to him. He, in turn, reports to council. Information management is still largely manual and is handled through files.

c. General Issues

Rusape Town Councils still relies on central government in terms of land acquisition, planning and development. Infrastructure provision is largely determined by the resources central government is willing to make available to the local authority.

3.5.5 Ruwa Local Board

a) Introduction

Ruwa is a fast growing satellite urban centre, located about 30 kilometres east of the City of Harare along the Mutare rail and road. Ruwa was established in 1986 through the initiative of Mashonaland Holdings (Pvt) Ltd. It has continued to grow as a private sector driven town. Quite a number of companies, which want to gain access to the huge market within Harare, locate at Ruwa. Again, due to the unfulfilled high demand for residential properties in Harare, the private sector is subdividing land in Ruwa, in order to satisfy this demand. Therefore, Ruwa's close proximity to the City of Harare is attracting investment to it, making it Harare's satellite town.

Since 1992 Ruwa has grown so rapidly that the population resident at the local board is now estimated at 19 000.

Table 3.11: Ruwa's key statistics (Source: 1992 National Census Report)

Population	1447 (1992) 19 000 (1999)
Number of Household	354
Average Household Size	4.1
Literacy Rate (15 years and above)	94
Birth Rate (per 1000)	38
Mortality Rate (per 1000)	2.1
Life expectancy (years)	66
Unemployment (%)	17

Size (ha)	1800
Total Employees	82
Total Revenue (1997)	10 456 238
Total Expenditure (1997)	11 241 807
Per capita expenditure (current pop)	591.67
Number of employees per Capita	0.4

b) Administration, Management and Staffing

Ruwa was proclaimed a Local Board in 1991, which then necessitated the Minister of Local Government and National Housing to appoint the Local Board members. However, Ruwa is in a transitional period because it is being upgraded to a town council. The first councillors were elected in August 1999. Ruwa Local Board has the following Committees:

- Finance Committee
- Health and Housing Committee
- Environmental Committee

Like in any other local authority, the committees deal with delegated responsibilities. For management purposes the local board is divided into the following departments:

- Administration and Housing department
- Works Engineering and Housing department
- Treasury and Liquor department

The local board employs 82 people, and the administrative secretary is the top officer.

c) General Issues

Ruwa Local Board is one of the urban centres where infrastructure and general development are private sector driven. Hence, the local authority largely maintains that infrastructure. The Local Board largely concentrates on water and sewerage provision. A local board is a special type of local authority in that members are Ministerial appointees, who are largely accountable to the Minister. The Minister has almost unlimited power to control the local board, in terms of budget and tariff increments approval. The local Board is constrained from providing adequate infrastructure by the shortage of plant and equipment, financial resources and manpower.

3.5.6 Gutu Rural District Council

a. Introduction

Gutu Rural District Council is in charge of the administration of Gutu growth point. However, the rural district council also covers rural areas and other business centres in Gutu district in terms of administration. Gutu Rural District Council is located in the southeastern part of the country in the Masvingo Province, about 227 kilometres from the city of Harare. The main economic activities are small and large-scale farming. Gutu growth point is the service centre for the agricultural hinterland, and is the administrative centre of Gutu district.

Table 3.12: Gutu Rural District Council's key statistics (Source: 1992 National Census Report)

Population	195 802 (1992) 230 000 (1999)
Number of Household	37 946
Average Household Size	5.1
Literacy Rate	86
Birth Rate (per 1000)	30
Mortality Rate (per 1000)	11
Life Expectancy Rate	59
Unemployment (%)	49
Size (sq.km)	7 079
Total Employees	92
Total Revenue (1997)	No Information
Total Expenditure	No Information

Currently the population of Gutu growth point is estimated at 230 000 people.

b. Administration, Management and Staffing

Gutu Rural District Council has 36 councillors most of whom come from rural wards. This tends to bias council funded development towards rural areas.

All councillors are elected by Gutu inhabitants, on ward-level basis. The councillors in turn choose a council chairperson who presides at council meetings and acts as a ceremonial leader of the council, a position that is different from the executive mayor's.

The council's top manager is the chief executive officer. All departmental heads report to the chief executive officer who in turn reports to council. Gutu Rural District Council is divided into the following departments:

- Auditing department
- Finance department
- Administration department
- Engineering department
- Production and Marketing department
- Poverty Alleviation Action Program department
- Planning and Works department
- Community Services department

Gutu Rural District Council employs 92 people.

c. General Issues

The rural district council is also not doing much in terms of infrastructure provision and maintenance. Electricity is being provided by the Zimbabwe Electricity Supply Authority, while street lighting, which is a local authority function, is provided by both Gutu Rural District Council and Central Rates Fund (which is a central government department). Sewerage provision

is also shared by the Central Rate Fund and the rural district council. Water supply is shared by the Ministry of Rural Resources and Water Development, Central Rates Fund and the rural district council. Health is provided by central government (1 clinic) and a polyclinic, which is privately owned. Education is shared by council, central government and the private sector.

The provision of infrastructure and services at Gutu Rural District Council is largely shared between central government and the local authority. Furthermore, local authority does not have the financial and manpower capacity to manage and provide infrastructure for a growth point of Gutu's size and, at the same time, cater for the rural areas.

3.5.7 Pfura Rural District Council

a. Introduction

Pfura Rural District Council is responsible for the administration and management of Mt Darwin growth point and the surrounding communal and commercial farming areas. Pfura is located in the northeastern part of the country, about 168 kilometres from the city of Harare, in the Mashonaland Central Province. The growth point is largely surrounded by communal lands where the main economic activity is crop cultivation, based on cash crops like cotton. Mt Darwin is the main service and administrative centre of Pfura district.

Table 3.13 Pfura's key statistics (Source: 1992 National Census Report)

Population	165 828 (1992) 195 000 (1999)
Number of Household	32 195
Average Household Size	5.1
Literacy Rate	63.5
Birth Rate (per 1000)	46
Mortality Rate (per 1000)	15
Life Expectancy Rate	60
Unemployment (%)	33
Size (sq.km)	4 547
Total Employees	70
Total Revenue (1997)	8 029 866
Total Expenditure (1997)	9 435 816
Per Capita Expenditure	48.39
Number of Employees per capita	0.0004

The population of Pfura is currently estimated at 195 000 people.

b. Administration, Management and Staffing

Like Gutu Rural District Council, the policy-making structure comprises the council and management committees. Councillors are also elected by locals. They in turn choose a council chairperson from amongst themselves. The chief executive officer is the council's top manager, and all departmental heads report to him/her. Pfura employs 70 people.

c. General Issues

Pfura Rural District Council also administers and manages the rural areas within the district. Just like Gutu, resource allocation is biased towards rural development; hence, infrastructure and service provision is largely shared between the Central Rates Fund, Pfura Rural District Council, other central government agencies/departments and the private sector.

CHAPTER FOUR

THE PUBLIC SECTOR AND SUB-NATIONAL FINANCES IN ZIMBABWE

4.0 Introduction

This Chapter examines those aspects of fiscal decentralisation that are financial in nature. Considerable emphasis is placed on revenue and expenditure patterns (of both central and sub-national governments), their relationship(s), link(s), and related factors. To understand these aspects, this section will start by examining those aspects of central government that affect, directly or indirectly, the financial decisions of local authorities. The structure of central government revenue and expenditure patterns are looked at and compared to the patterns of local authorities' revenue and expenditure patterns. This is followed by a more detailed look at the financial data on local authorities, as it relates to central government expenditure patterns. The comparison is expected to accentuate those aspects that affect decentralisation and the possibility of local authorities operating autonomously. A sample of six local authorities is examined much more closely in all aspects of their financial decisions. The degree of support from central government is examined as well as the financial adequacy of local authorities to operate autonomously.

Owing to the large volume of financial statistics analysed in this section, it is not possible to include the detailed financial tables in the main report, as it will make it unwieldy and difficult to read. All the tables are therefore included in a separate volume of appendices. Where possible, however, we have summarised some of the key financial statements in tables and graphs which are included in this chapter.

4.1 Central Government

This particular section looks at the revenue and expenditure patterns of the central government. To recap, there is need to understand the macro economic environment which has developed in Zimbabwe over the past decade (see Chapter 3).

Much had been expected of the Zimbabwe reform process under ESAP, which ran from 1990 to 1995. The facts show that economic growth averaged 3 per cent over the period against a target of 5 per cent. ESAP's successor, Zimprest, has also not been as successful as had been hoped. The programme began in 1996 and projected annual average growth of 6 per cent per annum, but so far the result has been far from being anywhere near the objective. This has had a profound effect on the central government's revenues and expenditure patterns.

To understand the trend of central governments revenue and expenditure patterns, an analysis of government's central accounts has been carried out for the period 1994 to 1997. The analysed figures are presented in absolute forms and detailed Appendices have been made containing the financial information (See Appendices; 4.1.1 and 4.1.4 central government). To enable the

figures to be compared with what will be happening in the real economy, there is need to adjust them to their real terms. For example, in nominal terms, central government revenues increased from \$13.646 billion in 1994 to \$32.769 billion in 1997 (See Table 4.1.1 central government Revenues in the Appendices). This represents growth of +140% over the period. However, if the 1997 figure is deflated to take into consideration the inflationary impact, the real 1997 figure is reduced to \$18 billion (i.e. \$32.769 divided by 1.82 being the GDP deflator for 1997), an increase of only 31.9% over the period. The table below shows the GDP deflators, which can be used as divisors on all figures in this Chapter 4 in order to reduce them to a comparable 1994 base. This should make it possible to identify real from nominal growth.

Table D1: GDP deflator factors

Year	1994	1995	1996	1997
Deflator figures	100.00	122.30	149.93	182.00

Source: central Statistical office

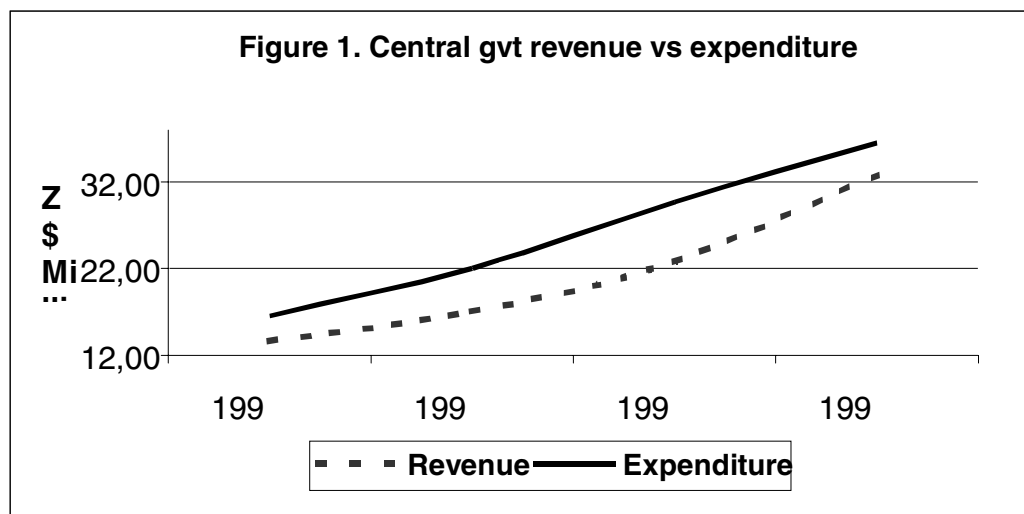
Table 4.1.1 central government, revenues and expenditures (see Appendices) shows that central government revenues rose from \$13.646 billion in 1994 to \$32.769 billion in 1997. This equates to an increase averaging 34% from year to year, which is much higher than the average inflation figure over the period, which was 21.27%⁴⁹. The actual revenue changes over the period studied are as follows: 24.5% change in 1995 over 1994 figures, 34% change between 1995 and 1996 and a 44% change between 1996 and 1997. The rather high 1996 to 1997 change can be attributed to the steep loss of value of the Zimbabwe dollar over late 1997, which distorted the figures. The 1997 revenue figures represented a 140% increase over the 1994 figures.

Expenditure also rose dramatically as the revenue figures. Table 4.1.1 central government, Revenues and Expenditures (See Appendices) shows that the central governments expenditure figures increased from \$16.583 billion in 1994 to \$22.000 billion in 1995, \$29.671 billion in 1996 and \$36.454 billion in 1997, representing an annual average growth of 30% and an overall growth of 119% over the whole period.

The gap between central government revenues and expenditures, which was \$2.9 billion in 1994 in favour of expenditures, increased to \$5.0 billion in 1995 and \$6.89 billion in 1996 before dropping to \$3.685 billion in 1997. A look at central government expenditure reveals that in 1994 government spending was 29,5% of GDP, rising to 35,6% in 1995, falling to 35% in 1996 and then rising again to 36,5% in 1997 - an average of 34,2% for the period. Revenues, on the other hand, are only, on average, 27% of GDP over the period.

⁴⁹ Source: National Accounts, 1985-1995 published by central Statistical Office, July 1998.

Figure 1 below illustrates the disparity between central government revenues and expenditure - the gap was particularly wide during the 1995/96 period and began to narrow in 1997 as revenues eased up while the expenditure growth slowed down. In general, local authorities'

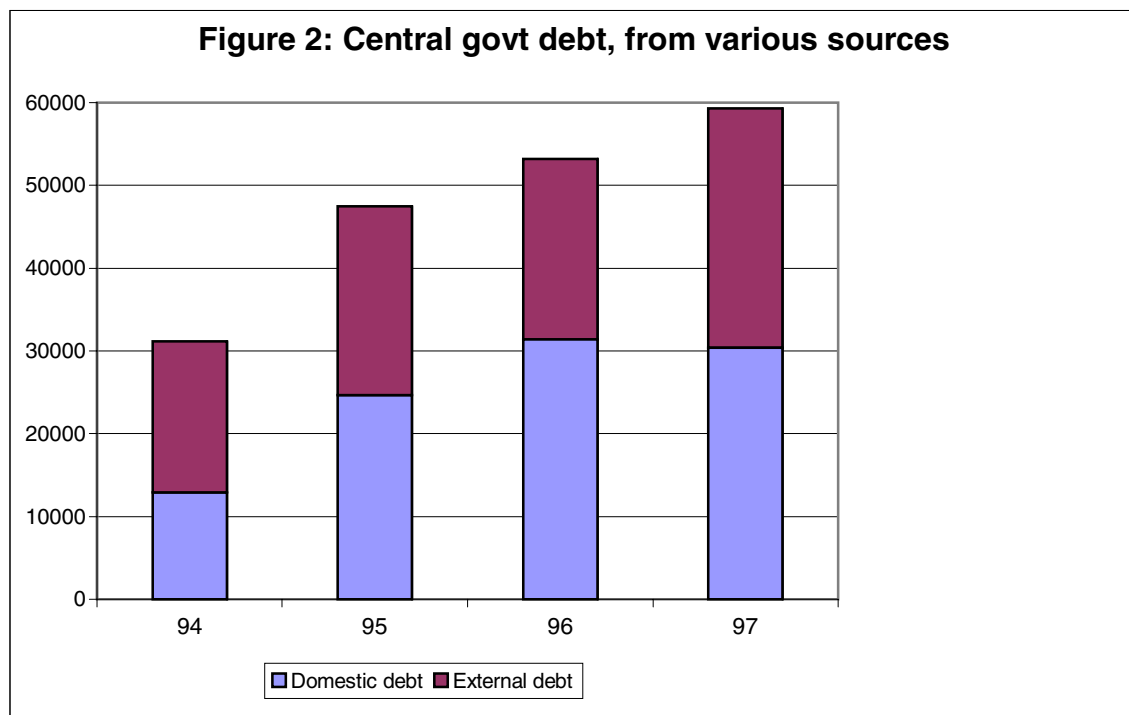


revenue and expenditure patterns also follow a similar trend as central governments'. This aspect is looked at in more details in the following paragraphs. An interesting point to note is that central government revenues appear to be growing at a faster rate (an average of 34%) than expenditure (average 30%). This is shown in Table 4.2.1.1, central government expenditure in the appendices. A simple extrapolation of the average revenues and expenditure patterns shows that Zimbabwe can expect to produce a balanced expenditure and income budget in the year 2001.

Having looked at the central government Revenue and Expenditure patterns, it is obvious that the financing gap between such revenues and expenditures must be funded from somewhere. The first pt of call for funding in most such cases is debt.

Table 4.1.4 in the appendices, central government, debt from various sources, shows an increase of central government debt, in response to central government's widening funding shortfalls. Domestic debt rose between 1994 and 1996 by \$18.5 billion but fell by almost \$1 billion (3,3%) between 1996 and 1997. Overall, domestic debt rose 136% from \$12.875 billion in 1994 to \$30,3 billion in 1997. External debt⁵⁰ has been rising over the period. Note that in 1994 and 1995, external borrowing was greater than domestic debt, but in 1996 and 1997, the situation was reversed. The reason for this is the possible fall out between the government of Zimbabwe and international lending institutions due to misunderstandings on economic reforms. This all but dried out external sources of new funding, such that emphasis on central government financing shifted to local sources. Figure 2 below shows the component make up of central government debt over the period 1994 to 1997.

⁵⁰ External debt' includes figures for debt derived from both concessional and non-concessional external borrowing.



Total central government debt rose by 52.6% between 1994 and 1995, 12% between 1995 and 1996 and 11.5% between 1996 and 1997 - an average of 25.4%. The overall growth between 1994 and 1997 was 90.5%¹⁰.

Sub-national debt, on the other hand, rose by a smaller magnitude over the period. In 1994, total sub-national debt was \$1.4 billion, increasing to \$1.6 billion, in 1995; in 1996, it increased to \$1.8 billion and to \$2.4 billion in 1997. This represented a total growth of only 78.2% over the period, with an average annual growth of only 21.6% compared to 29.3% for central government. This aspect is further evidenced by the reduction in the share of sub-national debt to total public sector debt. In 1994, the total share of sub-national debt to public sector debt was 4.5%, reducing to 3.4% in 1995 before settling at around 3.6/3.5% for both 1996 and 1997. Table D2 below shows the national and sub-national figures for 1994 to 1997.

Table D2 also shows that central government debt increased over 1994 to 1995 by a higher than normal ratio of 91.8%. This was mainly because of a slowdown in external funds inflows, which over the period increased only by 24%. The central government, therefore, increased its reliance on local financing, which increased its share in total Public Sector debt from 41% in 1994 to 51% in 1997. The degree of support given to central government by the local capital and money markets was at a considerable cost to the economy. As the central government resorted more to internal funding, interest rates rose in response from an average of 29.24% in 1994, to 32.79% in 1998. This also exerted heavier inflationary pressures on the economy and inflation increased from an average of 22.4% in 1994 to 31.7% in 1997.

Table D2: National – sub-national revenue, expenditure and debt table

(Z\$ billions)	1994	1995	1996	1997
Total Public Expenditure	18.3	24.7	32.2	39.4
Total Public Revenue	15.8	19.3	25.1	35.7
Sub-national Expenditure	1.8	2.7	2.5	3.0
% share in total public expenditure	10%	11%	7.8%	7.6%
Sub-national Revenue	2.1	2.3	2.3	2.9
% share in total public revenue	13%	11%	9.2%	8.1%
Public sector total debt	31.1	47.5	53.2	59.3
Percentage increase on previous yr.	-	52.7%	12%	11.5%
- from domestic	12.9	24.7	31.4	30.3
- other (external)	18.3	22.8	21.8	29.0
Sub-national total debt	1.4	1.6	1.8	2.4
% share in total public sector debt	4.5%	3.4%	3.38%	4.05%
Total public sector Capex	2.0	2.9	1.7	2.5
Sub-national Capex	0.3	0.6	0.5	0.6
% share of sub-national/total public	16%	20%	31%	24%
Central government GDP Ratio	15.9%	17%	16.3%	16.4%
Sub-national GDP Ratio (Share)	0.8%	0.9%	0.8%	0.7%
Total GDP share of Public Sector	16.7%	18.0%	17.1%	17.1%

Sources: “National Accounts 1985 – 1997” published by CSO “Budget” presentation for year ending June 30 1997” Presented to Parliament by Minister of Finance on June 25, 1997.

Although sub-national expenditure figures as a percentage to total Public Sector figures fell from 10% in 1994 to above 7% in 1997, the reduction is relatively small compared to the urbanisation levels in Zimbabwe. This, at the outset, flags out the irregular nature of the share of revenues and expenditures between central government and sub-national governments. To illustrate the point, this implies that by 1998, Harare’s share of Zimbabwe’s total population was about 12%, yet Harare City Council in its expenditure (Table 4.2.1.1 in the appendices) shows the city’s total expenditure to the Public Sector Expenditure being 4.8% (for 1995), 3.7% (for 1996) and 3.95% (for 1997). This indicates an inequitable distribution of public sector revenues and expenditures between central government and the sub-national government sector. The same analysis can be done regarding the share of debt, capital expenditure and even GDP shares between the central government and sub-national governments.

The analysis shows some of the critical aspects that need to be addressed on the issue of decentralisation. Paragraph 3.4 and Table 3:4 in Chapter 3 illustrates the division of tasks and responsibilities between central government and sub-national governments. There is need to align the share of total Public Sector revenues and expenditure patterns to those revenue which accrue to sub-national governments vis-à-vis all expenditures the local authorities are expected to fund. As in the case of the City of Harare, surely if the city is expected to look after the welfare of 12% of the country’s population, it would be expected that its share of the National revenue cake must be, on average close to that figure, not a mere 3.91%.

4.2 General Overview sub-national governments

Sub-national governments, for the purposes of this analysis, are deemed to include all categories of local authorities. These include mostly Urban Councils (including City, Municipal, Town

councils and local boards) and Rural District Councils. The review of the financial patterns of consolidated local authorities was done using data largely obtained from the Central Statistical Office (CSO) of the government of Zimbabwe. With an above average urbanisation ratio in Zimbabwe, we expected that the figures would make up a large percentage of the total national figures. However due to some definition and information flow problems, the CSO data had to be adjusted in certain instances to be more in line with the actual total economic significance of local authorities. Supplementary data was sought from the Ministry of Local Government and National Housing's actual records and was inputted into the analysis⁵¹.

Table D3: National – sub-national revenue, expenditure and debt revenue

(Z\$ billions)	1994	1995	1996	1997
Total public expenditures	18.3	24.7	32.2	39.4
Total sub-national expenditure	1.8	2.7	2.5	3.0
Sub-national expenditures at % of total public expenditures	10%	11%	7.8%	7.6%
Total public revenues	15.8	19.3	25.1	35.7
Total sub-national revenues	2.1	2.3	2.3	2.9
Transfers from central government	0.3	0.4	0.5	0.9
Adjusted sub-national total Revenues	1.8	1.9	1.8	2.0
Sub-national Revenues as a % of Total public revenues (adjusted)	11.4%	9.8%	7.1%	5.6%

Source; National Accounts 1985 – 1997 published by CSO

Table D3 shows that the total sub-national shares in total public expenditures were 10% in 1994, 11% in 1995, 7.8% in 1996 and 7.6% in 1997. Our analysis shows that although sub-national expenditures increased in nominal terms by 66%, the change over the period, in real terms, was 8.3% negative⁵². The total sub-national revenue shares in total public sector revenues were 13% in 1994, 11.9% in 1995, decreasing to 9.2% in 1996 and to 8.1% in 1997; this represented a change of 4% over the period.

After netting off transfers from central government, the actual revenues recovered directly by sub-national governments were a mere 11.4% in 1994, 9.8% in 1995, 5.6% in 1996 and 2.6% in 1997⁵³.

⁵¹ The problem of data availability for composite sub-national governments is typical of most developing countries. For the sample group of sub-national governments that were studied in more detail in this report, differences in the quality and quantity of information was marked from local authority to local authority. This would cause problems for any centralised statistical gathering office. According to the CSO, some of the sub-national governments did not produce and submit data on time and therefore made it difficult for more dependable data to be compiled

⁵² Arrived at after applying the GDP deflator in Table D1 for 1997, which 1.82 to the 1997 sub-national expenditure figures of \$3 billion, divided by 1.82, equal to \$1.65 billion.

⁵³ The drop in 1997 appears to be too big and inconsistent with evidence from discussions held with sample local authorities. The Central Statistical Office in Harare (the source of the data) admits that the figure might be revised later as they refine the data. We are, therefore, avoiding making conclusive remarks and analysis based on the adjusted sub-national revenue figures

Figure 3: Kwekwe City Council Total Revenue and Expenditure

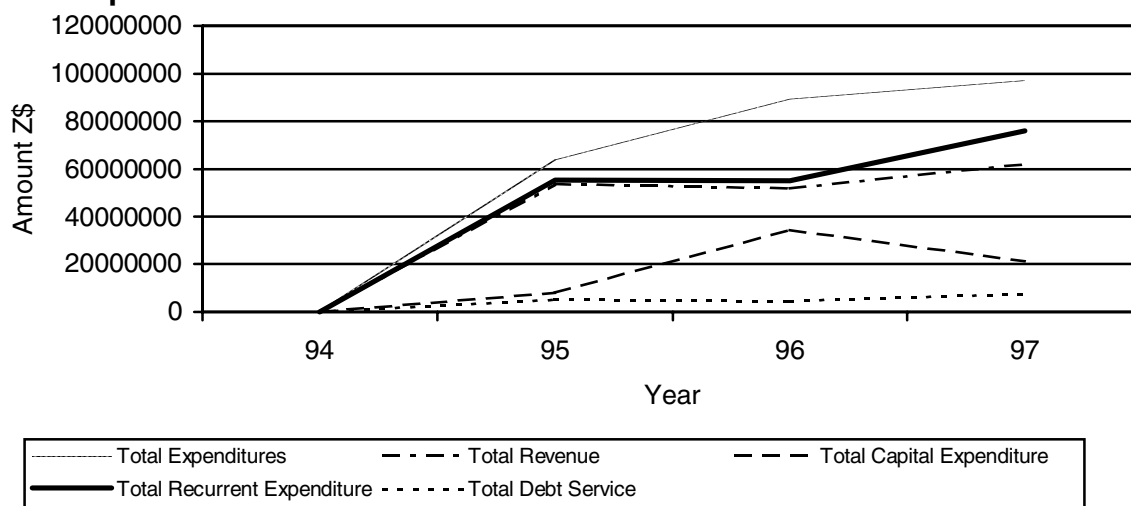


Table D4: National – sub-national revenue, expenditure and debt table

(Z\$ billions)	1994	1995	1996	1997
Total public capital expenditure	1.960	2.880	1.701	2.492
Total sub-national capex	0.313	0.563	0.520	0.597%
Sub-national capex as a percentage of Total public capex	16%	20%	31%	24%

Source: National Accounts 1985 to 1997 published by CSO

Source: Audited financial reports on the City of Kwekwe

It is interesting to note from Table D4 of the static nature, in real terms, in amounts invested in infrastructure by sub-national governments. These investments rose marginally from \$313 million in 1994 to \$328 million 1997⁵⁴. This happened over a period when pressures were mounting on local authorities to invest more on infrastructure due to urban population increases.

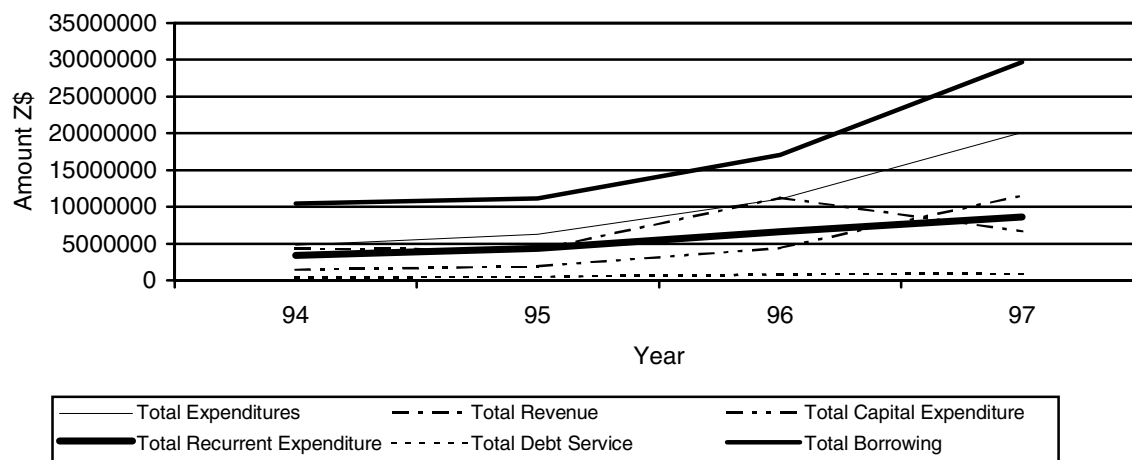
This trend of falling real or no charge aggregates is also noticeable within the sample sub-national governments examined. For example, the relationship between revenues and expenditure for the City of Kwekwe deteriorated between 1995 and 1996. Total expenditure fell by 3%. (1995-1996), while total revenue increased marginally by (2%) and total capital expenditure decreased by 16%. Debtors increased between 1995 and 1996, from \$1.6 million to \$2.7 million, a percentage increase of 68%. In 1997, debtors' collection improved, and the figure was reduced to \$1.9 million, an improvement of 30%. In addition, recurrent expenditures increased by a mere 0.62% and accounted for 87% of Kwekwe's total specific local government expenditure in 1995, 89% in 1996 and 79% in 1997.

⁵⁴ Arrived at after applying the GDP deflator in Table D1 for 1997 (1.82) to the sub-national government capital expenditure figure of \$398 million in 1997 as follows; \$398 million divided by 1.82 equal to \$219 million.

The share, of Kwekwe City's expenditure with respect to total sub-national expenditures varied between 2.5% in 1995 and 2% in 1997. Total borrowings for Kwekwe remained steady at 4million to 5million over 1995-1997. In real terms, there was no movement at all, given the high levels of inflation in Zimbabwe over the period of this study. See figure 3 above.

For Gwanda Municipality, total expenditures increased from \$5.5 million in 1994, to \$6.3 million in 1995. In 1996, the expenditures increased to \$11 million and \$20 million in 1997. Revenues, on the other hand, were only \$4.3 million in 1994, representing a funding gap of \$1.2 million. In 1995, revenues deteriorated to \$4.1 million, widening the gap to \$2.2 million, an increase of 83% in the funding gap. In 1996, revenues for Gwanda Rural Council recovered to \$6.4 million, supported by a loan of \$ 4. 8 million, thus pushing total revenue for the year to \$11 million in real terms the funding gap widened to \$4.6 million. In 1997, a decrease of 41% in revenues against an increase of 83% in expenditure produced a funding shortfall of \$11.07 million.

Figure 4: Gwanda Municipality total revenue and expenditure



Source: Audited financial reports for Gwanda Municipality

It may be noted that in general between 1995-1997, total recurrent expenditure was in excess of total revenues for the sample sub-national governments except for Rusape. The resulting yearly deficits for Kwekwe, in the absence of any other form of revenue, were \$1.6, \$3 and \$13 million over the years 1995, 1996 and 1997, respectively. For Gwanda, although in 1994, recurrent expenditures were less than total revenues, the situation changed in 1995, 1996 and 1997 when the deficits was \$0.2 million, \$0.19 million and \$1.9 million, respectively. For Kwekwe the accumulated deficit increased from \$23.2 million (1996) to \$32.8 million (1997). This situation is projected to worsen, as total expenditure estimates are to increase by 69% in 1998. It is unlikely that revenues will increase similarly for a variety of reasons that include consumer resistance in the face of high rates of inflation and a low expanding potential revenue source. However, Kwekwe, from a budgeting perspective, has projected a 169% increase in revenues,

accompanied by an operating surplus of approx. Z\$1 million. (1997-1998). Only Rusape showed for 1994, 1995, 1996 and 1997 a surplus of revenue over expenditure.

The funding gap is an enormous problem for the SNGs. SNGs are required to produce budgets that do not show funding shortfalls. However, factors, which include unbudgeted for expenditures, low revenue recoveries, lost increases, etc, cause SNGs to have funding shortfalls. In most instances, support is sought from government, in the form of general grants, and this is not always available. In most cases, working capital requirements are met through the regular use of overdrafts and other quick forms of short- term finance from the banks, particularly for payment of wages and salaries. As is evident, most SNGs are in arrears long-term on debt repayment. Outstanding debt is increasing yearly.

Most revenues for the local authorities are generated through user fee charges (see 4.2.4 – Sub-national revenues). The amount of revenues from tax is smaller in comparison, as most of Zimbabwe’s tax is collected by central government. The local authorities are only authorised to collect property taxes, which are rates. This, however, makes up a substantial portion of total sub-national revenues, as shown in Table 4.2.4. The system of shared taxes is currently not in existence in Zimbabwe, although indirectly the mere assumption that central government is expected to fund local authorities’ shortfall can be interpreted as a form of shared taxes.

4.2.2 Sub-national Recurrent Expenditures

To understand the actual behaviour of the headline figures, as shown in Table D2, there is need to understand the various component figures. This section looks first at the relationship between the sub-national recurrent expenditure figures and the total public sector recurrent expenditure figures. It later attempts to examine the component make-up of the sub-national recurrent expenditure, at the same time analysing Recurrent Expenditure patterns of the sample group.

Table D5 below shows the relationship between national and sub-national recurrent expenditures.

Table D5: National and sub-national recurrent expenditures

Z\$ Billion	1994	1995	1996	1997
Total Public Sector Recurrent Expenditure	16.4	21.8	30.5	36.9
Total sub-national Recurrent Expenditure	1.4	2.1	2.0	2.4
Sub-national recurrent Expenditure as % of Total Public Sector Expenditure	8.5%	9.6%	6.5%	6.5%

Table D6 shows sub-national expenditures contributed, on average, 7.7% of total Public Sector recurrent expenditures over the period under review. Total public sector recurrent expenditures grew by 15% from 1994 to 1997, whilst sub-national recurrent expenditure only increased by 71% over the 4-year period. The inference that can be drawn from this is that the areas of responsibilities for the central government grew much faster than those of sub-national governments. This line of thought is supported by the fact that the general share of sub-national recurrent expenditure fell from 8.5% in 1994 to 6.5 in 1997. However, this conclusion sharply contradicts the trend of decentralisation whereby local authorities are assuming greater

responsibility for ISP. Evidence gathered in the field visits shows the increasing financing demands by local authorities. It is possible that the falling share of sub-national recurrent expenditures to the national figures is a reflection of aspects that need to be attended to in the decentralisation exercise.

Table D6 shows the component make-up of the recurrent expenditures at sub-national level.

Table D6: Sub-national Recurrent Expenditures (Z\$)

Type	94	%	95	%	96	%	97	%
General public services (administration etc.)	557 058 305	38	778 435 150	36	509 160 978	25	703 710 807	29
Education, (primary & secondary)	9 654 371	0.8	21 892 025	1	12 644 365	0.6	18 021 191	0.8
Health	42 221 145	3	53 725 959	3	70 331 875	3.5	95 604 948	4
Social security and welfare	17 444 951	1	33 508 635	2	23 555 582	1.2	27 064 488	1.2
Housing	94 177 158	6	153 440 059	7	215 213 917	10.7	22 316 573	10
Community amenities, Water Supply, Electricity & Sewerage	303 594 644	21	473 036 551	22	518 818 359	25.7	673 320 509	28
Community amenities, Sanitation (& Waste Management)	124 055 880	9	165 737 346	7.9	222 355 582	11	282 634 696	11.9
Recreational, cultural, religious affairs (including liquor)	217 183 289	15	246 809 867	11	204 609 757	10	111 587 512	5
Economic services, transport (excl. roads)	82 091 432	6	223 915 725	10	238 332 842	12	233 850 797	10
Economic services, roads	1 436 370	0.2	2 961 851	0.1	4 313 922	0.3	2 271 736	0.1
Total	1 448 917 545		2 153 463 168		2 019 337 179	-	2 370 383 258	-
Of which wages	431 000 000	30	643 997 004	30	706 990 702	35	862 487 986	36

Sub-National Recurrent Expenditures as a percentage of Total Public Sector Recurrent Expenditure

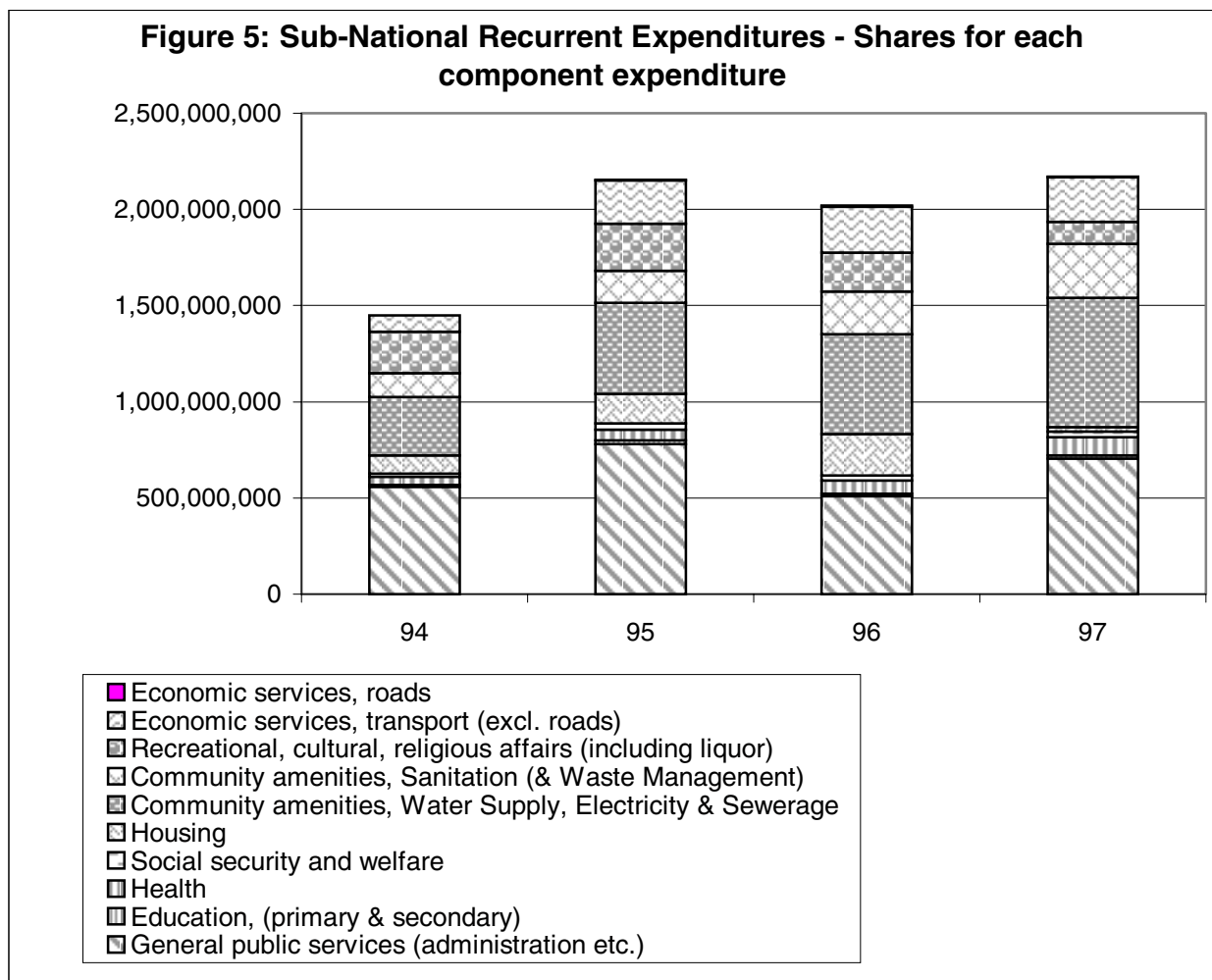
Source: Raw data sheets from the C.S.O. These figures are more accurate than the C.S.O. "National Accounts" publications, as they include figures that had not yet been submitted at the time of publication of the "National Accounts".

Because the subdivisions are different from those in the terms of reference, some of the sections in this graph are included under subdivisions other than those stated in the terms of reference.

Some sub-national recurrent expenditures do not show any set trend, as they fluctuate from year to year, as shown in Table D6 above. Taking social security and welfare expenditure, for instance, the figure almost doubled between 1994 and 1995, only to fall 29% between 1995 and 1996. It then rose again 14% between 1996 and 1997. The same applies to the figure for expenditure on community amenities: Water supplies, which fell between 1994 and 1995, rose between 1995 and 1996, only to fall again between 1996 and 1997. Education has received the lowest amount, accounting for an average of only 8% of total recurrent expenditure.

Expenditure for the local authorities is concentrated on recurrent activities (general public services); for many councils, this constitutes a major part of the total expenditure. Wages are also a major part of the recurrent costs for all local authorities. These are supplemented by government grants for education and health personnel salaries.

The rest of the recurrent expenditures are thinly spread across the other sectors in the provision of services. The graph in Figure 5 shows that general public services constitute a major portion of the recurrent expenditure, and this also reflects the extent to which councils are able to provide an efficient service to the public.



Expenditure patterns of all sub-national governments within the sample group show that recurrent expenditure levels grew much faster than revenue levels. As a result, sub-national governments are finding it difficult to provide efficient and cost-effective services to the public, due to funding problems.

Over 79% of total sub-national expenditure is consumed by recurrent costs. This is very evident for Pfura - showing a 89% share in 1996, which decreased to 62% in 1997 when significant sums were left for capital development. In keeping with the general trend, Pfura had a substantial increase in recurrent expenditures between 1995-1996 of 76%, a much smaller increase of 11% the following year and 26% in 1996 to 1997.

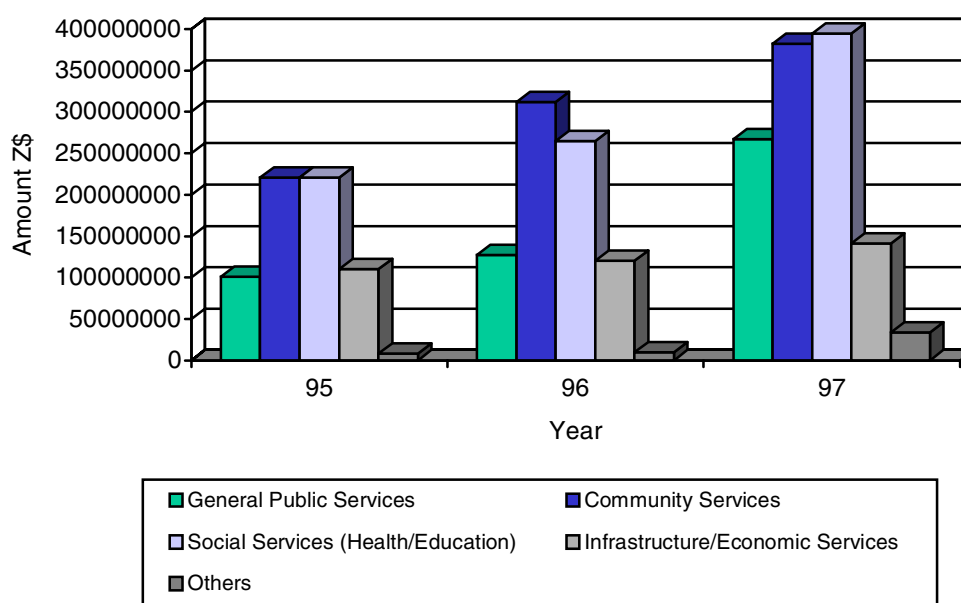
For Pfura wages constituted 39% of total recurrent expenditure in 1995, 56% in 1996 and 57% in 1997; these percentages in most instances are relatively higher than those for bigger cities such as Harare and Kwekwe or Rusape where recurrent expenditure accounted for 63,5% in 1994, 90,5% in 1995, 82,4% in 1996 and 74,1% in 1997. Again, this reflects the general expenditure patterns of a larger proportion of local authorities in Zimbabwe.

In the case of Harare City Council, recurrent expenditure grew almost 82% from 1995 to 1997, whilst revenues grew only 50% for the same period.

A close look at Harare City Council shows that the wage bill shot up from approximately 42% of revenue in 1995 to over 50% in 1997

For Ruwa local Board recurrent expenditure grew 6.5 times from 1994 to 1997, whereas revenue only grew three times for the same period. This clearly indicates that revenue levels are not keeping up with the rising recurrent expenditure levels. A major component of recurrent expenditure is wages. Most sub-national governments pay between 42% and 55% of their revenues as wages, as previously mentioned.

Figure 6: Harare City Council Recurrent Expenditures

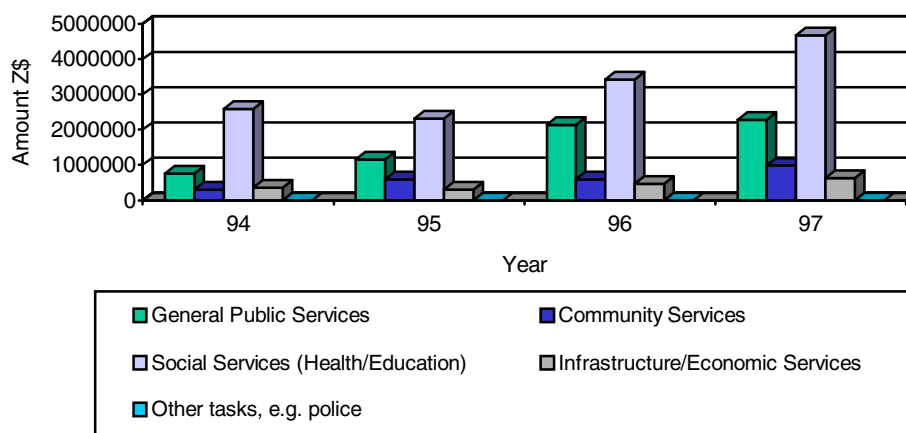


A major problem of the sub-national governments is the decentralisation of the health and education sectors from the central government level to the sub-national level, as mentioned previously. Most expenses for these are recurrent, and therefore sub-national governments are finding it extremely difficult to fund these activities from their current revenue levels. For example, Harare City Council's combined deficits for the health and education sectors increased from Z\$ 96 million in 1995 to almost Z\$ 172 million in 1997.

For the City of Kwekwe, the trend is that of a steady increase in the percentage of wages as a share of the total recurrent expenditures, being 41%, 43%, and 48% for the three years, respectively. This translates to a 4% share of the total sub-national wage bill. The share for general public services (administration etc.) in respect to total expenditure for Kwekwe is 31%,

31% and 36% for the period 1995 to 1997, respectively⁵⁵. This is the second largest expense item after wages.

Figure 7: Gwanda Town Council Recurrent Expenditures



The general trend in expenditure pattern for Gwanda is upward, but at differing rates. During 1994-1995, the increase was by 15%, 1995-1996 by 75% and 1996-1997 by 83%. Recurrent expenditure patterns between 1994 and 1997 for Gwanda maintained the same pattern; that is, increasing in 1994-1995 by 9%, 1995-1996 by 52% and 1996-1997 by 30%. Capital expenditure also increased between 1995 and 1996 from \$1.9 million in 1995 to \$4.4 million in 1996. Education, refuse and water have maintained the same percentage as a proportion of total recurrent expenditure representing proportions. The beer fund expenditure for Gwanda decreased from 25% of total expenditure in 1994 to 20% of total expenditure in all the remaining three years.

The health sector's share of recurrent expenditures for Gwanda was 12% in 1994, went up to 17% in 1996 and increased to 20% by 1997. Housing's share of total recurrent expenditure fluctuated 24% in 1994, 25% in 1995, 23% in 1996 and 24% in 1997. On economic services, roads expenditure increased by 9% and a steady 7% for the years 1995 to 1997. Wages for Gwanda, unlike those for Pfura, remained below 50% of total recurrent expenditure in 1994 at 26%; however, wages' total rose to 48%, exceeding Pfura's of 39% in 1995, in 1996 decreased to 44%; on the other hand, Pfura shot up to 56%, and in 1997 Gwanda was at 46% to 48% for Pfura.

⁵⁵ Total recurrent expenditure as a share of total expenses in Kwekwe accounts for 87%, 89%, and 79% for the period 1995 to 1997

4.2.3 Sub-national capital expenditure

Urban sub-national governments are under ever increasing pressures for infrastructure development due to the high proportion of Zimbabwe's population living within urban areas. Demand for housing and related services such as roads, water supply, sewerage and sanitation are well beyond most sub-national government means and abilities.

Table D2 showed that the total share of sub-national capital expenditure to total public capital expenditure was 16% in 1994, 20% in 1995, 31% in 1996 and 24% in 1997. Table D7 below shows the various components of infrastructure investments undertaken by sub-national governments.

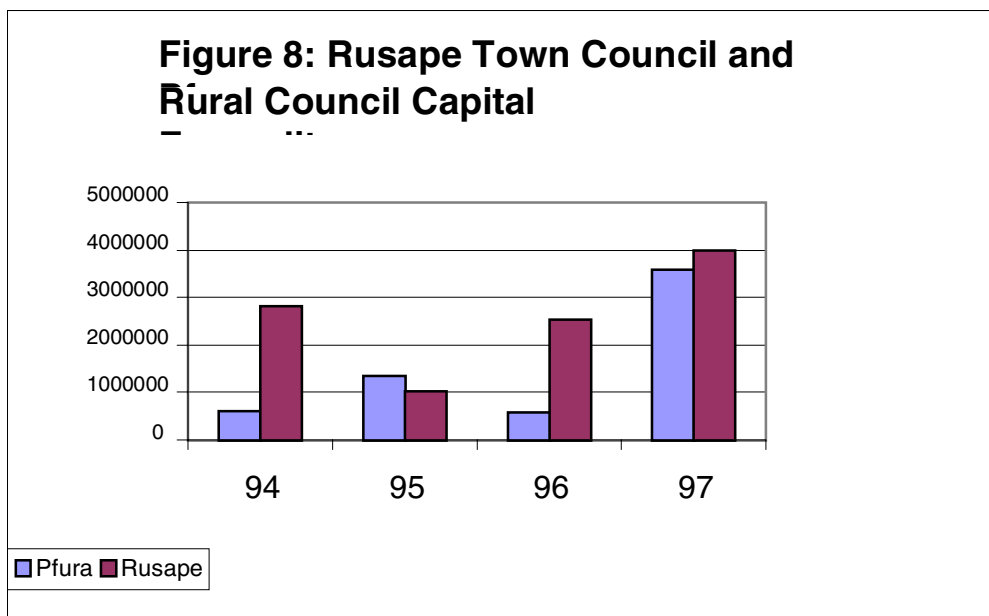
Total amounts invested by sub-national governments in Capital Expenditure were \$313 million in 1994, increasing by 80% in 1995 to \$563 million, before falling in 1996 to \$519 million, a decrease of 8%. In 1997, total sub-national capital expenditure increased to 15% over the 1996 levels. In nominal terms, total sub-national expenditure increased 90% from \$313 million in 1994 to \$597 million in 1997; but, in real terms, the increase was only 5%. A large portion of capital investments from sub-national governments goes into community amenities, which include water, sewerage, electricity distribution, etc. These made up 36% of total capital expenditure in 1994, 20% in 1995 and 29% in 1996 and 1997.

Table D7: Sub-national capital expenditure (Z\$)

Type	94	%	95	%	96	%	97	%
General public services (administration etc.)	87 687 583	28	298 036 832	53	205 050 938	40	235 808 579	39.5
Education, (primary & secondary)	417 794	0.4	2 590 537	0.5	2 354 336	0.5	2 707 486	0.5
Health	7 860 735	2.5	14 775 693	2.6	14 775 693	3	16 992 047	2.8
Social security and welfare	3 214 292	1	10 547 291	1.9	33 426 642	6.4	38 440 639	6.4
Housing	97 148 609	31	109 069 342	19.3	109 275 070	21	125 666 331	21.0
Community amenities, Electricity Distribution, etc	113 574 594	36.2	115 077 574	20.4	143 518 948	27	165 046 790	27.6
Economic services, (all)	3 096 363	0.9	12 431 925	2.2	11 161 465	2.1	12 835 685	2.2
Other tasks, e.g. police	-		470 806	0.1	-		-	
Total	313 000 000	100	563 000 000	100	519 563 093	100	597 497 557	100

Source: C.S.O. raw data sheets; adjustments were made to the "other tasks" figures, as the C.S.O. did not have all the required figures.

A look at Appendix 4.2.3 Capital Expenditure for the sample six sub-national governments looked at under this study shows that there was a strong bias amongst the six to invest in community amenities, which include water, sewerage, sanitation and solid waste.

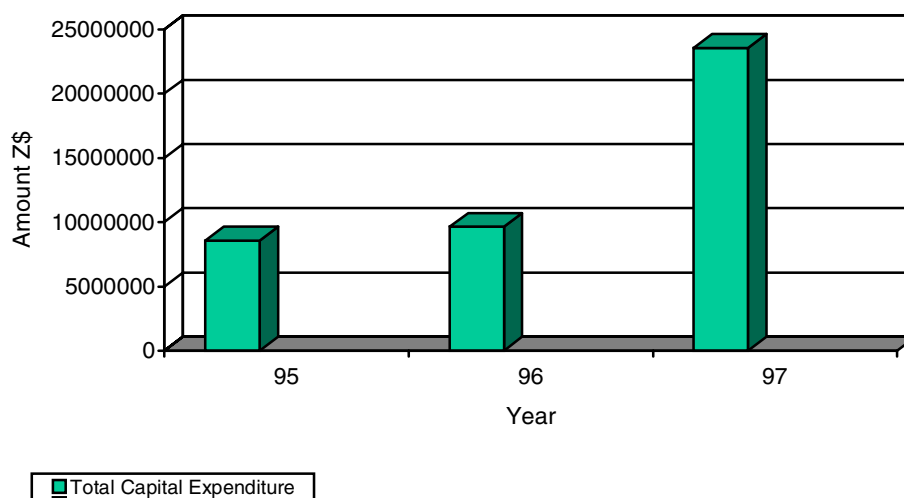


However, in view of different recording systems between sub-national governments and the Central Statistical Office (which was responsible for aggregating the figures), an account-by-account comparison is not possible between the sample and total sub-national capital expenditure. For example, Pfura invested 25% in 1994 and 1995, 20% in 1996 and 38% in 1997.

The major consumer of capital expenditure in both Pfura and Rusape is the general public service department. Very little goes to direct services provision such as health, education, housing and the other key sectors. For Pfura there was nothing at all going to provision of these services. All the money was used on general service for things such as office equipment, office machines, etc. These totalled \$ 2.3 million in 1994 and about \$ 5.9 million in 1997.

For the City of Kwekwe, the largest expenditure item (1995) was water supply, followed by the railway deviation and improvement of land, possibly to facilitate the building of low-cost housing, the largest expense item the following year (1996).

Figure 9: Kwekwe City Council capital expenditure



Rusape spent on capital expenditure a total of \$2,8 million in 1994, which fell to \$1 million in the following period. Rusape’s share of the total sub-national government amount in 1995 was 0.19% in 1995, 0.25% in 1996 and 0.22% in 1997. These capital amounts were spent on such key areas as water provision, other economic services and general public services. Rusape reflects a pattern similar to the majority of sub-national governments, with very little spending on key provisions such as health and education. There has been no expenditure by Rusape on housing for a long period. Rusape’s funds for capital expenditure all came from the central government as loans. Council did not use any of its own resources to fund any capital projects.

The Harare City Council figures indicates a trend where water supply had the highest infrastructure expenditure of Z\$337 million, followed by sewerage of Z\$ 290 million and roads of Z\$ 104 million for the years 1995 to 1997. Capital expenditure accounted for 52% of total expenditure in 1995. However, by 1997 this came down to about 30%. Harare’s share of total sub-national government capital expenditure was 61.7% in 1995, 34% 1996 and 19.65% 1997.

In the case of Harare City Council, the fall in the amounts available for infrastructure expenditure in relation to total national amounts available is a worrying trend. The Council’s inability to access funding sources other than central government had a negative impact on funding available for capital projects.

Rusape’s investment in Capex dipped to 9.45% of the total expenditure in 1995, from 37% in 1994. There was a general fall in nominal values of amounts invested in key areas such as roads (fell 58% from \$1.1 million in 1994 to \$477 000.00 in 1995), water and general administration over the 1994-1995 period. The aggregate amounts invested in capital expenditure improved in 1996 and 1997 to 17.6% and 26% of total expenditure, respectively.

Pfura did not invest on capital expenditure in housing, education and a number of the key areas. This is so because of the fact that Pfura has no such services under its domain, as most of them are managed by central government. The local authority has no land to carry out any major investments, as its land is all owned by the State. Consequently, its revenues from rates are low, as reflected by the amounts received on property taxes by Pfura which ranged from \$312 643 in 1994, \$590 237 in 1995, \$365 628 in 1996 and \$492 163 in 1997.

As shown in Table D7, the amount of money being invested by local authorities in capital development shows very little growth in real terms. However, the availability of funding sources other than local authorities' own revenues for the funding of capital development has alleviated the funding pressures. Funding windows such as the World Bank Urban II program have greatly assisted the situation. Rusape was a beneficiary of World Bank funds for water and sanitation projects, and this helped to improve services in this area. However, the Council is now burdened with the servicing of the loans, making it very difficult to meet other capital related obligations.

Similarly for Gwanda, capital expenditure patterns are influenced mainly by transfers from central government in the form of loans to the local authority. The government represents the major capital development provider of finance to Gwanda, which has also benefited from a World Bank facility with an interest rate of 18.5% on the borrowing. The financials show that total capital expenditure increased by 32% in 1994-1995, by 128.9% in 1995-1996, and by 164% 1996-1997.

Below is a table comparing specific capital expenditure as a percentage of total capital expenditure, for both Harare (HAR) and Gwanda (GW).

Table D8: Harare/Gwanda: Specific Capital Expenditure as a percentage of total capital expenditure

	1995		1996		1997	
	HAR	GW	HAR	GW	HAR	GW
Health	3.4	0.58	1.2	0	0.95	0
Housing	2.6	16.42	1.9	57	0.88	28
CA: Water	26.0	0.28	34.9	0	35.7	0.29
Sewerage	23.2	32.0	24.2	3.0	37.4	68.93
Solid waste mgt	-	-	-	-	-	-
Rec, Cultural, Rel	3.3	0	2.5	0.59	0	0
EcSW Transport roads	9.5	26.7	9.2	9.56	11	2.78
Others	31.1	24.02	26.1	29.85	14.07	0
Total	100	100	100	100	1000	100

Source: Audited financial statements, respectively

There appears to be no definite trend for capital expenditure, although, notably, Harare has a slightly increasing trend for about three of the service sectors and decreasing for the rest.

4.2.4 Sub-national revenues

Section 4.1 (central government) analysed the relationship between sub-national revenues and total public revenues. Table D2 showed, and further explained in the subsequent paragraphs, that sub-national revenues constitute, on average, 7.4% of total Public Sector revenues.

Trends in the sub-national revenue patterns show that sector revenue levels increased steadily over the period 1995 to 1997. However, when one considers the prevailing inflation rates, which averaged 21.27% over the period, these revenues declined in real terms.

Table D9: Sub-national Revenues

Type	94	% of Total revenue	95	% of Total revenue	96	% of Total revenue	97	% of Total revenue
Shared taxes	0	0	0	-	0	-	0	-
Local (own taxes)	359 000 000	16.9	508 000 000	21.9	519 000 000	22.6	630 000 000	21.4
User charges, fees	480 952 410	22.6	717 353 731	31	917 000 000	39.9	1 025 000 000	34.8
Other revenues	618 047 590	29	465 646 269	20.1	139 000 000	6.0	183 000 000	6.2
Transfers from CG	313 393 000	14.7	377 077 717	16.3	507 691 352	22.1	979 774 000	33.3
Total revenue (Excl. loans)	1 771 393 000	83.2	2 068 077 717	89.3	2 082 691 352	90.6	2 817 774 000	95.7
All Loans	357 200 000	16.8	248 700 000	10.7	215 000 000	9.4	127 964 797	4.3
Total revenue	2 128 593 000		2 316 777 717		2 297 691 352		2 945 738 797	

Source: C.S.O. raw data sheets for 1996 and 1997. C.S.O. published national accounts for 1994 and 1995. 1996 and 1997 figures are estimates. The C.S.O. suggested that we use estimates based on the percentage increase between 1995 and 1996, as they could not provide us with the actual figures (which are yet to be compiled).

The above table shows that sub-national revenues in total (excluding loans) increased by 16% from 1994 to 1995, decreased 7% between 1995 and 1996, and increased again 17% between 1996 and 1997. The largest single operating revenue source for sub-national governments is user charges (fees) for services rendered by local authorities, which include license fees and service charges. Although user charges constituted more than 23% of total sub-national revenues, their total contribution increased from 22.6% of total sub-national revenues in 1994 to 35% in 1997. The importance of local taxes, which are almost made up of property taxes, rose from \$359 million in 1994 (16.9% of total sub-national revenues) to \$630 million in 1997 (21.4% of total);

other revenues fluctuated between 6% and 29.04% of total sub-national revenues and ended the period at 6.21%.

In Zimbabwe, there are no specific shared taxes between central and sub-national governments. The closest to this is vehicle taxes that are collected by sub-national governments on behalf of the central government for which they retain a percentage as commission. For example, local authorities retain vehicle licence fees but pay to government licence fees for heavy vehicles, new registration books and charge of vehicle ownership fees. Of these amounts paid to government, local authorities are allowed to retain 5% to cover administration fees for the collection process. Local (own) tax is the main sources of incomes for the urban sub-national governments. It includes rate (property tax) and certain licenses e.g. trade and liquor. Sub-national governments determine the levels of own tax as well as user fees, but they still have to be approved by the central government for certain specific economic groups. User fees/charges are normally enough to cover costs for services like water, sewerage, refuse etc. in most SNGs. However, health and education fees are usually well below economic levels and cannot meet the costs.

The rates and charges setting system applicable in Zimbabwe are also discussed in Chapter 6. The central government, through the Ministry of Local Government and National Housing, oversees the operations of all sub-national governments. As the government arm, the Ministry is responsible for ensuring that government policy is implemented at all local authority levels. This includes policy decisions on health, education and general welfare, especially for disadvantaged population groups.

It is through this mandate that the Ministry of Local Government and National Housing has given a directive for all local authorities to seek its approval before revising upwards any taxes, rates and charges to be charged to the lower income groupings, i.e. those living in the high density areas. As most local authorities' environs include a large portion of the so-called high-density areas, the effect of the Ministry's directive on local authorities' revenues is quite significant. In the case of Harare, it is estimated that the high-density areas hold 75% to 85% of the total city population, whilst such settlements cover 30% to 45% of the land area. This implies that the City of Harare has minimal influence on revenues charged to above 75% of its citizens, or alternatively 30% of its land area.

The situation is made worse as the central government usually takes longer than normal to approve most increase proposals from local authorities. However, charges levied on other income groups are not subject to central government approval. Often local authorities are compelled to adjust downwards proposed rate increases under pressure from central government, thereby throwing the whole local authority budgetary process into jeopardy.

Harare City Council local tax income as well as user fees revenue increased by 79% and 44%, respectively, from 1995 to 1997. The total sum for disposal amounted to \$1.5 billion, and total expenditure in comparison was \$1.6 billion. In this instance, the City of Harare had difficulties with debtors (charged but not collected revenues) in addition to poor collection methods. The amount due totalled Z\$314 million, and, if recovered, it would have assisted in turning the deficit situation around. The role of central government (especially political pressures) was often cited

as the major obstacle to improved debt collection, particularly, as central government itself is one of the major debtors of the sub national governments

A lot of sub-national government revenue is tied up in debtors. However, in most sub-national governments, the actual specific amounts owed do not affect the general financial state, with the exception of Harare, as already mentioned. Nevertheless, there is strong resistance among residents and users of services in paying their bills to sub-national governments. Although citizens quoted various reasons, the real cause for refusal to pay amounts owed appears to be economic. Collection of dues is not easy because of a number of reasons e.g. unable to trace debtors, political interference by head councillors, inability on the part of residents to pay, etc.

Property taxes or rates for the City of Kwekwe show the following pattern: between 1995-1996 an increase of 17% was recorded, whilst in 1996-1997 there was a decline of 9%. This decline may have been due to collection system failure. Share of property taxes to total tax revenue represented 13%, 15% and 12%, respectively, for the years 1995 to 1997.

For the City of Kwekwe, charged but not collected revenue (debtors) increased by 33% between 1995 and 1996 and by 18% between 1996 and 1997. However, it is worthwhile to note that although the increase percentage appears rather high, the actual amounts involved would not really affect total receipts, as they remained stable (below 20%) in relation to total tax revenue (15%, 20% and 20%).

Almost all sub-national governments face cash crises due to this and end up borrowing from banks at prohibitive interest rates to finance recurrent expenditures.

4.2.4.1 Specific types of sub-national revenues

Tax (property taxes, etc) revenues that accrue to sub-national governments' income accounted for an average of approx. 20% of total sub-national revenues over the period 1994 to 1997. As explained above, the total contribution of tax revenues to total sub-national revenues has been increasing from 17% in 1994 to 21% in 1997. The main impetus for the increase is the rise in rateable properties within the local authorities rateable areas. There has been over the past few years a flurry of activities in the construction of private residential properties in the main urban areas of Harare, Bulawayo, Gweru and Mutare.

The property tax base is determined by the value of the land as well as improvements made on the land. They may be classified as residential, commercial or industrial property depending on the location of a building as well as the nature for which it is used.

Rates normally finance the administration departments e.g town clerk, city treasurer, engineers' and works department stores, etc. However in reality rates finance a lot of activities like housing, liquor section, health, education et al.

Rate of tax varies from one sub-national government to another. Revaluation of property is also undertaken from time to time; say 7-10 years by most local authorities to take into account current property values. For Harare City Council, the property tax rate as at 1997 is as follows:

- **Land** - 10 cents for every Z\$100 improvements- 7 cents for every Z\$100 for residential properties.
- **Land** - 26 cents for every Z\$4100 improvement- 16 cents for every Z\$4100 for commercial/industrial properties.

Tax rates for high-density areas, however, are subject to central government approval. Government buildings, churches, etc. are exempt from property tax. However, central government pays certain amounts as grants to local authorities to compensate the sub-national governments for loss of potential income.

The existence of another tax revenue system is not apparent from the accounts other than user charges, which encompass rates and fees for various activities. These account for 43%, 50% and 42% (for the three years) share of total revenue for Kwekwe City. It is obvious then that this is an important source of income and needs to be managed efficiently. Other revenues, consisting of sundries, interest on investments, etc, account for the next largest receipts: 16%, 20%, 21% respectively.

Beer Fund – This is included in other revenue sources. For the City of Kwekwe, the Beer Fund and sale stands contributed a 24% to revenues in 1995 and nominal amounts in subsequent years, i.e. 5%, (1997).

General grants from central government to finance recurrent expenditure are not evident from the figures analysed⁵⁶. However, in all discussions held with local authorities, the consensus was that such grants are now so inconsistent and small that they do not make any significant mark to the authorities revenues. As explained elsewhere in this report, the general grants are expected to cover funding shortfalls and in the case of rural district councils boost income levels.

Specific grants, on the other hand can either be to cover specific recurrent expenditures and/or specific capital expenditure. A typical case of specific recurrent grants would be health and education grants which are claimed by local authorities to fund shortfalls on health and education. There are general specific transfers from central government to local authorities to cover expenditure items such as teachers' and nurses' salaries

Specific capital transfers cover capital development projects, which include infrastructure development. Table D10 shows transfers from central government to sub-national governments.

⁵⁶ The figures from the central sub-national office are aggregate of all transfers from central government to sub-national; government. The actual state accounts do not also show evidence of general grants, but rather specific grants to cover certain specific sub-national recurrent and/or capital expenditures.

Table D10: Sub-national transfers from other government levels to the sub-national governments (Z\$)

Type	1994	1995	1996	1997
Specific and general grants (can be used to finance all functions)	313 393 000	377 077 717	507 691 352	979 774 000
Total sub-national revenues	2 128 593 000	2 316 777 717	2 297 691 352	2 945 738 797
As a % of sub-national revenues	14.7%	16.3%	22%	33.3%

Sources: C.S.O. National Accounts

As shown in Table D10 above, transfers from central government constitute about 22% of total sub-national government revenues on average. The actual quantum of grant transfers increased by 20% in 1994/95, from \$313 million to \$377 million; 35% in 1995/96 from \$377 million to \$508 million and 93% in 1996/97 from \$508 million to \$980 million.

It must be noted that the figures presented in Table D10 are aggregate central government grants. Data containing all the various types of Grants, in a broken down format could not be obtained within the period of the study.

Table 4.2.5, “Sub-national transfers from other governments level to the sub-national governments” (see Appendices) shows that specific grants comprised the bulk of transfers to sub-national governments over the period under review. From 1994 to 1997, specific transfers made up 80% of transfers from central government to sub-national government whilst the remaining 20% was made up of general, non-specific grants.

4.2.4.2 Other local revenues (user fees)

Revenue sources at sub-national level are heavily biased toward user related charges. Table D11 below show the various components that make up other sub-national revenues.

Table D11: sub-national other revenues (Z\$)

Type	94	%	95	%	96	%	97	%
Fees/charges/payment for water supply	303 594 644	28	473 036 550	40	607 354 256	58	667 376 466	55.
Fees/charges/payment for sanitation (includes sewerage)	124 055 880	11.3	165 737 346	14	222 554 457	21	237 473 617	20
Fees/charges/payment for electricity distribution								
Fees/charges/payment for roads	1 436 370	0.13	2 961 851	0.25 4	4 115 047	0.4	7 545 192	0.6
Fees/charges/payment for education	9 654 371	0.88	21 892 025	1.85	12 644 365	1.20	16 999 777	1.4
Fees/charges/payment for health services	42 211 145	3.8	53 725 959	4.54	70 331 875	6.7	95 604 948	7.9
Other non-tax revenues (Incl. Beer charges)	618 047 590	56.2	465 646 269	39.4	139 000 000	13.2	183 000 000	15.2
Total	1 099 000 000	100	1 183 000 000	100	1 056 000 000	100	1 208 000 000	100

Source: C.S.O. raw data sheets

Notes: Figures for water supply and electricity distribution are equal because the one figure for “water and electricity charges” has been split in two to cater for these subdivisions.

Service charges for water supply are based on actual usage. Other services like sanitation, refuse removal (solid waste), sewerage, etc. are based on fixed charges as per the size of the property, volume of refuse etc.

Health and education fees levied by government institutions are specifically controlled by central government and kept to a minimum levels, which in most cases, are uneconomic. Sub-national governments suffer financially due to this.

For Harare City Council the water, sewerage and water management sectors made Z\$ 58 million, Z\$31 million and Z\$1.5 million surpluses, respectively, during the years 1995, 1996 and 1997, while the health and education sectors made huge losses.

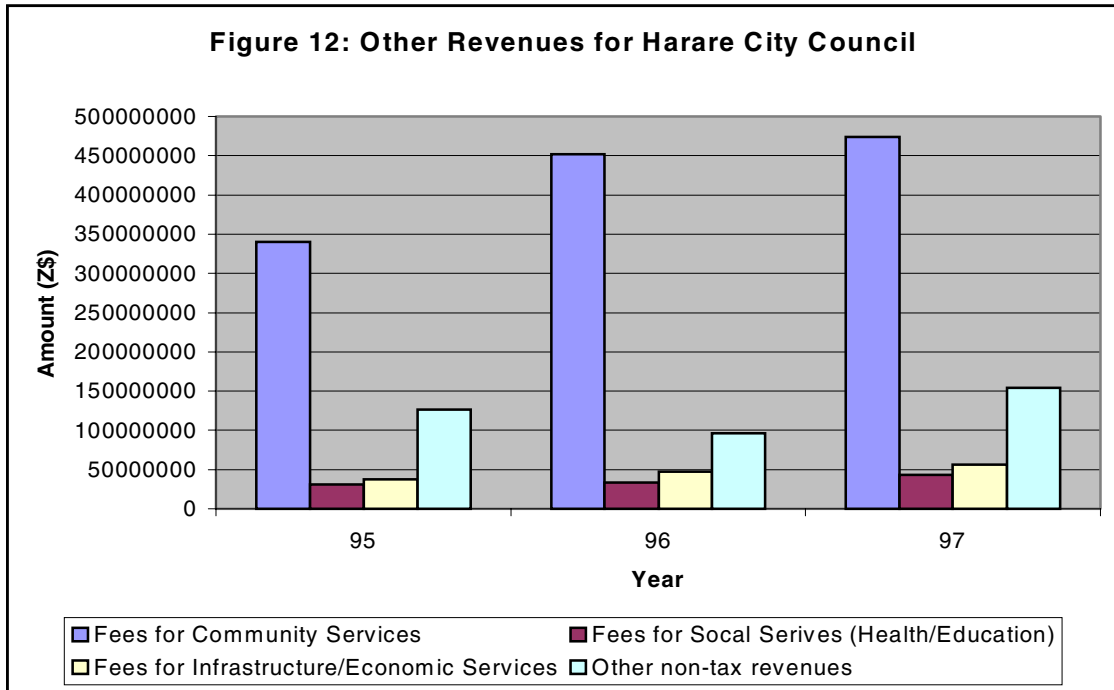
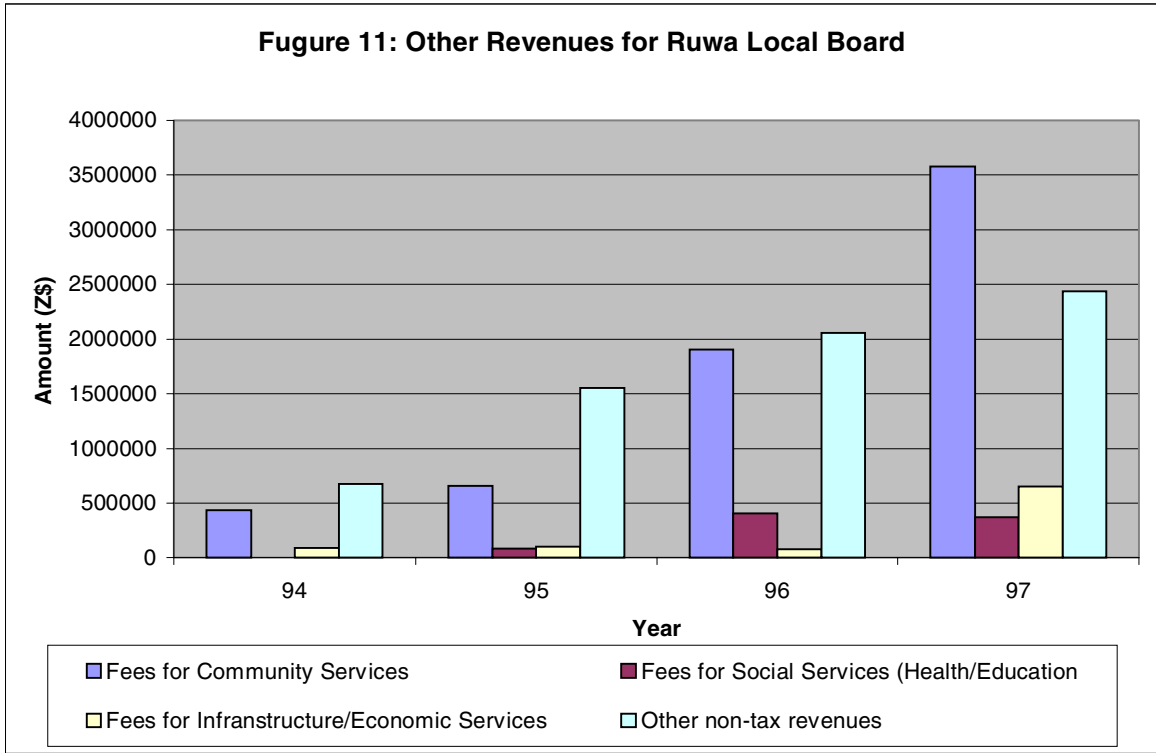
Table 12: Sources of revenue as a percentage of total revenue for the city of Harare

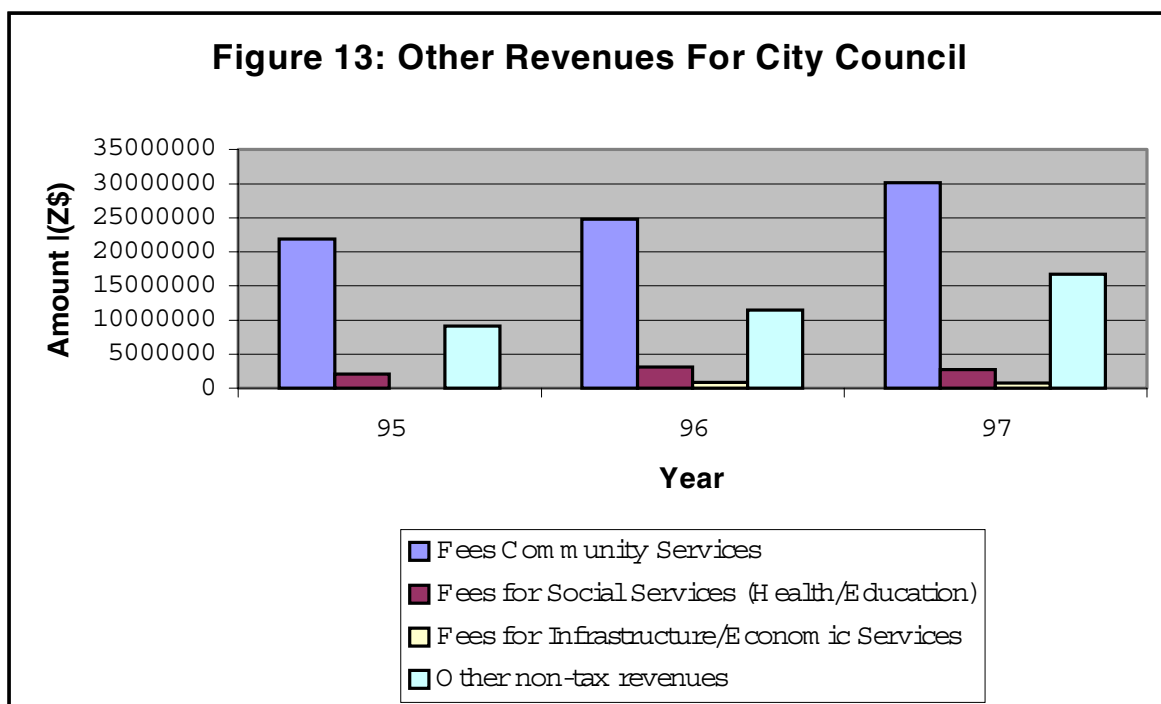
Share of TSNG excluding rates			
	1995 %	1996 %	1997 %
Fees/charges:			
Water supply	25	28	21
Sewerage	6.2	8.1	6.9
Sanitation	4.0	4.9	4.7
Solid waste mgt.		0	0
Electricity distr.	0	0	0
Roads	3.9	4.3	3.8
Education	0.7	0.6	0.6
Health	2.5	2.4	2.3
Other non-tax	12.9	8.64	10.5
TOTAL	55	43	49.7

For Harare, fees/charges contributed an average of 24.33% to revenues from water receipts for the years 1995 to 1997. An average of 12.6% of total sub-national revenue Other non-tax revenues accounted for 10.7% making this the next largest contributor to Harare's revenues.

All sub-national governments receive royalties from ZESA (a central government parastatal) - These are included in the water accounts for this study -in respect of electricity distribution. Income is also received in the form of collection fees on vehicle licensing. This figure is accounted for under the Department of Treasury.

For Kwekwe the trend from year to year for other revenues is upward for most services; showing increases of 12-20% in 1995-1996 and 20-26% in 1996-1997. This is with the exception of health, roads and other incomes, which indicate a decline.





4.2.5 Transfers from other government levels to the sub-national governments

Central government disburses various types of transfers/grants to the sub-national governments. They are block/general grants, capital grants, specific grants, reimbursements, etc.

Block/general grants are disbursed to boost sub-national governments financial resources and can be used to finance anything at the discretion of the sub-national government. They also apply mainly to the rural district councils. Capital grants are disbursed to assist sub-national governments, finance infrastructure developments. Special grants, reimbursements, etc are disbursed for sub-national governments to finance specific tasks, e.g. health and education. They are mainly to cover shortfalls in recurrent expenditures.

In the past, block/general grants, specific grants, reimbursements, etc were adequate, timely and helped cover recurrent expenditure of councils in certain sectors. For example, salaries of health personnel and teachers were adequately covered. However at present central government is finding it difficult to allocate its scarce financial resources and transfers have become very unreliable both in terms of amount and time lines.

Sub-national governments are not involved in negotiations regarding central government transfers, and they do not have any influence on the results. In most cases, transfers fall far short of actual expenses, leaving most sub-national governments with huge deficits in certain mandatory services e.g. health and education. It can therefore be concluded that fiscal transfers from central government do not match clearly defined objectives and they are not predictable either.

All transfers from central government are remitted directly to the sub-national governments, but their timing and amount are not predictable as mentioned earlier. It is quite common that transfers meant for a particular financial period are disbursed in the subsequent financial period.

Table D13: Examples of Transfers from central government to sub-national governments

Type	1994/95	1995/96	1996/97	1997/98
Admin & General Grants to; Rural District Councils Local authorities	P P	P P	P P	P P
Specific Grants on: Housing Fire fighting services	P P	P P	P P	P P
Health Services Grant	P	P	P	P
Education Service Grants	P	P	P	P
Other Transfers	NC	NC	NC	NC

Legend: P – Paid, NC – Not Clear

4.2.6 External finance of the sub-national sector

4.2.6.1 Sub-national government borrowing

SNG's are required to apply for borrowing powers from the Minister of Local Government and National Housing. This is governed by the Urban Council's Act (chapter 29:15) Section 290. The Act requires that the borrowings be applied for the specific purpose for which it is being raised. (Section 290 (6) (a).) However, for bigger council's e.g. Harare and Bulawayo who operate a consolidated loans fund (CLF) monies borrowed can be pooled to this fund and used to finance all capital projects of the council. What this means, is that for smaller councils each loan is tied to a specific project whereas for councils with CLF this is not the case. The regulations are transparent and clearly indicated in the Urban Council's Act. Short-term borrowing to finance recurrent expenditure can be done without Ministerial approval.

Sub-national governments borrow approximately 90% of their funds for infrastructure development from the central government. Under the current system, only the five cities are able to raise finance by issuing securities (bonds) into the capital market. However, as of 1997 only Harare and Bulawayo had taken advantage of the scheme. Mainly pension funds; insurance companies, merchant banks, building societies etc purchase these bonds.

Harare City Council had issued municipal bonds from the capital markets amounting to Z\$481.5 million as at 30 June 1997. Interest rates range from 6.75% to 18% and some have terms up to 18 remaining years. Bond terms may vary to more than 20 years. Large urban councils like Harare can also borrow from the market as long as borrowing powers are sought from the Minister of local government. However, interest rates are now very high.

Finances from external sources like USAID, ADB and World Bank have helped sub-national governments tremendously and such funds are utilised mostly to finance capital expenditure areas such as housing and sewerage. However, sub-national governments are required to access these funds through the central government, and their indebtedness is also to the central

government. For example, of the total external loans outstanding for 1997 for the City of Kwekwe, 99.78% came from government, pension funds with 0.15% and banks with 0.07%.

Table D14: Sub-national government borrowings

Z\$ millions	1994	1995	1996	1997
Total sub-national revenues	2 129	2 317	2 298	2 946
Total outstanding debt	1 381	1 610	1 811	2 463
Outstanding debt as a percentage of total sub-national government revenues	64%	69%	78%	84%

Table D14 above shows that outstanding debt grew 78% between 1994 and 1997, whilst total sub-national revenues only grow 38.4% over the same period. This resulted in a sub-national debt increase from 64% of total sub-national revenues to about 84%. The biggest growth in the debt figures was in 1996/1997 when debt rose 36%. The motivation for this growth in debt levels is confirmed by rising local authorities deficits, which central government is not funding. However, additional borrowing has resulted in the recorded lower increase of 35% for sub-national debt, as a function of revenue.

This brings in an interesting aspect on sub-national governments borrowings, which is access by sub-national governments to short-term bank funding such as bank overdraft facilities. Access to these facilities does not require central government approval, and overdraft figures do not seem to be included in sub-national government borrowing figures as shown in Table D14. A comparison of the City of Kwekwe bank overdrafts in relation to the income deficits for the period 1995 to 1997 shows the following:

Table 15: Comparison of bank overdraft in relation to income deficit for Kwekwe

Z\$ million	1995	1996	1997
Annual Deficit	1 713	3 045	13 826
Bank O/D as at year end	1 606	6 480	5 012

It is, therefore, possible from a sub-national perspective that if total borrowings included overdraft figures for each local authority, the total debt figures would be much higher than those shown in Table D14 above.

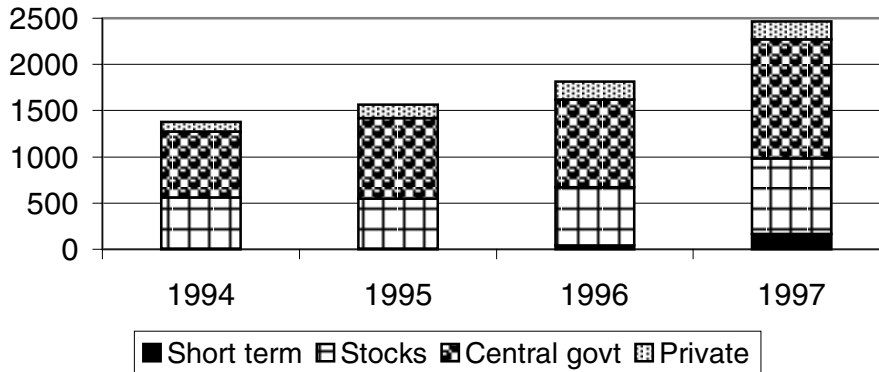
Of the total amount of debt shown in Table D14, an average 47% is from registered stock⁵⁷ while the remaining 53% is from other sources⁵⁸. Debt from registered stocks fell 1,7% in 1995 then rose 15,8% in 1996 and 134% in 1997, while debt from other sources rose 28,8% in 1995, 10,8% in 1996 and fell 39,3% in 1997. Debts from registered stocks appear to be becoming a significant source of finance for local authorities, while borrowing from other sources is declining and in 1997 fell by almost 40%.

⁵⁷ The figure for registered stock includes stock from pension funds, banks and Insurance companies.

⁵⁸ The figure for 'Other sources' includes debt from central government, private sources as well as other short-term debt. See appendices 4.2.6.1 – sub-national government borrowing

4.2.6.2 Borrowing, Annual change in debt

Figure 14: Local govt debt breakdown (Z\$ million)

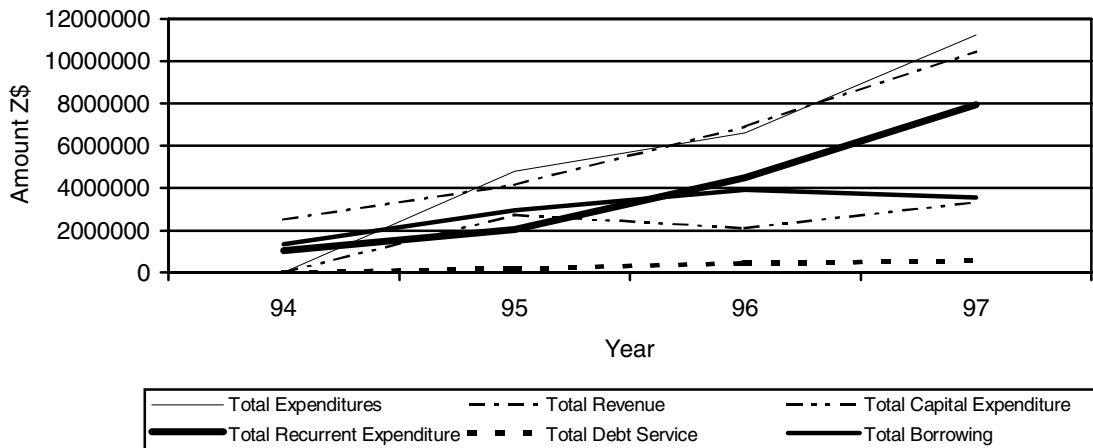


Unfortunately, lack of adequate information on borrowing terms, etc. precludes a conclusive discussion. However, total loans outstanding figures for the City of Kwekwe indicate a 40% increase 1995-1996 and 50% 1996-1997 accounting for 2% share of total sub-national borrowing.

Unfortunately, it is not possible to show a graph of the sample six SNGs, as information is not adequate except for Harare and Ruwa.

Harare has the largest share (in the absence of other big sub-national governments, such as Bulawayo, Chitungwiza and Gweru) of the total finances available from debt sources. Figures indicate that Harare's share was 50% in 1995, 51% in 1996 and 59% in 1997. As expected, total debt service decreased by 1997 to 3.97% albeit marginally, from 1995-1996's 21%. For example, the figure below reflects debt changes in Ruwa's debt profile.

Figure 15: Ruwa Local Board



4.2.6.3 Debt Service-Payment on Loans Including Interest

For the period under review, sub-national debt service was under a lot of strain. Most sub-national governments in Zimbabwe are highly indebted to the central government. Most of the loans are in respect of Ministry of local government and National Housing advances to local authorities in respect of infrastructure development (see above) under programmes such as the World Bank Urban I & II projects.

However, in view of the deteriorating cash flow situation of most local authorities, most are finding it difficult to raise cash to service current maturing loans. As shown in Table D14 above, local authorities, instead of reducing total outstanding debt, have been increasing their total indebtedness to external parties. Between 1996 and 1997, local authorities contracted new debt that was 224% higher than the new debt contracted in 1996.

Detailed figures on the actual breakdown of loan repayments to lenders and new draw downs could not be obtained in total sub-national level. However, the information in Table D14 can be used to note a trend as far as total sub-national debt servicing is concerned.

From discussion held with officers within the sample local authorities, the advances from central government appear to be easy target. The argument that central government owes sub-national government monies on educational and health funding shortfalls is used by most local authorities as a reason not to service loans to government which would have become due. This has thrown the entire central government/local authorities loan and subsidy system into some kind of confusion and in certain instances created misunderstandings, as in the case of City of Harare and central government⁵⁹.

The other sources of loans for local authorities are the capital markets and financial institutions. Data on actual relationships between financial institutions and local authorities as far as loan servicing is concerned is not readily available. The mere fact that the banks are allowing local authorities to be accommodated on overdrafts, etc. implies that they are fairly comfortable with the risks and ability of such local authorities to service such overdrafts.

On the capital markets, only five local authorities (i.e. the cities of Harare, Bulawayo, Gweru, Mutare and Kwekwe) qualify to access the capital markets. Two of the largest, being Harare and Bulawayo actively use the capital markets to fund infrastructure expenditure.

The servicing of loans sourced from banks and other capital market sources (i.e. insurance companies, pension funds, etc.) appears to be more timeous than government loans. Probably external financiers have more resources to ensure local authorities comply with original loan terms. The mere fact that local authorities, to the eyes of the private sector, are viewed as extensions of central government, gives the private lenders a degree of comfort on the creditworthiness of the local authorities. Indeed, the mere fact that local authorities need approval from central government before they can borrow implies a degree of central government guarantee of the transaction.

⁵⁹ Refer to the report on the State of Government in the City of Harare

4.2.7 Sources of finance for selected types of infrastructure

Financing for infrastructure development by sub-national governments mainly comes from loans from central government. But these are not consistent, as they are a function of the availability of resources within the central government.

External sources like World Bank, USAID and ADB have also provided various infrastructure funding through the central government.

For sub-national governments in the rural areas, external donors have provided funding, i.e. water supplies reticulation and sanitation under the IRWSSP (Integrated Rural Water Supply and Sanitation Project).

Private sector funding of projects is very limited and has not happened on a large scale. Isolated projects have been funded by the private sector, but they have been purely on an understanding between a particular sub-national government and the private sector. Current economic decline in all sectors of the economy as well as suspicion of private sector regarding management of resources by sub-national governments has not helped at all.

In the case of Harare City Council, private sector partnerships have been mooted for some time. Over the review period, there were not any substantive partnerships worth noting. However, the Harare City Council has “privatised” services such as refuse collection. The council contracted private sector companies to collect solid waste from around the city environs. According to information available, the experiment has not been as successful as had been initially hoped.

The table below shows the aggregate split for financing infrastructure provision amongst larger urban and municipal councils in Zimbabwe over the study period. However, the weighing of sources is different amongst the smaller town boards and rural district councils. There is a heavy reliance amongst these smaller local authorities on both government and donor financing. This is largely due to the smaller revenue base within these local authorities.

	Government Grants	Rates/Taxes	User Charges	Donor	Borrowing	Other Sources
Water	10%	-	50%	30%	10%	-
Education	9%	82%	3%	-	-	6%
Health	65%	9%	3%	12%	-	11%
Roads	3%	84%	-	-	8%	5%
Housing	24%	-	-	44%	20%	12%
Lighting	-	95%	2%	-	-	3%
Others	-	64%	26%	-	2%	8%

4.2.8 Expenditure of tax assignment and administration of taxes

The sub-national governments major tax revenues are property tax i.e. tax on land and buildings in case of urban councils and tax on farmlands in case of rural district councils. These contribute a sizeable amount of own tax revenue of all councils. Besides these sub-national governments also have revenue from trade and liquor licenses, building plan fees etc. As mentioned earlier, vehicle taxes (road tax) are collected by the sub-national government on behalf of the central

government for which they retain a percentage (very minimal) as collection/agency fees. There are no shared taxes in Zimbabwe like income tax, corporate tax etc.

The tax base regarding property taxes is determined by both land and property values within a designated area under the jurisdiction of sub-national governments. Predetermined rates approved by central government are levied against individual land and property values (the investment on the land) in arriving at taxes for a particular property. Buildings are rated soon after construction. Big sub-national governments, like city councils, have their own estates divisions to carry out the valuations. Smaller SNGs engage private valuers. Valuation roll or property roll is reassessed every 7 to 10 years to ensure that market rates apply. Collection methods and procedures are that sub-national governments send out billings and property owners come and pay at various council offices. Trade and liquor licenses will have to be obtained before such businesses can be operated. Therefore, it can be stated that sub-national governments are wholly responsible for collection of such revenue as well as following up on defaulters. However, some sub-national governments' councillors are reported to be exerting political pressures on local government officials, which are in conflict with local authority interests. This is most prevalent in cases of debt collection on defaulters, especially in cases where sub-national governments take defaulters to court or where essential services like water are disconnected for non-payment. This compromises the efficiency and effectiveness of debt collection methods.

For Urban local Councils, income points typically comprise of specific revenue points. In the case of the cities of Harare and Kwekwe, a comparison of revenues against expenditure is shown in Tables D16 and D17:

Table D16: City of Harare - revenue and expenditure

ACCOUNT	INCOME	EXPENDITURE	SURPLUS/(DEFICIT)
Estates	28.2	11.8	16.4
Rate	485.2	462.6	22.6
Sewerage	99.2	54.1	45.1
Waste	71.5	58.5	13.0
Parking	16.1	16.1	0.0
Housing	42.6	75.6	(33.1)
Health	32.3	128.1	(95.8)
Education	8.9	36.5	(27.6)
Welfare	2.5	33.5	(31.0)
Bus Terminus	5.4	1.4	4.0
Water	363.6	300.0	63.5
	1,155.3	1,178.1	(22.8)

Source: Duff & Phelps Credit and Diagnostic Reports

Table D 17: City of Kwekwe - Revenue and Expenditure

ACCOUNT	INCOME	EXPENDITURE	SURPLUS/ (DEFICIT)
Rates	18.3	17.2	1.1
Housing	6.0	4.9	1.1
Services	32.6	24.0	8.6
Health	2.7	8.3	(5.6)
Liquor	19.7	20.6	(0.9)
Education	0.2	1.4	(1.2)
Other	13.6	30.5	(16.9)
Total	93.0	106.9	(13.8)

Source: Duff & Phelps Credit and Diagnostic Reports

The above tables show that there is cross subsidisation of services within local authorities. According to the existing structure, it will be difficult for most service areas to be considered as free stand-alone revenue and cost centres. In the case of both Harare and Kwekwe, the largest deficits were recorded in health and education. This can be attributed to the central government directives on education and health as explained earlier.

Important infrastructure areas such as roads, street lighting, etc. do not appear to have their own income points. This is because revenue for such areas is not accruing to local authorities but to central government (in the case of roads) and ZESA (in the case of lighting). It is interesting to note that the Harare water account recorded a surplus in 1997 of \$63.5 million. However, the surplus was used to fund other shortfalls within the council as opposed to improve the city's water supply.

Other than for certain economic subsections mentioned in previous sections, all local authorities can determine the level of charges they want to charge their citizens. According to discussions held with local authorities, none is allowed to budget for losses. It seems as if Harare and Kwekwe did fairly well in this respect because, other than for health and education (where policy is determined by central government), they recorded surpluses in most of their sectors. Kwekwe also recorded deficits in liquor and others in addition to education and health.

4.2.9 Estimation of the sub-national revenue potential

Revenues for local authorities are derived from the following main sources:

- Rates on property
- User charges including;
 - Water supply
 - Sewerage
 - Sanitation
- Health
- Grants (Specific and General)
- Loans
- Income from own specific activities

Given the analysis in this report, it is possible to examine the potential revenue from each existing source. This section will also attempt to examine the possibility of revenues coming in from other sources that do not currently appear to be exploited. The annexes, table 4.2.9 contains estimates of SNG revenue potential. It appears from these estimates that the average revenue potential is approx. 30%.

- **Rates on property**

Property rates accounts are one of the more important revenue sources for most sub-national governments and contribute the biggest portion of revenue e.g. for City of Harare 42% of total revenue and the third largest single revenue contributor, in the case of Kwekwe 20%. Rates on property are calculated as a percentage of the value of the land and improvements thereon.

Therefore, the amounts recovered on rates are a direct function of the value of the property (ies). More frequent (say every four or five years) updating of property values within local authority areas would greatly improve the total amount of rates collected by sub-national governments. Most local authorities amongst the sample group mentioned that they revalue their properties in 7 to 10 years intervals. In this period of high inflation, the opportunity cost can be immense, given the fact that expenditure will be escalating annually.

- **User Charges**

The costing of economic levels of user charges is not clear. Judging from the schedules shown in Paragraph 4.32.8, it appears the costing on such services as sewerage are based on meeting the recurrent expenditure, with no adequate provision being made for asset replacement. This distorts the actual cost to the councils such that by the time the asset needs to be replaced, no revenue cushion would have been created for these purposes.

- **Grants**

Generally, local authorities should not be depending on grant to finance normal expenditure. However, the need for grants to fund shortfalls in health and education is, in the absence of autonomy to charge economic fees.

- **Loans**

The ability of sub-national governments to access loans from both the public and private sector will have an impact on funds available, especially for capital development projects.

- **Income from own specific activities**

The importance of this income source is not very clear.

4.2.10 Evaluation of tax assignment and administration of taxes

Efficiency in the tax collection and administration systems within local government is a function of:

- the regulatory environment within which sub-national governments operate;
- the autonomy of sub-national governments in operating in accordance with their mandate;
- quality of staff; and
- management controls and supervision.

In Zimbabwe, the issue of the regulatory environment within the local authorities is discussed in detail in Chapter 6. The relevant acts that govern the operations of sub-national governments are substantial. In certain instances, the provision of such acts overlap, making it difficult to allocate responsibility to specific body.

The other problem is that some of the acts that govern the efficiencies of local authorities are administered by ministries other than the Ministry of local government and National Housing. An example of such is the Road and Traffic Act, which is administered by the Minister of Transport and Energy, but affect the state and condition of roads within local authorities.

The issue of autonomy also affects efficiency. The political structure of Zimbabwe was designed to bring the administration of local authorities closer to the relevant political structure for the area. Local government councillors are elected on a political party ticket. This has meant that some local authorities decisions are vetted by political party structures before implementation. This has affected the efficiency of some local authorities where very strong and forceful party structures exist. As mentioned previously, even the collection debts from defaulting citizens is not very effective when political pressure is brought in.

The quality of staff is also very affected by political pressures. There are instances quoted in the Thompson report on the state of affairs within the City of Harare where it was noted that some appointees to key posts were not made on merit but rather political pressures.

4.2.11 Analysis of sub-national governments creditworthiness

The ability of local authorities to tap into financing sources other than the central government is dependent on the perceived risk of the local authority concerned by the lending institution. To be able to access funding from the central government, the requirements are less stringent than the private sector. The private sector tends to put the local authority concerned under detailed scrutiny and the following issues are pertinent:

- administrative efficiency of the relative local Authority;
- socio-economic characteristics;
- analysis of income sources and the collection efficiency;
- financial profile;
- estimated budgets; and

- use of funds required.

In late 1998, USAID contracted Duff and Phelps Credit Rating to do an exercise of rating six local authorities, which included Harare and Kwekwe, and their results are contained in a report published in 1999.

In summary, some of the report findings were as follows:

Bulawayo Comment

Long Term

BBB Band Rating

Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.

Gweru, Harare, Kwekwe

Long Term

BB Band Rating

Below investment grade but capacity for timely repayment exists. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.

The Duff and Phelps study showed the following, as far as the attractiveness of debt issued by the six local authorities studied:

Table D18

CITY	RATING	INVESTIBILITY (Long Term)
Bulawayo	BBB	Investible
Gweru	BB	Below grade
Harare	BB	Below grade
Kwekwe	BB	Below grade
Masvingo	BB	Below grade
Mutare	BB	Below grade

In summary, only one (Bulawayo) out of the six studied qualifies as investible grade. Experiences have shown that the market puts emphasis on these grades. The City of Bulawayo, for example, has not had problems in raising funding out of the capital markets.

Most other urban councils and district councils depend on credit loan facilities negotiated on a one on one basis. However, it must be noted that the mere fact that all borrowings by sub-national governments require government approval, the general belief in the money and capital markets is that the central government will be giving on “implied” guarantee to the loan arrangements. This is not consistent with the provision of the Finance Act, which states that a guarantee will be specific and will emanate from the Ministry of Finance.

CHAPTER FIVE

SUB-NATIONAL INFRASTRUCTURE AND SERVICE PROVISION IN ZIMBABWE

5.0 Introduction

Since Independence in 1980, the Government has come up with various reform programmes whose focus has been the efficient provision of infrastructure and services at the sub-national government level. Some of the reform programmes have been implemented i.e. the provision of the electricity by a parastatal and some are in the process of being implemented i.e. the Water and Roads Sector Reform Programmes. The Government is also encouraging sub-national governments to shed off some of their core business to the private sector.

This Chapter, comprising of six (6) sections, examines the following:

- the division of responsibility among the different levels of government;
- the organisational patterns of Infrastructure and Service Provision (ISP);
- indicators on the comprehensiveness of ISP;
- the issue of affordability of ISP;
- the infrastructure inventory concerning central and sub-national governments; and
- the issues of tariff policies in relation to ISP.

The facilities that are dealt with here are: water supply and sewerage services, educational and health services, roads and drainage systems, power supply and sanitation services. For the purpose of this report, the sub-national governments are grouped in three main categories. These are the Cities, the Towns/Municipalities and the Rural District Councils (RDCs).

5.1 Division of responsibility and service provision among the different levels of government

The government has come up with a structured way of delivering ISP. Cities, towns and municipalities have been empowered through the Urban Councils Act (Chapter 29:15) to undertake certain infrastructure services within their areas of jurisdiction. Particular reference is made to the following:

- execution of sidewalk works and township roads;
- powers of council in regard to sewage and drainage;
- powers of council in relation to water supply ; and
- provision of transport services.

Rural District Councils (RDCs) are regulated by the Rural District Council Act (Chapter 29:13). The act refers to powers of councils in regard to sewerage and drainage. It also specifies how the councils may charge occupiers and owners of land for services made available. Table 3.6 in Chapter 3 gives a general overview of the division of responsibilities among different levels of government and other providers of ISP.

There is a clear distinction between the different urban councils. City councils and municipalities provide broader and more complex services than town councils and local boards. The gradation is such that an urban council has to evolve from a Local Board to a Town Council and then to a Municipality and eventual to a City Council. As the urban council evolves through the different stages of growth the greater the powers it assumes from Central Government in the provision of infrastructure services as detailed in the preceding sections with particular reference to roads and drainage, water supply, sanitation services, education and health facilities.

5.1.1 Roads and Drainage

The public road network of Zimbabwe amounts to 76 000km, of which about 20 percent of the roads are paved. About 18 000km are state roads under the jurisdiction of the Ministry of Transport and Energy (MoTE) and administered by the Department of Roads (DoR); 52 000km of local rural roads are under the jurisdiction of the Rural District Councils (RDC); and about 5 000km of urban roads and streets are administered by⁶⁰ Urban Councils. Although the main roads appear to be in good condition compared to roads in neighbouring countries, about half have pavements that are more than 30 years old and are already showing increasing signs of deterioration. Most of the roads under RDCs are in fair to poor condition, while about half of the earthen roads are impassable during the rainy season.

Zimbabwe inherited a good road network at independence. However, the road network was designed to cater for the colonial economy. It has therefore been necessary to expand the network to provide all weather access to poorly serviced areas. Centres like Gutu are now linked to other major centres by tarred roads. Sub-national governments also invested in new residential areas in response to burgeoning urban populations. This increased the infrastructure inventory, with the consequent increase in maintenance. Government has, through the District Development Fund (DDF), constructed and improved nearly 21 000 km of earth roads in communal and resettlement areas. While new roads continue to be built, there appears to be a growing backlog of maintenance on roads under both Central Government and Sub-national government management. About 80% of the roads and streets managed by urban councils are tarred, but much of this network is in poor condition and in need of periodic maintenance, rehabilitation and upgrading⁶¹.

State roads that pass through urban centres are supposed to be the sole responsibility of the Central Government. Some of these roads need rehabilitation and expansion to cater for increased traffic volumes. Due to inaction from the Central Government, sub-national governments are forced to carry out the work without compensation. However, the Central Government is responsible for sourcing 75% loan financing for capital works. A comparative

⁶⁰ Ministry of Transport, Road reform programme Report

⁶¹ Ministry of Transport

matrix on Table 5.2 outlines the division of responsibility among different levels of government for roads and drainage system.

5.1.2 Water Supply

The adequacy of water supply infrastructure is a key element in national development in terms of diversifying production, expanding trade, coping with population growth, reducing poverty or improving environmental conditions. Good infrastructure raises productivity and lowers production costs. Developing countries are characterised by poor quality or collapsing infrastructure. The provision of potable water supply and good sanitation gives rise to opportunities for poverty reduction and contributes to environmental sustainability. Potable water is water free from contamination and safe to drink without further treatment. Without applying any rigorous health or hygienic standards, households using piped water, communal standpipes, protected boreholes and wells could be assumed to have access to potable water. In order to be consistent with the Central Statistic Office's classification in the Zimbabwe National Report of 1992, access to potable water has been taken as any safe water point within 500m. (It should however be noted that WHO standards specify a distance of 200 m from water source as a provision for access to potable water.)

In Zimbabwe, the provision of Water Supply has in the past been regulated by the Water Act of 1976 and current Water Act of 1998, which is intended:

‘To provide for the planning of the optimum development and utilisation of the water resources of Zimbabwe...’

While sub-national governments have been authorised to provide this essential service, for those sub-national governments with a weak revenue base, central government has tended to retain this function. For the Cities of Harare and Kwekwe and the town of Rusape, Central Government is only responsible for impounding works - i.e. dams. The city takes over the treatment, transmission and distribution.

Central government buys treated water from City of Harare and sells it in bulk to Ruwa Local Board. For Pfura and Gutu Rural District Councils, central government through the Department of Water is responsible for the treatment and distribution of water. Exceptions do arise where some of the bigger cities like Bulawayo and Gweru own some of the dams. A comparative matrix for the division of responsibilities in the delivery of water is outlined in Table 5.2.

Table 5.2

Roads and Drainage System

Details of Service	Sub-National Government's Responsibility	Central Government's Responsibility	Other	Degree of Clarity and Overlaps
Design	<p><i>Cities:</i> All the roads within cities are the responsibility of the sub-national government.</p> <p><i>Towns/Municipalities:</i> Responsible for the design of all new roads.</p> <p><i>Rural District Councils:</i> Responsible in principle but in practice there are other players.</p>	<p>Responsible for the design of the National Roads.</p> <p>However, the Central Government is financing the dualisation of the Harare/Bulawayo Road.</p>	<p><i>Rural District Councils:</i> Some minor roads in this category are designed by the private sector, i.e. farmers.</p>	<p>City National Roads: The roads that pass through the cities need rehabilitation and duplication. Although the Central Government is expected to do this, nothing is done therefore the sub-national government is forced to carry out the work without compensation.</p>
Construction	<p>This is the same as in the design where the Cities are responsible either by an Act of Parliament or by default.</p>	<p><i>Cities:</i> With the exception of the dualisation of the Harare/Bulawayo Road, the Central Government has very little.</p> <p><i>All:</i> Central Government responsible for the sourcing of 75% Loan financing for the constructions.</p>	<p>The private sector offer consultancy services and does 90% of the construction work. This is a paid service to the sub-national governments.</p> <p>Roads in new housing areas are constructed as part of the housing project.</p>	<p>The sub-national governments are forced to carry out the functions of the central government in order to keep up a certain level of service.</p>
Maintenance	<p><i>Cities:</i> Responsible for the maintenance of all the roads with the exception of the National Roads. <i>In practice, they maintain all the roads.</i></p> <p><i>Towns/Municipalities:</i> Responsible for all the roads with the exception of the National Roads.</p>	<p><i>Towns/Municipalities and Rural District Councils:</i> Maintains the national roads. Rural district councils are assisted by the District Development Fund (DDF).</p>	<p><i>Rural District Councils:</i> The District Development Fund, an arm of the central government carries out most of the maintenance work.</p>	<p>The Urban Councils Act is not clear about the sub-national governments' authority. The powers only deal with the naming of roads, control of projections over or under roads, closure or deviation of entrances to roads through the issuance of By-Laws.</p>

Table 5.2: Roads and Drainage System [continued]

Details of Service	Sub-National Government's Responsibility	Central Government's Responsibility	Other	Degree of Clarity and Overlap
Maintenance	The roads in the sub-national governments areas of responsibility have deteriorated so badly that the Central Government has introduced a Reform Programme with a view to fund the overhauling of all the Road Networks. A new Road Act is being promulgated soon. Some of the main issues addressed in the Act is the setting up of a Road Fund for the maintenance of the existing road network.	The Central Government is carrying out a road inventory with the help of all the sub-national governments. The results of the inventory will assist in the allocation/distribution of the Road Fund.		Although sub-national governments Authorities, they have been given responsibilities by the Ministry of Transport such. This creates serious overlaps between sub-national governments and the Central Government comes to financing and regulation. For example, the Ministry of Transport is supposed to maintain the State Roads though it does not. It cites the responsibility to the Provincial Authority in its capacity as a road authority. Drainage systems that run along roads are rarely maintained by the Central Government is its responsibility.

Table 5.2 Water Supply

Details of Services	Sub-National Governments' Responsibility	Central Government's Responsibility	Other	Clarity
Design and Construction	<p><i>All:</i> Responsible for all the distribution system including service reservoirs.</p> <p><i>Cities:</i> Responsible for the Treatment Works, Pumping Systems and pipelines as well.</p>	<p><i>Cities:</i> Responsible for the raw water harnessing.</p> <p><i>Rural District Councils (RDC):</i> Responsible for the harnessing of the raw water, treating and pumping water to service reservoirs for selling to the residents.</p> <p><i>All:</i> Responsible for the sourcing of financing for new infrastructure.</p>	<p><i>RDCs:</i> Donor agencies are involved mainly in the small-scale water supplies such as boreholes and wells.</p>	<p>The cent... lag behin... or the up... makes fu... governm...</p>
Operation and Maintenance	<p><i>Cities and Towns:</i> Responsible for the water treatment, distribution and maintenance of all systems.</p>	<p>Responsible for the supply of raw water.</p> <p>It is the Regulatory Body on quality control and disease prevention.</p>	<p>None</p>	<p>The Citi... to 50% c... is not cle... Program... dams sha...</p> <p>In the ca... Chegut... releases... kilometre... It is not c... handled... sold at th... used.</p> <p>There are... water su... instead u... though, t... regulator...</p> <p>The Wat... address t... has yet t...</p>

5.1.3 Sewerage services

The authority of the sub-national government for sewerage and drainage is stated under Section 168 of the Urban Councils Act as follows:

“The council may, whether inside or outside the council area, take such measures to construct such works as it considers necessary for the collection, conveyance, treatment and disposal of sewage or storm water.”

Sub-national governments use external loans to finance new projects. Government plays a regulatory role through three Ministries, i.e. Ministry of Rural Resources and Water Development, Ministry of Health, and Ministry of Tourism, Environment and Natural Resources.

The University of Zimbabwe plays a role of Watchdog on the quality of discharge. The monitoring of the quality of the sewage discharge is currently regulated by the Government under Part IX of the Water Act, 1976 (No. 41 of 1976). The current situation where three government ministries are playing the regulatory role is a serious overlap that adds confusion to the delivery of the service. The Table 5.4 below gives an indication of the level of service provided by each sample sub-national government with regard to the provision of sewerage.

Table 5.4: Sewerage provision by each sample sub-national government

Local Authority	Sewerage Services Provided	Intervention From Central Government
City of Harare	Totally responsible for the collection, treatment and safe disposal.	Central Government may assist council to access bilateral and multi lateral finance such as Urban II. Otherwise council wholly responsible for capital expenditure as well as operation and maintenance.
City of Kwekwe	Totally responsible for the collection, treatment and safe disposal.	Similar to Harare
Municipality of Gwanda	Totally responsible for the collection, treatment and safe disposal.	Similar to Harare
Ruwa Local Board	Responsible for collection and treatment as well as disposal	Similar to the other urban councils but has limited revenue base.
Rusape Town Council	Responsible for collection and treatment as well as disposal	Similar to the other urban councils.
Gutu Mupandawana RDC	May also exercise all the powers in relation to sewerage that are conferred to Urban Councils	Weak revenue base. Hence expects and invariably gets central government assistance.
Pfura RDC	May also exercise all the powers in relation to sewerage that are conferred to Urban Councils	Weak revenue base. Hence expects and invariably gets central government assistance.

5.1.4 Sanitation Services

Concern with global degradation of the environment has accelerated in recent years, and the effects of increasing human activity and concentration have become more evident. Monitoring and improving the urban environment in developing countries has become a major priority.

Solid waste management deals with the generation, storage, collection, transfer and transportation, processing and disposal of solid wastes in an environmentally compatible manner, adopting principles of economics, energy and resource conservation. The resources required for effective solid waste management are considerable and include personnel, machinery, land, finances and organisation. Three main factors have contributed to greater attention to solid waste management. These are:

- realisation that inefficient collection and disposal of wastes is a threat to the environment;
- low coverage of areas receiving waste collection services; and
- many sub-national governments in Zimbabwe are now finding it difficult to secure appropriate sites for waste disposal within economical distances from the areas of waste generation.

In the absence of a regular solid waste collection system, waste is dumped in open spaces, on access roads and along watercourses. Dumps are invaded by scavengers and animals that scatter the wastes; and so the dumps serve as breeding grounds for disease vectors, primarily flies and rats. Leachate from decomposing and putrefying garbage percolates into the soil and nearby water sources. Uncollected refuse also finds its way into open drains which become blocked and thereby promote the breeding of mosquitoes. The table below gives an indication of the coverage of solid waste management within the sample sub-national governments.

Table 5.5: Solid waste management

Sample Sub-National Government	Area Of Responsibility	Comments
Harare City Council	Has privatised solid waste collection but still responsible for the safe disposal and operation of landfills	Residents claim that the level of service has deteriorated since privatisation. Council now threatening to cancel contracts.
Kwekwe City Council	Responsible for collection, disposal and operation of landfills.	Acquired new equipment under Urban II
Gwanda Municipality	Responsible for collection, disposal and operation of landfills.	Acquired new equipment under Urban II
Rusape Town Council	Responsible for collection, disposal and operation of landfills.	Acquired new equipment under Urban II
Ruwa Local Board	Responsible for collection, disposal and operation of landfills.	Hampered by lack of equipment
Gutu Mupandawana RDC	Responsible for collection, disposal and operation of landfills.	Severely constrained by lack of equipment
Prura RDC	Responsible for collection, disposal and operation of landfills.	Severely constrained by lack of equipment

Solid waste management still presents one of the most intractable problems within urban centres in Zimbabwe. For Harare, for example, the service absorbs about a 5% proportion of municipal effort. Solid waste generated in urban areas in Zimbabwe is derived from various sources.

- Household waste: In developing countries up to two-thirds of this category consists of organic kitchen wastes. The balance is composed of sweepings, rags, paper, cardboard, plastics, bones and metals.
- Commercial refuse: Such refuse is generated from shops, offices, markets, warehouses, hotels, etc.
- Street sweepings: These consist of sand, stones and litter.
- Construction debris: Construction and demolition activities generate a variety of residual building materials, which can contribute significantly to quantities of waste.
- Industrial waste: Industrial waste from processing and non-processing industries and utilities is generated in quantities and characteristics proportional to the number of industries and their nature⁶².

From the foregoing urban waste classifications, it is clear that different categories of waste require different handling collection and disposal methods. The most widely used method of disposing solid waste in urban centres in Zimbabwe is sanitary landfill. Sanitary landfill can be defined as the use of solid wastes for land-reclamation, a typical example being the restoration, by filling to the original level, of man-made surface dereliction such as a disused surface mineral excavation. Solid waste may also be used to improve natural features by raising the level of low-lying land to enable it to be used for cultivation or industrial development. Sanitary landfill has the virtue of being a method of refuse disposal that confers environmental improvement.

Most solid wastes, however, are very offensive materials that provide an attractive habitat for such disease vectors as flies and rodents. Crude dumping, which is widely practiced in many developing countries, and lack of good management and operation of sanitary landfills causes the following hazards:

- fly generation;
- encouragement of rodents;
- static water pollution and aerial nuisance;
- surface water pollution; and
- fire and smoke pollution.

Some pathogen waste (clinical waste) from major hospitals is incinerated in separate facilities operated by the Ministry of Local Government and National Housing. This is the only role of Central Government in solid waste disposal.

Solid and liquid industrial solid wastes are generally disposed of together with domestic water. However, the disposal of hazardous and toxic wastes requires special permission and registration. Two landfill sites are in operation in Harare:

⁶² Source: World Bank/UNDP Report by Broom 1982

- the Golden Quarry landfill and
- the Pomona/ Teviotdale landfill.

The municipalities of Bulawayo and Harare have established contractual arrangements with various companies for collection of wastes at landfills. Contracts are awarded by tender and are renewable on an annual basis. The volume of wastes recovered at landfills is estimated at about 5% of waste received. In Harare, paper currently accounts for the majority of waste material collected - 864 tonnes per month, as shown below. Ferrous and non-ferrous metals account for about 28 tonnes per month. Plastics represent a smaller portion of recovered waste (5.7 tons). These amounts fluctuate with summer and winter seasons and are lowest during the rainy season⁶³.

Table 5.6 Approximate quantities of solid waste recycled in Harare

Approximate quantities recycled in Harare

Material	Monthly quantity (tonnes)
Paper	864.0
Plastic	5.7
Cullet	9.6
Glass	3.4
Metal Scrap	28.0
Bones	0.4

Table 5.6 (next page) outlines the different responsibilities in the delivery of sanitation services⁶⁴.

⁶³ Source: Ditto

⁶⁴ Source: Ditto

Table 5.6 Sanitation Services

Details of Services	Sub-National Governments' Responsibility	Central Government's Responsibility	Other	Clarity and Overlaps
Solid Waste Management	The power to undertake service is set out in Section 23 (I) of the Second Schedule (Section 198) of the Urban Council Act, 1995 which states that local authorities should provide and operate a service for removing and treating trade or other effluent.	The Central Government plays a Regulatory Role through the Ministry of Health.	Private firms are operating refuse removal service in the City of Harare.	The Act of Parliament is very clear on the role of the sub-national governments.
Public Conveniences	The power to undertake this service is set out in Section 22 of the Second Schedule (Section 198) of the Urban Councils Act, 1995 which states that local authorities should provide public sanitary conveniences on land under the control of council.	The Central Government plays a Regulatory Role through the Ministry of Health.	None	The Act of Parliament is very clear on the role of sub-national governments.

5.1.5 Education services

The power to undertake the acts pertaining to these services are set out in Section 22 of the Second Schedule (Section 198) of the Urban Councils Act, 1995. It states:

“To provide, operate and maintain schools and other educational institutions and facilities and amenities connected therewith, and for such purposes to levy and collect fees and other charges.”

Sub-national governments are mainly responsible for the construction and running of primary schools since independence. The Central Government is responsible for:

- running some of the primary schools, especially those that were built before independence (1980);
- recruiting and maintaining teachers; and
- regulation.

School Development Associations (SDA), set up through a Government statutory instrument, play a significant role in providing of extra facilities such as classrooms, books, etc. Church organisations and the private sector are also allowed to run schools.

To assist SNGs with the running of primary schools, Central Government pays a per capita grant, currently \$20 per pupil. This amount is specifically meant for renewing textbooks and library books, but the amount is hardly sufficient for books, let alone recurrent expenditure. Recurrent expenditure is mostly covered by tuition fees and levies. Traditionally tuition fees were set by central government until when SNGs were allowed to set tuition fees, with the provision that increases beyond 15% required government's approval. Levies are set by school development associations without any interference from central government.

Central government is responsible for the building and running of secondary schools and for providing the regulatory framework for their operation. However, central government is slow in responding to requests for secondary schools by SNGs, such that the SNGs end up building secondary schools because of pressure from residents.

The Private sector operates secondary schools under the guidance of the National Educational Policies. SDAs set up through a Government statutory instrument, play a significant role in providing extra facilities such as classrooms, books, etc. In some instances, the lack of clarity with respect to governance of specific schools creates uncertainty in the provision and running of secondary schools.

5.1.6 Health Services

The authority to provide primary health care service, is set out in Section 25 of the Second Schedule of the Urban Councils Act which states that:

“Subject to any other law, to provide and operate hospitals, clinics and dispensaries and to take any measures or provide any facilities which the council considers necessary for the maintenance of health, including dental health.”

All local authorities are responsible for the primary health care centres, while the larger cities like Harare are responsible for the infectious diseases hospitals. Central government plays the regulatory role. The private sector also runs health facilities in all local authority areas provided they are registered and have obtained approval to operate the facilities from both central and sub-national government. There are numerous such facilities such as nursing homes, which are usually run by nurses, and surgeries, which are usually run by medical doctors.

The main constraint in the provision of public health services is that the Central Government prescribes the level of fees to be collected from the patients. The prescribed fees are far much lower than the actual cost of service. As a result, there are insufficient funds to run the services efficiently and to expand the services. Drugs and equipment are in short supply. This results in some clinics referring many patients to the Government Central Hospitals, which are also failing to cope.

In cities, towns and municipalities, the private sector runs several health centres. Missionaries have also established hospitals and health centres. Missionaries run most of the hospitals in rural district councils. The conditions governing the payment of fees in government hospitals are provided in the circular of the Secretary for Health and Child Welfare title "Rules For Health Care Delivery Fees" dated 11 October 1999.

At RDC level, it is intended to decentralise health through the formation of District Health Boards when the Rural District Councils (RDCs) have taken over the running of services. However, the RDCs are not yet ready for such a responsibility since they are currently undergoing various stages of capacity building.

In the urban local authorities, there has been decentralisation of health services through the formation of "District Health Management Executives". These are headed by the District Medical Officers and are autonomous in the sense that they have their own budgets and they make decisions on the ground. The Provincial Medical Officers are there and exercise a regulatory role in the administration of health in the province.

The Ministry of Health has overall responsibility for health delivery in Zimbabwe. This means that whether an institution is run by SNGs, missionary, or industry, the rules and regulations have to conform to those of Central Government. This means that although there is talk of decentralisation, the Central Government's grip is noticeably tight. The Ministry of Health has established the structure of the health delivery service as follows:⁶⁵

- Quaternary Level: These are the central hospitals. The central hospitals are very few and are only found in Harare and Bulawayo. Examples of full hospitals are Harare General Hospital and Mpilo Hospital.
- Tertiary Level: These are the provincial hospitals and the administration of the health system at the provincial level. There are not many in the country. The administration includes the offices of the Provincial Medical Director who deal with policy matters and, to a certain extent, the regulatory aspects of the system.

⁶⁵ Source: Telephone interview with Ministry of Health official

- **Secondary Level:** This level comprises the district, mission and private hospitals. It also includes the infectious diseases hospitals.
- **Primary health centres:** These are run by SNGs, Ministry of Health, general practitioners, private sector and industry.

The Social Dimension Fund is no longer operational. At the time of its termination, it owed the health institutions considerable sums of money. The actual figures are not available, but they run into millions of dollars. In its place, the traditional Social Welfare Fund is the only fund operating.

This fund was originally meant for the Disabled Unemployed' people and Children in Special Difficult Circumstances'. Unfortunately, this has extended to all the unemployed people, people whose income is less than \$400.00 and their dependents.

The criteria for qualifying to the above scheme are that a person who needs the assistance goes to a local councillor in the area where he or she resides for a letter of confirmation. This letter is taken to the Ministry of Labour and Social Welfare that, in turn, gives an instruction to a health care centre run by an SNG, to effect medical treatment.

It has been established that 80% of the patients attended to by the SNGs fall under the social welfare group. Since the charges are prescribed well below the recovery costs and since the Social Welfare Department is a Government body with a fixed budget, the SNGs hardly get any refunds on the claims that they make.

The effects therefore, are:

- **Financial:** heavy deficits are realised every year bearing in mind that, in addition, the SNGs have to pay for the nurses and general staff salaries, buy medicines and provide infrastructure.
- **Responsibilities:** The SNGs are now covering the responsibilities of the Central Government, which still insists on prescribing user charges. This has an adverse effect on the quality of the delivery of primary health care.

This situation shows that giving SNGs additional responsibility without a budget to support them is highly detrimental to the welfare of the SNGs.

5.1.7 Power Supply

The Central Government is responsible through a parastatal, the Zimbabwe Electricity Supply Authority (ZESA), for the generation of electricity. However, because of its limited generation capacity, ZESA also imports electricity from other regional sources⁶⁶. The role of ZESA is spelt out in its founding Act and is considered clear.

Up until 1987, the sub-national governments were responsible for the distribution of electricity within their areas of responsibility. After 1987, the responsibility was transferred to ZESA. ZESA took over all the infrastructure from sub-national governments without

⁶⁶ ZESA Annual Report

compensation. Sub-national governments are still responsible for public lighting but, as with all SNGs, there are problems in generating fees from public lighting. As a result, the public lighting service is not efficiently maintained.

5.1.8 Public transport

The Government has deregulated the passenger transport sector in line with its programme of economic structural adjustment and trade liberalisation. The deregulation has broadened the passenger transport and legalised use of commuter omnibuses in public transport. The increased vehicle population and broadened modes of transport has outstripped municipal traffic planning and infrastructure management, resulting in a major traffic management problem for large cities like Harare. This has resulted in severe traffic congestion, with uncontrollable mixes of traffic types, inefficient public transport network, lack of local traffic management, accidents and air/noise pollution.

Rapid growth without a corresponding increase in infrastructure provision often manifests itself most directly in road congestion. Despite huge investment in transport infrastructure in Zimbabwe, traffic congestion is now a major problem, particularly in Harare. The problems arising out of the increased traffic in Harare, include:

- decreased accessibility and congestion;
- inadequate infrastructure facilities;
- poor interchange; and
- attended environmental problems.

The councils may from time to time fix and determine, in respect of any omnibus service, the routes and terminal points and the places for setting down and taking up of the transport passengers in any council area; however, they have limited powers of controlling the activities of the operators. The issues besetting this sector, which are directly caused by unclear division of responsibilities among different levels of government, are outlined in Table 5.7 below.

Table 5.7 Public Transport

Details of Service	Sub-National Governments' Responsibility	Central Government's Responsibility	Other	Clarity and Overlaps
Buses/Taxis, etc	Responsible for the provision of infrastructure such as bus pull-offs, bus shelters and termini and bus routes.	Responsible for: - Regulatory role; Bus Service through a parastatal [ZUPCO].	The private sector is the biggest player in the provision of this service.	The central government's insistence to issue permits for commuter omnibuses is creating confusion as to what is the role of the sub-national government. As a result, the sub-national governments find it difficult to control the operators and allocate routes according to needs.
Rail	There are no public transport systems within the area of jurisdiction of a sub-national governments.	The central government operates the railway service across the country through a parastatal, the National Railways of Zimbabwe [NRZ].	The private sector has just commissioned the Beitbridge – Bulawayo railway line.	Due to the absence of a public railway service within the areas of jurisdiction of sub-national governments, the role of the central government is clear.
Air Service	Cities: some cities	The international	The private sector	Due to the heavy financial

	operate small airstrips for local services.	infrastructure is the responsibility of the central government through parastatals falling under the Ministry of Transport i.e. Air Zimbabwe and the Civil Aviation Authority	also operates air services but do not own or control any infrastructure, apart from very few private air strips	requirements for the upkeep of airstrips, most sub-national governments are having problems in attracting commercial service to their areas. The Government's role in this is not clear apart from regulating whatever is on the ground.
--	---	---	---	---

As can be seen from Table D6 in Chapter 4, the recurrent expenditure for SNGs is mostly in general administration (30%), followed by community amenities i.e. water supply, sewerage and electricity (28%), with solid waste management road works and housing requiring about 10% each. Surprisingly, health takes about 4% of recurrent expenditure while education is still hovering around 1% of the total recurrent budget.

5.2 Organisational patterns of ISP

5.2.1 National overview

Sub-national governments are responsible for a wide range of activities, including all functions associated with local authorities such as water supply, sewerage and drainage, solid waste management, street lighting, transport services, etc. Furthermore, sub-national governments are responsible for the operation of health care facilities, building and operating new primary schools and emergency services. While central government has devolved numerous responsibilities to sub-national governments, it has not devolved a corresponding level of financial support or revenue flows consistent with the wide range of responsibilities. Capital expenditure is lagging behind by as much as 10 years. Operation and maintenance budgets are under-funded resulting in deteriorating infrastructure. In Chapter 4, we showed that capital expenditure in the SNG sector has declined over the study period.

The decline in services has adversely affected investment in the country. The City of Harare is a case in point. The city has four major sewage treatment works, namely Mabvuku –Tafara, Crowbrough, Firlie and Hatcliff. These cater for different catchment areas within the city. Major works being implemented at Mabvuku-Tafara have been suspended because of lack of funds. Crowbrough Sewage Treatment works has existing capacity of about 54Ml of sewage per day. It is currently handling daily flows of over 90Ml. As the effluent from the works goes straight to Lake Chivero, one of the major sources of water for the city, all the developments in the Crowbrough catchment have been frozen, including a Z\$1 billion housing development project sponsored by the National Social Security Authority (NSSA). This example is illustrative of the many problems besetting sub-national governments in delivering an acceptable level of service. The answer, therefore, seems to lie in the involvement of the private sector in the delivery of infrastructure.

5.2.2 Involvement of the private sector in infrastructure and service provision

Health Services

The private sector is free to run health facilities in Zimbabwe for as long as it gets an approval and meets the requirements of Central Government. There are several facilities such as:

- hospitals and clinics, which are usually run by conglomerates, missionaries and the private sector;
- nursing homes, which are usually run by registered nurses and doctors; and
- surgeries, which are usually run by medical doctors.

The main constraint is the lack of adequate facilities, and, to this end, some sub-national governments provide medical centres for the use of the private sector.

Education Services

As in the health services, the private sector is allowed to provide and run education facilities for as long as it gets an approval and meets the requirements of central government, following the consent of a sub-national government. Private sector involvement ranges from full university facilities to secondary and primary schools way down to colleges providing secretarial, accountancy and computer training to school leavers. The possibility of shedding off to the private sector the existing education facilities has never been considered to date.

Water Supply and Sewerage Services

To date, no sub-national government has involved the private sector in the delivery of water and sewerage services. Some initiatives have been taken in this regard; for example, the City of Gweru has signed a memorandum of agreement with a private firm for the operation of its water and sewer services. Although the Government is agreeable to the involvement of the private sector in this area, the legislation does not presently accommodate it. Therefore, for full-scale private sector involvement, there is an urgent need for the amendment of the various legal instruments that govern the provision of water supply and sewerage services.

Sanitation and Solid Waste Management

Two sub-national governments, the cities of Harare and Bulawayo, are currently providing solid waste disposal services through the private sector. However, the records to date show that the systems are not working well. This is mostly because of the way the actual contracts are drawn and the absence of comprehensive data on the areas to be serviced. This has led to other sub-national governments adopting a more cautious approach.

Roads and drainage system

Apart from the use of the private sector for the construction and maintenance of road systems, there has been no attempt to shed off the systems to the private sector. However, Central Government is currently working on the Road Sector Reform, which may come up with enabling recommendations for private sector involvement. The Road Sector Reform and Development Program (RSRDP) has the following objectives:

- improved road sector management through commercialisation and restructuring of the institutional framework;
- decentralised management of local roads to local authorities;
- adequate and sustainable funding of road infrastructure maintenance and operation to dedicated road user fees; and
- significant reduction in the backlog of road maintenance and rehabilitation

Current allocations for road maintenance of around US\$30 million⁶⁷ cover about one-third of the estimated requirements. Despite a tradition of good road maintenance, persistent underfunding is causing a steady increase in the need for backlog maintenance and rehabilitation.

Power supply

The electricity production and distribution is done by a government parastatal, the Zimbabwe Electricity Supply Authority (ZESA). Central government is encouraging the private sector to build mini-hydro electric schemes and to participate in developing major power schemes like the Gokwe North Power Station. Sub-national governments are not involved in electricity generation and distribution. Through ZESA, the country imports electricity from Zambia, South Africa and Mozambique to supplement locally generated power. However, electricity coverage within local authorities is over 60 percent⁶⁸.

Transport

The public transport services within the areas of jurisdiction of the sub-national governments are mainly provided by the private sector. Table 5.8 gives an overview on the organisational patterns of infrastructure and service provision.

⁶⁷ Road Reform Report

⁶⁸ 1992 Census Report

Table 5.8: Organisational patterns of infrastructure and service provision (%)

Service	C	S	SN	P	J	O	Comments
Education							
Primary	65	-	25	-	-	10	See Note 1(a)
Secondary	55		5	-	-	40	See Note 1(b)
Health							
Primary Health Care	30	15	30	-	-	25	See Note 2(a)
Referral Hospitals	50	10	5	-		35	See Note 2(b)
Community Amenities							
Water Supply	5-10	-	45-75	-	-	25-50	See Note 3(a)
Sewerage	20	-	80	-	-	-	See Note 3(b)
Sanitation	5	-	90	-	-	5	See Note 38
Electricity Distribution	-	-	-	100	-	-	See Note 3(d)
Solid Waste Management	5	-	75		-	20	See Note 3(e)
Economic Services							
Transport							
Road	-	-	15	10	-	75	See Note 4(a)
Air	25	-	10	55	-	10	See Note 4(b)
Rail	10	-	-	90	-	-	See Note 48
Roads	15	5	75	-	-	5	See Note 4(d)
Energy (e.g. electricity production)	-	-	-	100	-	-	See Note 4(e)
Key: C=Central Government, S=Shared (central-subnational government), SN= Sub-National Governments, P=Parastatals, J=Joint-subnational government, O=other institutions/NGOs/NGOs, etc.							

Notes on Table 5.8

Note 1(a): *Primary Schools*: The central government is responsible for some of the schools that were built before Independence. This constitutes the majority of the schools. In the rural district councils, there are several schools being run by the Missionaries. Private schools are seen as elitist because of the high fees charged per child. Suppliers of Infrastructure and service (estimated percentage share)

Note 1(b): *Secondary schools*: The same as in Note 1(a), above.

Note 2(a): Primary health care centres are run mostly by the sub-national governments in the urban local authorities and mostly by the central government and missionaries in the rural district councils.

Note 2(b): The central government runs most of the referral hospitals supported by the missionaries and the private sector. Some sub-national governments run infectious disease hospitals.

Note 3(a): The central government supplies raw water, while the sub-national governments and private sector (mines) are responsible for the treatment, storage, distribution and maintenance. In some cases such as that of Norton Town Council, the central government supplies treated water direct to the consumers in the low-density areas and sells treated water in bulk to the sub-national government. In some rural district councils, missionaries and NGOs supply water through boreholes and shallow wells.

Note 3(b): Most of this service is carried out by the sub-national governments, with considerable overlaps in the smaller RDCs.

Note 3(c): Sanitation is mostly the responsibility of the sub-national governments.

Note 3(d): Electricity distribution is the sole responsibility of the Zimbabwe Electricity Supply Authority.

Note 3(e): Solid waste disposal the responsibility of the sub-national governments with the exception of Harare where the private sector is heavily involved.

Note 4(a):

- *Road*: Public transport by road has been in the hands of the private sector for some time now, with the sub-national governments providing the infrastructure. No sub-national governments run this service in Zimbabwe.
- *Air*: Some sub-national governments own and operate airstrips, but due to shortage of funds, they are not able to develop them to a state where they can be commercially viable.
- *Rail*: This is wholly run by a government parastatal the NRZ

Note 4(b): Roads: This infrastructure is mainly provided by the sub-national governments and the central government.

Note 4(c): Energy: This is run by ZESA, a government parastatal.

5.3 Indicators on the comprehensiveness of ISP with respect to consumers need

5.3.1 Conditions at the national level

The majority of households in Zimbabwe use borehole or protected wells as their main source of water for drinking and cooking. This is followed by those who have piped water. Only a small percentage of the households have rivers/streams/dams as their main source of water. A 1997 inter census demographic survey revealed that almost all household in Harare and Bulawayo had access to safe water, while the percentages for other provinces were as follows: Mashonaland East 74%, Midlands 75%, Matabeleland North 75%, Mashonaland West 87% and Masvingo 65%. On average, about 83.2% of households in Zimbabwe had access to safe water in 1997.

The 1997 Inter-Census Demographic Survey (ICDS) showed that about 38% of the household in Zimbabwe used flush toilets. The proportion of households that mostly used pit latrines was 34% in 1997 compared to 29% in 1992. The proportion of households that were not using any type of facility at all declined from 34% in 1992 to 28% in 1997.

The proportion of households with mostly flush toilets in the urban areas is around 96%, as compared to 5% in rural areas. In addition, the proportion of households without toilet facilities was less than 1% in urban areas, while in rural areas it was 44%⁶⁹.

About 62% of households in Zimbabwe used wood as the main source of energy for cooking in 1997 compared with 66% in 1992. There was not much change in the proportion using paraffin as the main source of energy (13%). The proportion that used electricity increased from 19% in 1992 to 24% in 1997. Ninety-five percent of the households in rural areas use wood for cooking compared with only 7% in urban areas. Thirty-one percent of households in urban areas used paraffin for cooking, and 61% of the households in rural areas used paraffin as the main sources of energy for cooking and a similar proportion used electricity. Thirty-five percent of the households in Zimbabwe occupied dwelling units with electricity. The percentage of households with electricity in 1997 was about 84% in urban areas and only 7% in rural areas compared with 72% and 5%, respectively, in 1992.

The availability and accessibility of educational facilities can be measured by the literacy rate. The literacy rate is defined as the number of persons who have completed Grade 3 per 100 persons for a particular age group. In the 1997 inter-censal demographic survey, 86% of the population aged 15 years and above were literate. This is relatively higher than that of 1992 population census, which was 80%. Literacy was higher for males (90%) than for females (82%). At provincial level, Harare had the highest literacy rate of 96% followed by Bulawayo with 95%. Mashonaland Central had the lowest rate of 75%.

The availability of health facilities is translated into declining mortality rates and increased life expectancy. Deaths during the first year of life constitute the largest proportion of the total deaths. The level of mortality for this age group is measured by the infant mortality rate (IMR), which is the number of deaths within the first year of life among 1000 babies born. The infant mortality rate is a useful indicator of the health status not only of infants but also of the community as a whole. It also gives a general picture of the health status, not only of

⁶⁹ Source: 1997 Inter-Census

infants but also of the community as a whole, including a general picture of the health status and socio-economic development of the population. In addition, it is a sensitive indicator of the availability of health services access and coverage.

The estimated infant mortality rate from the 1997 ICDS was 80 deaths per 1000 births compared to 64 deaths per 1000 births in 1992. The current figures confirm a worrying trend that is beginning to emerge since the 1992 population census. Infant mortality rates had been declining since the 1980's because of the expansion of public health programmes and improvements in public health education. The 1990's have seen an increase in HIV/AIDS cases and the rising cost of living and of health care, all contributing to a rise in mortality rates at all ages, including infants. Below we discuss the situation pertaining to each of the sample local authorities.

5.3.2 Overview of Sample Sub-national Governments

Urban centres are synonymous with growth and are therefore normally beset with problems associated with concentrated population densities. Poverty, environmental decline, lack of urban services, deterioration of existing services and access to land and shelter are the main areas of concern. Unfortunately, most major economic aggregates, which might measure the health of the urban economy or the adequacy of services provided, are not available. Performance indicators, which measure conditions and changes at the city/town level, are required to guide policy decisions and to assist in directing resources towards areas of need. Table 5.9 gives approximate performance indicators of the seven sample local authorities.

Table 5.9 Estimation of Performance Indicators - ISP

COMPONENT	INDICATORS OF NEEDS SATISFACTION
1. City of Harare	
Water Supply	3
Sewerage	3
Solid Waste Management	3
Health facilities	4
Road maintenance	3
Education facilities	4
2. City of Kwekwe	
Water Supply	4
Sewerage	3
Solid Waste Management	3
Health facilities	3
Road maintenance	3
Education facilities	4
3. Municipality of Gwanda	
Water Supply	3
Sewerage	3
Solid Waste Management	3
Health facilities	4
Road maintenance	3
Education facilities	4
4. Rusape Town Council	
Water Supply	4
Sewerage	2
Solid Waste Management	2
Health facilities	4
Road maintenance	2

Education facilities	4
5. Ruwa Local Board	
Water Supply	1
Sewerage	3
Solid Waste Management	4
Health facilities	4
Road maintenance	3
Education facilities	4
6. Gutu Mupandawana RDC	
Water Supply	3
Sewerage	2
Solid Waste Management	2
Health facilities	4
Road maintenance	2
Education facilities	4
7. Pfura RDC	
Water Supply	3
Sewerage	2
Solid Waste Management	2
Health facilities	4
Road maintenance	2
Education facilities	4

Note: The scale of 1 to 5 has been used, the best quality service being a 5, and the worst service provision being a 1

Kwekwe

The City of Kwekwe enjoys a highly developed infrastructure. The city operates its own water treatment works. Health and educational facilities are available, including a big referral hospital and a technical college. The City of Kwekwe, which was only conferred city status last year, owes its development to a strong mining environment. The city has just completed modern sewage treatment works and has also commissioned a new solid waste disposal site. The majority of the households enjoy a well-maintained infrastructure and have access to safe drinking water. Only 0.1% of the households utilise unprotected wells and other unsafe sources. The key indicators of ISP comprehensiveness for Kwekwe are given in Tables 5.10 and 5.11

Table 5.10 City of Kwekwe - Key indicators of ISP Comprehensiveness

Component	Production	Purpose	Performance
Water Supply	Drinking: 18.40 x10 ⁶ litres/day Industrial: 30.00 x10 ⁶ litres/day	Health Industrial	13.250 x10 ⁶ litres/day 25.300 x10 ⁶ litres/day
Sewerage	Water Purified: Residual Waste:	Non Polluted Environment	
Solid Waste Management	Deposit of Waste (m): Energy (Kwh): Recycling of Waste:	Controlled Pollution	9 516 m; per year none none
Electricity Distribution	None	none	None

Roads	Transport Services (ton\km)	Reduced Transport Time	hrs
Education Facilities	Primary Schools Pupil Lessons (hrs/day): 6 Teacher Lessons (hrs/day): 6		Pupils in jobs/potential job: 0 % Pupil withdrawal: 0.25
	Secondary Schools Pupil Lessons (hrs/day): 6 Teacher Lessons (hrs/day): 8		Pupils in jobs/potential job: 0 % Pupil withdrawal: 1
Health Facilities	Referral Hospitals No of beds: 300 No of Bed-days: 9 No of Admitted Patients: 12000/year No of operated patients: ??		No of Patients reported fit again: ?? No of Treated Patients: 46000/year No of released patients

Table 5.11: Percentage distribution of Households by main source of water for drinking and cooking and by distance (metres) to the Source, Kwekwe Urban, Zimbabwe 1992 Census

Source	On Premises	<500	500 to 1000	>1000	NS	Total	No. of H/holds
Piped water inside	100.00	.	.	.	.	100.0	7 823
Piped water outside	89.08	10.36	0.54	0.02	-	100.0	8 582
Communal tap	45.24	48.84	5.91	-	-	100.0	1 167
Borehole/well, protected	45.45	54.55	-	-	-	100.0	11
Well, unprotected	76.47	23.53	-	-	-	100.0	17
River/Stream/Dam	-	-	-	-	-	100.0	-
Other	16.67	83.33	-	-	-	-	6
NS	-	-	-	-	100.00	100.0	1
Total	90.96	8.37	0.65	0.01	0.01	100.0	17 607

Gwanda

Gwanda has just been conferred municipality status. It is the capital of Matabeleland South province and enjoys good infrastructure. The municipality has two major institutions - a referral hospital and a teachers' training college. However, the municipality buys treated water in bulk from the Department of Water Development. The 1992 census report indicates that a significant portion of residents have water supply within their dwellings. Although the portion of these utilising unsafe water sources is low (0.8%), the percentage is much higher than that of the City of Kwekwe (0.1%). The key indicators for ISP comprehensiveness for Gwanda are shown in Tables 5.12 and 5.13.

Table 5.12 Gwanda Municipality Key indicators of ISP Comprehensiveness

Component	Production	Purpose	Performance
Water Supply	Drinking: 5.970 x10 ⁶ litres/day Industrial: 32.000 x 10 ⁶ litres/day	Health Industrial	4.48 x10 ⁶ litres/day 2.40 x10 ⁶ litres/day
Sewerage	Water Purified: 2 600 x10 ³ litres/day Residual Waste: ??	Non Polluted Environment	
Solid Waste Management	Deposit of Waste (m): Energy (Kwh): Recycling of Waste:	Controlled Pollution	?? m; per year none none
Electricity Distribution	None	None	None
Roads	Transport Services (ton\km) Space - relations: ?	Reduced Transport Time	Hrs International Competitiveness: ??
Education Facilities	<i>Primary Schools</i> Pupil Lessons (hrs/day): 6 Teacher Lessons (hrs/day): 6 <i>Secondary Schools</i> Pupil Lessons (hrs/day): 6 Teacher Lessons(hrs/day): 8		Pupils in jobs/potential job: 0 % Pupil withdrawal: 0.3 Pupils in jobs/potential job: 0 % Pupil withdrawal: 1
Health Facilities	<i>Primary Health Care</i> No of Beds: 0 No of Bed-days: n/a No of Admitted Patients : 0 No operated patients: 0		No of Patients reported fit again:?? No of Treated Patients: - 31 650 per year No of released patients: ??

Table 13: Percentage Distribution of Households by Main Source of Water for Drinking and Cooking and by Distance (metres) to the Source, Gwanda, Zimbabwe 1992 Census

Source	On Premises	<500	500 to 1000	>1000	NS	Total	No. of H/holds
Piped water inside	100.00	.	.	.	.	100.0	1 428
Piped water outside	73.20	26.37	0.42	11.8	-	100.0	1 183
Communal tap	21.00	72.00	7.00	-	-	100.0	100
Well, unprotected	-	100.00	-	-	-	100.0	1
River/Stream/Dam	11.76	11.76	11.76	64.716	-	100.0	17
Other	-	75.00	-	25.00	-	100.0	4
Total	84.78	14.27	0.51	0.44	-	100.0	2 733

Rusape

Like the Municipality of Gwanda, Rusape buys water in bulk from the Department of Water Development and distributes it to the residents. The town is responsible for sanitation and solid waste disposal. In general, the town enjoys a well-developed infrastructure, good education and health facilities. The level of water supply is quite pleasing and certainly superior to that of Gwanda. The key indicators for ISP comprehensiveness for Rusape are shown in Tables 5.14 and 5.15.

Table 5.14: Rusape Town Council - Key indicators of ISP Comprehensiveness

Component	Production	Purpose	Performance
Water Supply	Drinking (litres/day): 2.5×10^6 Industrial (litres/day): 3.9×10^6	Health Industrial	1.87×10^6 litres/day 2.925×10^6 litres/day
Sewerage	Water Purified (litres per day): 2.6×10^6 Residual Waste (tons):	Non Polluted Environment	
Solid Waste Management	Deposit of Waste (tons): Energy (Kwh): Recycling of Waste:	Controlled Pollution	tons per year
Electricity Distribution			
Roads	Transport Services (ton\km)	Reduced Transport Time	hrs
Education Facilities	<i>Primary Schools</i> Pupil Lessons (hrs/day): Teacher Lessons(hrs/day): <i>Secondary Schools</i> Pupil Lessons (hrs/day): Teacher Lessons (hrs/day):	Pupils in jobs/potential job: % Pupil withdrawal: Pupils in jobs/potential job: % Pupil withdrawal:	
Health Facilities	<i>Primary Health Care (Clinics)</i> No of Beds: 52 No of Bed-days: No of Admitted Patients: - No operated patients: -	No of Patients reported fit again: - No of Treated Patients (per year):4200 No of released patients: -	

Table 5.15 Percentage Distribution of Households by Main Source of Water for Drinking and Cooking and by Distance (metres) to the Source, *Rusape*, Zimbabwe 1992 Census

Source	On Premises	<500	500 to 1000	>1000	NS	Total	No. of H/holds
Piped water inside	100.00	.	.	.	.	100.00	1 399
Piped water outside	95.80	4.20	-	-	-	100.00	1 691
Communal tap	42.50	57.50	-	-	-	100.00	360
Borehole/well, protected	-	-	-	-	-	100.00	-
Well, unprotected	-	-	-	-	-	-	-
River/Stream/Dam	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
NS	-	-	-	-	-	-	-
Total	91.94	8.06	-	-	-	100.00	3 450

Ruwa

The infrastructure provision profile for Ruwa depicts a small local authority with a fairly fragile revenue base. While the local board is responsible for the distribution of water, which they buy from the Department of Water Development, which in turns buys it from the City of Harare, the water tariffs are very high. The key indicators of ISP comprehensiveness for Ruwa are shown in Tables 5.16 and 5.17.

Table 5.16 Ruwa Local Board - Key indicators of ISP Comprehensiveness

Component	Production	Purpose	Performance
Water Supply	Drinking (litres/day): 1.68×10^6 Industrial (litres/day): 0.56×10^6	Health Industrial	1.26×10^6 litres/day 0.42×10^6 litres/day
Sewerage	Water Purified (litres per day): Residual Waste (tons):	Non Polluted Environment	
Solid Waste Management	Deposit of Waste (tons): Energy (Kwh): Recycling of Waste:	Controlled Pollution	Tons per year
Electricity Distribution			
Roads	Transport Services (ton/km)	Reduced Transport Time	Hrs
Education Facilities	<i>Primary Schools</i> Pupil Lessons (hrs/day): Teacher Lessons(hrs/day): <i>Secondary Schools</i> Pupil Lessons (hrs/day): Teacher Lessons(hrs/day):	Pupils in jobs/potential job: % Pupil withdrawal: Pupils in jobs/potential job: % Pupil withdrawal:	

Health Facilities	<i>Primary Health Care (Clinics)</i> No of Beds: No of Bed-days: No of Admitted Patients: No operated patients:	No of Patients reported fit again: No of Treated Patients (per year): No of released patients:
--------------------------	---	--

Table 5.17 Percentage Distribution of Households by Main Source of Water for Drinking and Cooking and by Distance (metres) to the Source, Ruwa, Zimbabwe 1992 Census

Source	On Premises	<500	500 to 1000	>1000	NS	Total
Piped water inside	27.20	.	.	.	.	22.79
Piped water outside	71.07	37.89	14.89	7.14	-	65.33
Communal tap	1.39	53.43	30.32	3.57	-	9.41
Borehole/well, protected	0.08	4.08	34.57	28.57	-	1.15
Well, unprotected	0.24	4.52	19.68	60.71	-	1.23
River/Stream/Dam	-	-	-	-	-	-
Other	0.02	0.09	0.53	-	-	0.04
NS	-	-	-	-	100.00	0.05
Total	100.00	100.00	100.00	100.00	100.00	100.00
Number of Households	12 703	2 233	188	28	8	15 160

Gutu

Gutu is regarded as a Rural District Council. The infrastructure services offered clearly indicate a local authority that is still in the growth phase. The level of available information is quite low and is difficult to do a comparative analysis. However, information from the Central Statistics Office on the distribution of households by main source of water for drinking and cooking shows that the district as a whole still relies heavily on boreholes and wells. The number of unprotected wells that are utilised as sources of water is unacceptably high. A significant number of households use rivers, streams and dams as sources of water. These water sources are prone to pollution and can be a source of water borne diseases. Being a rural district council also entails coverage of a large catchment area far beyond the resources of the Council. Being a rural district council attracts the intervention of a number of donor agents, who assist in borehole drilling, dam construction and road rehabilitation. Tables 5.18 give the key indicators of ISP comprehensiveness in Gutu.

Table 5.18: Percentage Distribution of Households by Main Source of Water for Drinking and Cooking and by Distance (metres) to the Source, Gutu District, Zimbabwe 1992 Census

Source	On Premises	<500	500 to 1000	>1000	NS	Total	No. of H/holds
Piped water inside	100.00	.	.	.	.	100.00	756
Piped water	63.18	25.47	7.69	3.66	-	100.00	1 912

Source	On Premises	<500	500 to 1000	>1000	NS	Total	No. of H/holds
outside	13.04	51.21	30.43	5.31	-	100.00	207
Communal tap	12.11	24.09	36.88	26.92	-	100.00	16 959
Borehole/well, protected	11.43	31.30	39.29	17.94	0.04	100.00	14 094
Well, unprotected	1.07	26.43	42.24	30.25	-	100.00	3 636
River/Stream/Dam	0.27	43.24	37.40	19.10	-	100.00	377
Other	-	-	20.00	40.00	40.0	100.00	5
NS							
Total	15.01	26.92	36.05	22.00	0.02	100.00	37 946

Pfura

The infrastructure scenario for Pfura bears close resemblance to that of Gutu. Both are Rural District Councils with a small revenue base and catchment area. Central Government and the donor community provide some of the core resources needed for the provision of infrastructure. Tables 5.19 give the key indicators of ISP comprehensiveness in Pfura.

Table 5.19 Percentage Distribution of Households by Main Source of Water for Drinking and Cooking and by Distance (metres) to the Source, *Mount Darwin District (Pfura), Zimbabwe 1992 Census*

Source	On Premises	<500	500 to 1000	>1000	NS	Total	No. of H/holds
Piped water inside	100.00	.	.	.	.	100.00	628
Piped water outside	30.4	52.0	13.5	4.1	-	100.00	1 664
Communal tap	13.9	72.3	11.8	2.0	-	100.00	346
Borehole/well, protected	0.8	35.6	44.6	19.0	-	100.00	17 455
Well, unprotected	1.7	30.2	43.2	25.0	-	100.00	4 068
River/Stream/Dam	0.3	24.5	37.8	37.4	-	100.00	7 419
Other	0.3	17.2	51.4	31.1	-	100.00	611
NS	-	25.0	25.0	-	50.0	100.00	4
Total	4.4	32.6	40.2	22.9	-	100.00	32 195

Harare

Table 5.20 gives the key indicators of ISP comprehensiveness in Harare.

Table 5.20 Percentage Distribution of Households by Main Source of Water for Drinking and Cooking and by Distance (metres) to the Source, Harare Urban, Zimbabwe 1992 Census

Source	On Premises	<500	500 to 1000	>1000	NS	Total	No. of H/holds
Piped water inside	100.00	.	.	.	.	100.00	84 462
Piped water outside	94.77	5.13	0.10	0.01	-	100.00	183 975
Communal tap	59.95	38.95	1.05	0.04	-	100.00	10 063
Borehole/well, protected	43.19	33.49	21.78	1.54	-	100.00	12 492
Well, unprotected	23.84	28.74	32.74	14.69	-	100.00	5 080
River/Stream/Dam	-	34.29	55.71	10.00	-	-	70
Other	11.80	20.50	36.02	29.81	1.86	100.00	161
NS	1.47	0.74	0.74	0.74	96.32	-	136
Total	91.58	6.43	1.61	0.34	0.05	100.00	296 439

5.4 Issue of affordability of ISP

a) General

The cost of services has a direct impact on household income and expenditure patterns. Table 5.21 shows that about 28% of household expenditure in Harare is on food, with rent, rates, fuel and power at 19.1%. Transport, health and education account for almost 22.5% of overall household expenditure. Provision of infrastructure services has a direct bearing on affordability. Therefore, the issues of affordability should be discussed together with the method of setting up tariffs, the political climate, the social attitudes of the community and the economic factors.

Table 5.21: Average annual household consumption, percentage distribution (%)

Item Description	Harare	National
Food	28.1	38.9
Non-alcohol	1.1	0.9
Alcohol	0.8	0.9
Tobacco	0.2	0.2
Clothing	7.2	6.0
Footwear	2.1	1.9
Rent, Fuel	19.1	20.8
H/hold textiles and Furn.	1.4	1.4
H/hold utensils	0.7	0.7
H/hold operations	4.3	4.5

Domestic Services	1.8	1.1
Medical Care	3.8	2.7
Transport and Comm.	10.9	7.6
Recreation	2.9	2.0
Education	7.8	5.2
Personal Care	3.1	2.3
Other Goods & Services	0.7	0.3
Financial Services	0.5	0.4
Furniture	1.8	1.5
H/hold Appliances	1.6	0.8
Total	100	100

Source: Income, Consumption and Expenditure Survey Report 1995/96

b) Setting up Tariffs

All the SNGs use *traditional methods* of budgeting for a tariff. This method simply put is: the previous year's performance multiplied by a percentage. This is arrived at by subtracting the estimated current revenue from estimated current expenditure (this always gives a negative answer). It is then necessary to bring up the budget to a surplus position. The figure required to do this is calculated as a percentage. This percentage is applied to arrive at a tariff.

The problem with this method is that any changes in costs relate themselves into a deficit position. This is further complicated by the fact that the community always resists any increase proposed by a SNG. Therefore, the percentage increase so calculated is sometimes reduced through community pressure. Furthermore, the central government has said that any increase beyond that of 35% should have a Ministerial approval.

The effect of the central government's directive and the community pressure is a subsidised tariff. In our experience, a more accurate method for the calculation of Tariffs is as follows:
Fixed Charges + Operational Costs + Capital Renewal + Tariff Relief.

To come up with a realistic tariff based on this method requires performance measures, using such methods as work and time and motion study.

To come up with work related-unit measures, the SNGs will need qualified personnel in such a field, but such manpower is not available. For this reason, the suggested method may take a very long time before it is accurately implemented.

c) Political Climate

As indicated above, the central government dictates the percentage increases that are allowed per given period. This percentage is none but a politically correct' figure. It does not have any bearing at all to the needs of a SNG. What this means is that when a SNG proposes a figure that is more than 35%, the community fights it. This political intervention is most pronounced towards the parliamentary elections.

Against this backdrop of protectionism, the Central Government has created in the populace an attitude of resisting tariff increases. Resistance to pay is now a way of life because the community feels that subsidies are a constitutional right.

Social – Economic factors

The 1995 nation-wide poverty assessment study survey found that 61% of the population in Zimbabwe is living below the poverty datum line. The prevalence of poverty is higher in rural areas (72%) than in the urban areas 46%. This confirms that resistance to pay higher tariffs is not only politically induced, but it also reflects the fact that people cannot afford. The results of the poverty assessment study, as presented in the Zimbabwe Human Development Report of 1998, indicate the total consumption poverty line per household was \$1 924.20 in rural areas and \$2 554.89 in urban areas. The food poverty line per household was \$1 180.47 and \$1 511.77 in rural and urban areas, respectively. In 1998, the poverty datum increased to \$3 100.00 compared to average monthly income for a Zimbabwean of \$1 671 at the same period⁷⁰. This clearly indicates that affordability to pay tariffs cannot be ignored.

A study carried out by the Zimbabwe Advertising Research Foundation between January and June 1998, revealed that 52 percent of Zimbabweans aged 15 and above earned less than \$2 000.00 per month⁷¹. Also studies carried out during the same period and quoted in the Zimbabwe Human Development Report of 1998, indicate that average monthly household incomes in Harare's Dzivarasekwa and Tafara high-density suburbs were \$935.00 and \$359.00, respectively. The studies also revealed food shortages, inadequate clothing, poor accommodation, failure to pay school fees and health services. For instance, 68% of the interviewees consumed less meat and 59% less bread than previously. The fact that people are cutting back on food, a basic human need, clearly shows their incomes are inadequate.

The study carried out by KPMG Management Consultants in 1996 also confirms that people are struggling to pay for health services. Of the 323 people interviewed, half of those found it difficult to pay for health care, while 30% indicated inability to seek health care at times because they could not afford the fees (Zimbabwe Human Development Report 1998). Only those with income above Z\$2 000.00 could afford.

The other problem affecting affordability to pay tariffs is retrenchment of breadwinners. For instance, employment in the manufacturing sector has been declining reaching 183 500 in 1996 from 205 500 in 1991. Unemployment in Zimbabwe is estimated between 50 and 60% of the labour force. In addition, real incomes have dropped from an index of 122 in 1982 to 88 by 1996 (Poverty Reduction Forum Report – 1990).

The Government's prescription on user charges for Health Services and the directive that a certain group of the community (80%) should get free treatment has a serious negative bearing on the rest of the services that an SNG provides. This is a further example of the handout syndrome that has developed among the populace. In most SNG clinics, the revenue collected constitutes a meagre 2% of the expenditure.

Tariffs are set up with a forced subsidy already built into them. It is important to note, that the level of resistance to pay has not increased in sympathy with the national inflation. This is a clear sign of attitude as opposed to unavailability of money. It is also important to note that the debt collection cycle, on average, should be between 40 to 45 days. In most sub-national

⁷⁰ The Zimbabwe Chamber of Commerce paper (Towards The Creation of a Viable Middle Class)

⁷¹ Ditto

governments, the cycle has slipped to about 70 days. For instance, in Harare the debt collection cycle was 115 days in 1996. In 1998, Kwekwe managed to reduce the collection period to 47 days from 60 days in 1997. However, in 1999 the collection period was averaging 60 days again.

e) Observation

The concept of full cost recovery has not been tested in Zimbabwe at all. Instead, service compensation has been an issue that is prescribed other than the sustaining of the service being delivered. To this end, tariff increments should be carefully considered with the ability and willingness to pay being guiding principles.

Therefore, decentralisation should be instituted together with autonomy to set the correct levels of recovery. Furthermore, the issues of forced subsidies and the resultant resistance to pay should be dealt with as part of decentralisation.

5.5 Infrastructure inventory concerning central and sub-national government

5.5.1 General Overview

In order to understand the development of infrastructure within sub-national governments and the role of central government, it is important to examine the historical financing arrangement of capital projects within sub-national governments.

In the 1980s, sub-national governments were allocated funding through the Public Sector Investment Program (PSIP). The budgets for the sub-national governments were consolidated to that of the mother ministry (i. e. Ministry of Local Government). The sub-national government would identify a capital project: say, in the case of the City of Harare, upgrading of Mabvuku-Tafara Sewage Treatment Works, for say \$50 million. The City would be required to prepare an appraisal document justifying the need for the project and giving a detailed implementation plan. A similar exercise would be necessary for new schools, roads, health centres, etc. City of Harare would then send all prospective projects to the Ministry for consolidation into one budget figure, which would include the requirements of all the other sub-national governments. The total figure may exceed the provisional budget allocation from the Ministry of Finance. A pruning exercise follows, and in order to balance the provisional budget this may reduce the allocation for Mabvuku-Tafara to say \$15 million. Once the official budget is released and the final allocation to the various ministries is known, the Ministry of Local Government may be allocated far less than the provisional budget. It therefore becomes necessary to revisit all prospective project schedules submitted by sub-national governments and make a final allocation. In the final allocation, the Mabvuku- Tafara sewage works completely loses funds, and it is deferred for submission in the next budget. This continues until the system collapses, and there is a public outcry.

In 1988, central government negotiated a loan with the World Bank specifically for funding sub-national government infrastructure. This funding arrangement became popularly known as Urban II. Accessing Urban II funds had stringent requirements set out by the World Bank. The sub-national government had to have up-to-date audited accounts and appraisal documents. The

appraisal documents had to set out overall loan status and a clear loan repayment plan. Many SNGs had not had their books audited since independence. Qualifying for Urban II funding was therefore a painful process. The first SNG to satisfy Urban II requirements was City of Gweru in 1993 - six years after the funds had been put in place. The initial arrangement was that Urban II would avail 20% of the funds required on a project, and central government, through PSIP, would chip in with 80%. However, the World Bank ended funding the whole program because Urban II funding ended on 31 December 1999. There is not yet a successor program in place although one is currently under negotiation.

5.5.1 Situation in the Sample Councils

A brief description of investments in infrastructure for some of the sample local authorities is given below.

5.5.1.1 City of Harare

The Thompson report indicates that the daily water demand for City of Harare in the year 2000 will be 578.7 mega litres and an additional 62.4 mega litres for bulk supply, giving a total estimated demand of 641.1 mega litres. The total water production and treated potential at present is estimated at 552 mega litres per day. This could increase to 588 mega litres if recycled water from the Firle sewerage works is made available. The city has 25 service reservoirs with capacities of 1.14 to 236.4 mega litres and with storage capacities of about 783 mega litres, but many do not have the desirable storage capacity to cover periods of breakdown. The distribution network consists of about 2 500 kilometres of pipeline. The condition of the network is generally poor and is subject to constant leakage from burst pipes, deterioration, unmetered consumption and illegal connections. Water loss is estimated at 30%.

The city area falls into six separate catchments, five of which are sewered. The main treatment works are at Firle, with a design capacity of 144 mega litres per day but treats peak flows of 300 mega litres per day and serves the Mukuvisi catchment. The second largest is the Crowborough Treatment works, with a design capacity of 114 mega litres per day but treats dry weather flow of about 70 mega litres and wet weather flow of 165 mega litres and serves the Marimba catchment. Some treatment works use biological or pond systems and are at Marlborough, Mabvuku and Hatcliff. Catchments that are not sewered operate on a septic tank disposal system.

The road networks consists of 2 700 kilometres. The daily volume of traffic using the roads is estimated at 140 000 vehicles. The road condition survey in 1997 concluded that 12% of the network required reconstruction, at a cost of \$500 million. However, nothing has been done.

There are 170 000 streetlights and 400 tower lights in the city of Harare. However, 40% of the lamps are allegedly not working because of lack of spares and funds. About 1.5 million is required to replace lamps and equipment. It also estimated that 25 to 30% of the city's streets do not have lighting.

City of Harare runs a total of two hospitals and 54 clinics. However, staffing is poor, with a shortage of both doctors and nurses. For instance, in November 1998, 89 nurse positions were vacant.

Although the City of Harare has constantly invested in infrastructure in the last 10 years, its main problems have been that population growth has outpaced infrastructure provision, and the maintenance of the infrastructure has lagged behind. Also there has been poor accounting for capital expenditure.

5.5.1.2 City of Kwekwe

Kwekwe, arguably, is one of the smartest cities in the country. The last ten years have seen the development of 3 clinics, about 247km of water lines, 150km of sewer lines and 28km of main roads.

5.5.1.3 Rusape Town Council

Rusape has witnessed extensive investment in infrastructure in the past 10 years, as shown in the figure below

Table 5.22: Investment in Infrastructure

Year	Description Of Infrastructure	Amount In Zim \$
1993/94	Water Reticulation	\$4.0 million
1995/96	Sewer reticulation	\$0.35million
1996	Clinic Extension	\$0.15million
1998	Sewer Reticulation	\$12.0million
1999	Sewer Reticulation	\$22.0million
1999	Sewage ponds	\$22.0million
	Five Schools	N/I

N/I – No information

5.5.1.4 Ruwa Local Board

For Ruwa Local Board, figures for investment in infrastructure were only available for 1999. A total amount of \$26.39million was utilised in renewing and building new infrastructure, as indicated in the table below:

Table 5.23 Investment In Infrastructure

Project Description	Amount Z\$ Million
Chiremba Primary School	\$1.13 million
New Primary school	\$2.5million
Polyclinic	\$1.5million
Chiremba Road widening	\$1.4million
Road Signs	\$0.06million
Street Lights	\$0.6million
Tower lights	\$1.6million
Water Reservoir	\$15.0million

5.6 The role of new infrastructure investment in relation to existing

Funding for additional infrastructure stock within sub-national governments has virtually been supported by Urban II in the last 10 years. The bigger urban centres like Harare and Bulawayo require a more concerted effort in capital expenditure, operation and maintenance.

The City of Harare has completed 22 projects to the tune of \$213 million, while Rusape has completed 3 projects valued at \$13 million. Out of the total funds of \$ 1,359 million already disbursed by the World Bank under Urban II, the City of Harare was allocated 15 % of the entire funding. The situation is not quite simple, though, as can be gleaned from Table 5.24 below. The City of Harare is currently implementing only 8 projects valued at \$70 million, and there are no other sources of funds to initiate any new projects. The situation can only get desperate.

Table 5.24: Urban II Programme Funds and Project Implementation

URBAN II PROGRAMME			
	No of Completed Projects	No under Implementation	Total Project Value in Zim \$
City of Harare	22	8	\$283.6 million
City of Kwekwe	10	3	\$120.7 million
Mun of Gwanda	6	2	\$49.0 million
Rusape TC	3	3	\$41.69 million

In the past 10 years, the City of Kwekwe has embarked on 13 projects valued at \$120.7 million dollars. While 10 projects have been completed to date, there are still 3 projects worth about \$68.4 million dollars being implemented with the residual Urban II funds. The total completed schemes are only worth \$52.3 million. Depending on the stage of completion, the City of Kwekwe will need to find a portion of the \$68.4 million from internal sources in order to complete ongoing projects. The local authority will only be eligible for funds consistent with the amount of physical work carried out up to the end of 1999. This is a clear requirement under Urban II funding. It is possible, therefore, that some of the work already contracted out may never get finished.

A similar situation prevails for Gwanda and Rusape. Table 5.24 above clearly shows that investment in new infrastructure is consistent with the size of the local authority. The bigger the Council, the higher is its capital expenditure. While accessing funds provided by the World Bank under Urban II may have started slowly as local authorities struggled to satisfy the stringent funding requirements, it is pleasing to note that almost all urban councils in Zimbabwe benefited from the funds.

Investment in infrastructure is a barometer of the performance of the economy. The tariffs charged by Councils are barely sufficient to cover operation and maintenance on existing infrastructure. The future for local authorities, in as far as new infrastructure is concerned, is quite grim. The observation in this section is that infrastructure provision has to be carried out in a consistent manner on a yearly basis. If this is not done, the existing infrastructure is pressurised beyond capacity, and the level of service takes a dramatic turn for the worse.

5.7 Issues of tariff policies in relation to infrastructure and service provision – ISP

Section 219 of the Urban Councils Act directs government policy on tariffs. It states that a sub-national government may, by resolution passed by the majority of its total membership, fix tariffs or charges for the supply of electricity, water, refuse removal services, conveyance of sewage and trade effluent or any other services which a council may provide in terms of the Act. Sub-national governments may also fix charges for certificates, licenses or permits issued, inspections or anything done by council. Council may also fix deposits for any services rendered by it in terms of the Act. In the same section, the Minister of Local Government and National Housing is allowed to prescribe tariffs, which have to be approved by central government.

It is government policy to approve tariff increments beyond 35% in high-density suburbs. Tariffs for any other part of the urban area have to be advertised, and if there are no objections, they can be effected without any Ministerial approval. However, tariffs for education and health fees plus vehicle licenses are subject to approval by the respective Ministers.

Due to limited resources available to Central Government to finance local authority activities and due to high inflation, the ongoing debate is whether or not to allow sub-national governments to charge economic tariffs. The Ministry of Local Government and National Housing and the Ministry of Finance are in favour of allowing sub-national governments to charge economic tariffs, but cabinet has not taken a position as yet.

Overall, indications are that Central Government's position is going to change, and sub-national governments are going to be allowed to charge economic tariffs. There is a strong drive towards permitting sub-national governments to borrow from the private sector; this will only be possible if they can repay their loans, through charging economic tariffs. Tables 5.25 and 5.28 provide examples of tariffs being charged by Gwanda, Rusape, Pfura and Ruwa.

5.7.1 Water Tariffs

The water account is the main source of income for most sub-national governments because all local authorities' water tariffs are based on the actual consumption per cubic meter. However, full cost recovery is made difficult by the following factors:

- High inflation has an impact on the cost chemicals and other costs of treating and distributing the water.
- Leaking and burst pipes lead to the loss of treated water. The cost of treating water cannot be recovered since each premise is charged based on water consumed.
- It is very difficult to determine the amount of water used by unmetered users because a number of premises can share one tap.

Water tariffs are mainly divided into connection fees, deposit fees and water consumption charges. Ruwa has a detailed tariff structure, separating residential, commercial and industrial consumers. Ruwa stands a better chance to charge economic tariffs per premise. However, the fact that City of Harare has been increasing the price of water twice a year has caused deficits on Ruwa's water account, because Ruwa had not anticipated such increases. Gwanda municipality has proposed a six months tariffs structure for the year 2000, in order to counter the effect of

inflation and make sure that procedural issues do not prevent it from increasing the tariffs in the last six months of the year. Pfura Rural District Council does not provide water to most of its residents; where it does, it only charges consumption fees. Water in the communal areas is provided through boreholes and managed by the beneficiary communities. No user or consumption fees are charged. In commercial farms, farmers provide water themselves. At growth points and rural business centres, the Department of water or Central Rates Fund provides the Water, and they are the ones that fix tariffs for water.

5.7.2 Sewerage tariffs

The sewerage account also provides substantial amounts to urban councils. Sewerage tariffs are divided into:

- fixed charges;
- lockage clearance;
- septic tank emptying; and
- sewerage connection fees.

Again, Ruwa is in a better position to recover its costs. For instance, its tariffs are divided into residential, commercial and industrial consumers. Fixed and variable fees are charged; initially the variable fee was based on the number of employees for commercial and industrial consumers. Since 1998, the variable fee is now based on the amount of water consumed. For instance, in 1998 the variable fee was 40% of water consumed at \$1.20 per cubic meter. The way Ruwa calculates its sewerage tariffs caters for the cost of the service, labour and administration. Also the principle of using both fixed and variable fees takes into account inflation. Other sub-national governments use fixed fees only and stand little chance to adequately deal with inflationary increases.

5.7.3 Other tariffs

Other tariffs bring relatively small amounts of money into sub-national governments because they are controlled either by central government or by local political pressures. For instance, education and health fees are largely controlled by respective ministries. Most of the tariffs are also charged based on norms, not the actual consumption; hence, they tend to be fixed, which make them inappropriate during inflationary periods. Please refer to tables for details.

Table 5.25 Gwanda Municipality Tariffs

Type of tariff	1999 \$	(proposed) 2000 first six months	(proposed) 2000 second 6 months
<u>Water Tariffs</u>			
• Deposit per month	105.00	147.00	206.00
• Fixed charge per meter	13.00	18.00	25.00
Consumption charges			
• Domestic per m ³	6.00	8.00	12.00
• Commercial/industrial per m ³	6.00	9.00	12.00
• Unmetered users	50.00	70.00	98.00
• Reconnection fee	105.00	147.00	206.00
• Bulk water per m ³	6.60	9.00	13.00
<u>Sewerage Tariffs</u>			
• Commercial/Industrial per toilet or 2 meter	131.25	184.00	259.00
• Vacuum tanker services per load	840.00	1176.00	1646.00
• Blockage clearing for residential (working day)	151.20	212.00	296.00
• Blockage clearing for residential (weekend/holiday)	204.75	287.00	401.00
• Blockage clearing for commercial (working day)	237.30	332.00	465.00
• Blockage clearing for commercial (weekend/holiday)	332.85	466.00	651.00
• Sewerage fixed charge			
- High density residential	46.20	65.00	91.00
- Low density residential	57.50	81.00	113.00
<u>Refuse Removal Tariffs</u>			
• High density per month	31.50	44.00	62.00
• Low density per month	70.35	98.00	138.00
• Commercial/Industrial/Institutional per bin or per collection	15.75	22.00	31.00
• Builders rubble per load	283.50	397.00	556.00
• Tipping per load (solid)	105.00	147.00	206.00
• Removal of derelict car shells	201.00	850.00	1000.00

Table 5.26 Rusape Town Council Tariffs

Type of Tariff	1995	1996	1997
<u>Water Tariffs</u>			
<u>Water Connection fess</u>			
• Designated area	15.00	20.00	30.00
• Incorporated area	10.00	15.00	20.00
<u>Meter Connection</u>			
• Residential	420.00	490.00	620.00
• Industrial	Cost plus 25%	Cost plus 25%	Cost plus 25%
<u>Water Consumption</u>			
<u>Rusape Township</u>			
• Fixed fee per premises per month	52.31	52.31	665.30
• Fee per cubic meter	2.09	2.09	2.65
<u>Vengere Township</u>			
• Fixed fee per premises per month	52.31	52.31	52.31
• Fee per cubic meter	2.09	2.09	2.65
<u>Refuse Removal</u>			
• Septic tank emptying per load	24.00	30.00	100.00
• Refuse removal	18.30	23.80	30.00
• Extra refuse	18.00	23.80	30.00
• Grass cutting per hour	85.00	100.00	30.00
<u>Health fees</u>			
• Adults per diagnosis	9.00	9.00	14.00
• Children per diagnosis	4.50	7.00	9.00
<u>Ambulance</u>			
• Within Rusape Town per trip	15.00	18.00	25.00
• Out of Rusape per trip	15.00 plus 1.35 per km	18.00 plus 1.70 per km	25.00 plus 2.15 per km
<u>Education fees</u>			
• School fees per term per child	20.00	28.00	35.00
• General purpose fee per term per child	1.50	2.00	2.50
• Development levy per term per child	2.00	2.50	8.00
• Supplementary feeding fee per child per term	12.15	15.00	20.00

Table 5.27 Pfura Rural District Council Tariffs

Type of Tariff	1997(Z\$)	1998 (Z\$)	(Z\$) 1999
• Water fees per m ³	2.80	2.90	4.00
Service Charges			
• Single quarters	60.00	100.00	100.00
• Married quarters	75.00	90.00	100.00
• Governments houses	40.00	50.00	100.00
Vehicle Licenses			
• Light motor vehicles per annum	120.00	180.00	270.00
Heavy vehicles			
• 2300 –4600 kg per annum	480.00	720.00	1080.00
• 4601 – 9000 kg per annum	855.00	1362.00	2043.00
• Above 9000 kg per annum	1269.00	1800.00	2700.00
Motor cycles			
• 70 cc or less per annum	20.00	45.00	66.00
• Above 70 cc per annum	54.00	90.00	135.00
Trailers			
• Light trailers	45.00	66.00	99.00
• All other trailers	225.00	336.00	504.00
• Tractors pr annum	81.00	120.00	180.00
• Vehicles not classified per annum	126.00	180.00	270.00
• Preschool fees per annum	175.00	120.00	-

Table: 5.28 Ruwa Local board infrastructure tariffs

Type of Tariff	1994 (Z\$)	1995 (Z\$)	1996 (Z\$)	1997 (Z\$)	1998 (Z\$)	1999 (Z\$)
Water Tariffs						
Water Connection fees						
Cost of the meter plus labour plus 25% administration charges	-	707.00	777.00	971.00	1396.00	1954.00
Industrial	32.50	50.00	75.00	100.00	143.75	201.25
Commercial	32.50	50.00	75.00	100.00	115.50	161.70
Residential	13.00	20.00	40.00	50.00	57.50	80.50
Water Deposit fees						
Industrial	500.00	500.00	500.00	500.00	1150.00	1810.00
Commercial	50.00	62.50	200.00	200.00	718.75	1008.25
Residential	25.00	31.00	100.00	100.00	345.00	483.00
Private rental flats	-	-	-	-	287.50	402.50
Water Consumption charges						
Residential						
Fixed charge	19.50	12.50	23.00	29.00	23.00	32.20
6 – 30m ³		1.90	2.85	3.56	4.70	6.56
31 – 60m ³	1.50per cubic meter	1.90	4.65	3.73	5.66	7.92
61 – 90m ³		1.90	5.06	4.10	6.36	8.90
91 – 120m ³		1.90	6.50	0.00	7.13	9.98
Above 120m ³		1.90	6.50	0.00	7.25	10.18
Industrial/Commercial						
Fixed charge (Commercial)	32.50	41.00	65.00	81.00	116.44	163.02
Fixed charge (Industrial)	65.00	65.00	95.00	120.00	172.50	241.50
10 – 40m ³		1.90	4.22	3.73	5.29	7.41
41 – 80m ³	1.50 Per cubic meter	1.90	5.06	4.10	5.89	8.26
81 – 120m ³		1.90	5.82	4.51	7.13	9.98
Above 120m ³		1.90	5.82	4.51	7.83	10.98
Sewerage Tariffs						

Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision in Zimbabwe
March 2000

Basic/Fixed Industrial per annum	132.00	165.00	222.75	125 per m3 of water	35.88	50.23
Additional per annum	16.50 per 10 employees	21.00 per 10 employees	28.35 per 10 employees	-	40% of water consumed at 1.20 per m ³	40% of water consumed at \$1.68 per m ³
Basic/Fixed per annum	99.00	161.20	217.62	1.25 per m3 of water	40% of water consumed at 1.20 per m ³	40% of water consumed at \$1.68 per m ³
Additional per annum	16.50 per 10 employees	21.00 per 10 employees	28.35 per 10 employees	-	40% of water consumed at 1.20 per m ³	40% of water consumed at \$1.68 per m ³
Low density residential fixed per annum	99.00	99.00	133.65	1.25 per m3 of water	16.31	22.83
Low density residential per annum	-	-	-	-	40% of water consumed at 1.20 per m ³	40% of water consumed at \$1.68 per m ³
High density residential fixed per annum	72.00	72.00	-	-	40% of water consumed at 1.20 per m ³	40% of water consumed at \$1.68 per m ³
High density residential per annum	-	-	-	-		
Blockages residential low and high density	-	-	40.00 plus labour cost	40.00 plus labour cost	65.55 plus extra cost plus 25% admin cost	91.77 plus extra cost plus 25% plus 25% admin cost
Private sewerage effluent disposal	-	-	-	-	89.00 per tonne	124.00 per tonne
Sewerage Connection fees						
Industrial/Commercial 100 – 150mm	400.00	500.00	675.00	1012.50	1455.46	2037.64
Industrial/Commercial 100 – 225mm	400.00	500.00	675.00	1012.50	1455.46	2037.64
Industrial/Commercial 100 – 300mm	400.00	500	675.00	1012.50	1455.46	2037.64
Industrial/Commercial 100 – 375mm	Cost plus 25%	Cost plus 25%	Cost plus 25%	Cost plus 25%	Cost plus 25%	Cost plus 25%
Industrial/Commercial 225 – 300mm	Cost plus 25%	Cost plus 25%	Cost plus 25%	Cost plus 25%	Cost plus 25%	Cost plus 25%
Low density residential 100 – 150mm	400.00	480.00	624.00	936.08	1345.50	1883.70
State land	-	468.00	585.00	840.94	1177.32	
Other areas	300.00	-	468.00	1193.55	1715.72	2402.01

CHAPTER SIX

THE REGULATORY ENVIRONMENT IN ZIMBABWE

This chapter covers the following areas:

- the legislation framework within which sub-national governments operate;
- legislative requirements of sub-national government infrastructure and service provision;
- issues of decision-making relevant for infrastructure and service provision;
- general aspects and components of central government policies concerning local-self governance with respect to sub-national governments;
- sub-national management of budgets and indicators of the actual operative autonomy of sub-national governments;
- issues related to private sector involvement in infrastructure and service provision;
- basic constraints concerning the operative autonomy of sub-national governments; and
- constraints concerning external finance of sub-national governments and operational constraints on the operative autonomy of sub-national governments.

6.1 The Legislative framework of local self-government in relation to sub-national government

6.1.1 Legislative Framework

The current constitution of Zimbabwe does not refer to local government. Section 111 and 111A refer to chiefs and Council of Chiefs and provincial, district or regional governors. However, the draft constitution, which is under preparation, provides for the establishment of provincial, Urban and rural district councils.

As of now, two key statutes regulate the functions of sub-national governments in Zimbabwe; these are the Urban Councils Act (UCA) and the Rural District Councils Act (RDCA). The UCA is the more comprehensive of the two statutes, and it provides for:

- the establishment of municipalities and towns and their administration by local boards, municipal and town councils;
- the conferring of town and city status on growth points, municipalities and towns;
- the declaration of local government areas and their administration by local boards;
- the conferring of functions and powers and imposing of duties upon municipal and town councils and local boards; and
- the establishment of the Local Government Board and its functions.

The RDCA, on the other hand, provides for the declaration of districts and the establishment of rural district councils; confers and imposes functions upon rural district councils and provides for the administration of these areas. The President, through a proclamation in the Government

Gazette, establishes all local authorities, specifying their area of jurisdiction and the number of wards. Although rural district councils administer growth points (small urban centres established by central government to provide services and administrative functions to rural areas) and some small towns through area committees or town boards, the provision of infrastructure, services and land use planning falls under central government.

Other important legislation in the provision of infrastructure and services include the following:

- The Regional Town and Country Planning Act (Chapter 29:12) of 1976 is administered by the Minister of Local Government and National Housing through the Department of Physical Planning. The Act deals with land use planning and management in all urban areas in the country, except mining settlements, which are regulated by the Mines and Minerals Act.
- The new Water Act (Chapter 20:24) of 1999 provides for the National Water Authority and catchment councils to deal with the planning and allocation of water. It is administered by the Minister of Water Resources and Rural Department through the Department of Water. The Act deals with ownership, planning allocation of water as well as infrastructure standards and water pollution control. The Department of water normally sells raw water to larger urban areas with their own purification plants, and potable water to other towns. For growth points, it is the Department, which provides water to consumers.
- The Electricity Act (Chapter 13:05) of 1986 is administered by the Minister of Transport and Energy through the Zimbabwe Electricity Supply Authority (ZESA), which is a parastatal. This Act deals with electricity supply in the country. However, street lighting is provided by local authorities.
- The Postal and Telecommunication Services Act is administered by the Minister of Information, Posts and Telecommunications through the Post and Telecommunications Corporation. The Act provides for the establishment of postal services and telephones.
- The Public Health Act (Chapter 15:09) is administered by the Minister of Health and Child Welfare and deals with sanitation and general health in the country.
- The Roads Act, Road Motor Transportation Act, Road Traffic Act Chapter 13:11), Vehicle Registration and Licensing Act (Chapter 13:14) are all administered by the Minister of Transport and Energy. The Acts provide for road and transport planning and management as well as vehicle registration within local authority areas.

Other important Acts in the provision of infrastructure and services are the Land Survey Act (Chapter 20:12) of 1933, Deed Registries Act and Education Act (Chapter 25:04). In addition to the above-mentioned legislation, the various Ministries are empowered to regulate particular activities through statutory instruments.

The current sentiment amongst sub-national government is that the legislation brings many players into the provision of infrastructure and services. Current legislation also gives considerable power to central government in as far as infrastructure construction, standards and

in some cases its planning. Section 6.1.2 outlines the main constraints that were identified by the sample local authorities.

6.1.2 Legal Requirements Constraining Urban and Rural Local Authorities

The main legal constraints were outlined as follows:

- Administration and management
- Mobilisation of financial resources
- Planning and land delivery

As already outlined in Chapter 3, administratively, both urban and rural local authority are divided into political (policy) and management structures. Section 38 of the Urban Councils Act states that every town council area shall be governed by a council and every municipality shall be under the control and administration of a mayor, who will be subject to the general control of the council. Section 8 of the Rural District Councils Act states that the President shall establish a district council for any district. However, a contentious issue with most city and municipal councils is the institution of an executive mayor, which was introduced in 1996. Although sanctioned by the legislation, it has caused significant conflicts and controversies since its inception. An executive mayor is elected into power by the local inhabitants of a city or municipal council area. However, the mayor can only be suspended by the Minister of Local Government or dismissed by the President of Zimbabwe. Council has no authority to suspend and dismiss the mayor, which means that a local authority can get stuck with a mayor it is not happy with. In terms of Section 63 of the Urban Councils Act, the Minister of Local Government and National Housing has to approve conditions of service for the mayor. Local authorities interviewed in this study advised that the issue of the mayor's residence and the car required for his/her uses have put a lot of pressure on local authority finances. City of Harare is reported to have diverted money meant for the construction of a school into building the mayor's residence⁷².

In terms of Section 64 of the Urban Councils Act, the mayor can investigate other councillors or council employees, and at any time may remove from office the chairman of any committee of council. The mayor may also direct the town clerk to transfer funds from one account to another within council budget and present a report for council adoption. Council has no authority to decline such directives. To add to the mayor's power, the executive committee, which has powers almost at par with the council, is chaired by the mayor. There appears to be no checks and balances in place to review decisions made by the mayor and his executive committee. Interviewed town clerks advised that they had made personal agreements and arrangements with their mayors on how to carry out their duties amicably, and that had enabled the system to work. Such a system compromises the provision of infrastructure because the mayor might decide to allocate resources in areas that will yield short-term benefits and give him/her political mileage as what happened in City of Harare.

⁷² Report of Investigating Team into the State of Governance and General Administration of the City of Harare, 28 May 1999, (The Thompson Report).

Section 45 of the Rural District Councils Act states that in the first meeting of the Council after the election of councillors, the councillors shall elect from amongst themselves a chairperson who shall preside over all council meetings and perform other functions as required by the Act. The district administrator shall be the chairperson until councillors elect one. The position of a chairperson has no conflicts because is ceremonial rather than executive.

Section 40 of the Urban Councils Act and Section 28 of the Rural District Councils Act stipulate that a person who wants to be elected as a councillor should be a Zimbabwean, who is 30 years old, in the council's voters' role, not a member of another local authority or Parliament, has no criminal record, and is not a defaulter in terms of payment of rates, fees and other charges. However, the calibre of current councillors is said to be very low. The Thompson report articulates this view very concisely by noting:

“Even by the Mayor's own admission and indeed admission by other councillors, the calibre of councillors is generally very low... It is imperative that sponsors of candidates for elections should in their selection of candidates, take into account the need for adequate, educational and professional qualifications, maturity, personal integrity and honesty.”

The low calibre of councillors affects both urban and rural councils. It has a negative impact on the provision of infrastructure. There is a tendency by councillors to shun allocating resources for the provision and maintenance of infrastructure in favour of short-term gains. As a result, there is a general feeling amongst local authorities that councillors should be able to adequately deal with urban and rural management issues. They should be able to read and write so that they have their own independent understanding and initiatives rather than rely on official advice only. In addition, they should receive training on local authority management.

The issue of staffing is also related to the proper administration and management of both rural and urban local authorities. In terms of current legislation, urban local authorities are not free to hire and fire senior staff specified in Section 131 of the Urban Councils Act, such as the town clerk, chamber secretary, and any deputy and head of department or such other employee a council may prescribe. The hiring and firing of senior staff has to be approved by the Local Government Board. The Local Government Board is appointed by the Minister of Local Government and National Housing in terms of Section 116 of the Urban Councils Act. The Local Government Board consists of:

- 3 experienced public administrators chosen by the Minister;
- 1 member of the Urban Councils Association;
- 1 Town Clerk;
- 1 member of the Municipal Workers Union; and
- 1 member of the Public Service Commission.

The functions of the seven-member board are to:

- provide guidance for the general organisation and control of employees in the service of councils;
- ensure the general well-being and good administration of council staff;

- make model conditions of service for council staff;
- make model regulations stipulating the qualifications and appointment procedures for senior officials of councils;
- approve the appointment and discharge of senior officials; and
- conduct enquiries into the affairs and procedure of councils.

When recruiting senior officials, a council has to interview prospective candidates and recommend their choice to the local government board. In turn, the local government board has to interview the prospective candidates, as required by Section 135 of the Urban Councils Act. After the interview, the local government board may or may not approve the council's choice. If the council's choice is not approved, the board may recommend someone else to the council. This process leads to delays in recruitment of senior officials. It sometimes takes six months or more between council recommending their choice and the local government board giving their approval. Since senior officials are senior managers of council, delays in recruiting staff at that level negatively affects council's ability to manage its affairs and infrastructure provision. Another complication is that, for senior health personnel, the Minister of Health has to approve the local authorities' choice.

Councils cannot dismiss senior officials but can only suspend and seek approval of the local government board and the Ministry of Health and Child Welfare (i.e. for health staff) to dismiss the officials. Before the dismissal is authorised, council cannot fill the vacant post; this impacts negatively on council management capacity.

According to Section 66 of the Rural District Councils Act, recruitment of officers and any grade of staff that the Minister of Local Government may designate must be approved by the Minister. All conditions of service of officers and employees of rural district councils have to be approved by the same Minister after consultations with the Public Service and Parastatal Commissions.

a) Mobilisation of financial resources constraints

Section 6.5 deals with financial constraints in detail. However, it is important to take note of the fact that mobilisation of financial resources is constrained by both legislation and government policy. For instance, urban local authorities have to submit some aspects of their budgets for approval by the Minister of Local Government and National Housing.

In terms of section 219 of the Urban Council Act, the Minister has to approve some aspects of the budget relating to tariff and supplementary charges for high-density suburbs. There are delays of up to 6 months before these approvals. Local authorities can increase the tariffs for high-density suburbs up to 35 percent without being required to justify the increases. Whether the increases are below the 35 percent or not the Minister of Local Government is still required by law to gazette the increases through a statutory instrument, which causes the delay in the approval process.

Another financial mobilisation constraint is presented by the policy of central government, which is explained in Section 3.4, which states that people earning less than \$400.00 per month should receive free treatment at council clinics. It was also stated by the sample local authorities that this facility is further abused by local councillors who give letters to people earning more than

\$400.00 per month, stating that they were earning less so that they can benefit from the policy. The impact of central government's health policy is illustrated in Table 6.1

Table 6.1: City of Harare, health service account 1992 to 1996

	1992	1993	1994	1995	1996
Income (Z\$)	15 503 208	19 665 106	12 930 592	24 837 060	27 039 701
Expenditure (Z\$)	49 761 986	59 735 626	68 444 923	100 392 233	107 385 008
Difference (Z\$)	-34 258 778	-40 070 530	-55 514 331	-75 555 173	-80 345 307

Source: Municipal Development programme: 1999

It is clear that incomes fall far short of the expenditure because of central government's controls on health fees and the fact that reimbursements from SDF to local authorities have not been forthcoming. Consequently, local authorities like City of Harare are using rates to fund the deficits in the health account. The result is that the local authorities cannot fund new infrastructure and service development since resources from the rate account are diverted to health.

Section 268 of the Urban Councils Act allows urban local authorities to charge of rateable property. On the other hand, Section 270 of the same Act exempts government and public properties - including state land, schools, council property, universities, cemeteries and crematoriums - from being charged rates. This means that towns like Gwanda and other small towns, which have large tracts of state land, do not earn much revenue from rates. In addition, when state land is sold, proceeds are taken by central government, with the local authority getting development fees only.

In terms of Section 282 of the Urban Councils Act, the Registrar of Deeds cannot register any land transfer unless a valid certificate of authorisation from the local authority is produced. However, the Act stipulates that no fee shall be charged for the issue of the certificate. The Rural District Councils Act, Section 109 authorises the Rural District Councils to charge a prescribed fee for the same Certificate. This practice is regarded as inconsistent and prejudicial to the financial interest of local authorities.

Section 290 of the Urban Councils Act authorises urban local authorities to borrow money from external sources. The local authorities require the approval of the Minister of Local Government only if the local authority is borrowing from the state, Local Authorities Pension Fund, a municipal provident fund, municipal medical aid society, sick fund or local authority. Borrowing powers by issue of stocks, bond, debentures, bills or from any other source require the approval of the Minister of Local Government and the Minister of Finance.

The Housing and Building Act, Section 18 has a provision that the Minister of Local Government and National Housing may establish a central rates fund for several declared areas. The Minister can then use the National Housing Fund for land acquisition and development in those declared areas. Infrastructure development at growth points including Gutu and Pfura has been financed using the central rates fund. Such areas fall under the direct control of the Minister of Local Government. In the circumstances, resource mobilisation falls under the Minister. Although the Minister is the responsible authority in terms of infrastructure provision, the administration of the growth points is under rural district council; hence, they bear all the criticism in terms of poor infrastructure provision.

b) Planning and land delivery constraints

Section 6.7 gives details on the issues. However, it is important to note that land use planning and management autonomy is very limited. Out of the seven sample local authorities, only Harare and Kwekwe have their own town planners. The other five depend on the Department of Physical Planning for town planning requirements. The whole system is fraught with delays. Building guidelines and codes are established by central government and circulated to local authorities for implementation. In most cases, local authorities are not consulted when changes take place. It is also government policy to acquire land for future development in all small urban local authorities and rural district councils. Hence, most of these local authorities end up administering state land on behalf of the state, but with all land use approvals done in Harare by either the urban or the rural state land offices.

6.2 Legislative requirements of sub-national government infrastructure and service provision

Section 3.4 briefly describes the division of tasks and responsibilities between central and sub-national governments, and this section provides details on the issues. Sections 149 to 222 and the Second Schedule of the Urban Councils Act specify infrastructure and services that urban local authorities are legally authorised to provide. Sections 71 to 72 and the First Schedule of the Rural District Councils Act provide infrastructure and services a rural district council may undertake in terms of law. Table 3.6 shows the type of infrastructure and services that are provided by each category of local authority. Although local authorities are authorised by the above Acts to provide these services and infrastructure, central government is also responsible for some of them.

In terms of the Water Act, central government is responsible for the construction of major dams that supply raw water to local authorities. The Department of Water sells raw water in bulk to local authorities like Harare, Rusape and Kwekwe. These local authorities treat the water and then do the reticulation to the consumers who buy it from local authorities. However, in small towns and growth points like Ruwa, Gutu, Pfura and Gwanda the Department of Water sells treated water to local authorities or directly to the consumers. Local authorities have little autonomy to manage water supplies, although this varies according to resources available to the local authorities. The amended Water Act has created the National Water Authority, a parallel structure for the planning and allocation of water. For instance, the National Water Authority works with catchment councils (rather than local authorities) in the planning and allocation of water.

Electricity is another public utility that is still centrally supplied. In the early 1980's, major cities such as Harare used to supply electricity within their areas. Government then decided to establish the Zimbabwe Electricity Supply Authority (ZESA) through the Electricity Act, to take over the generation and distribution of electricity throughout the country. Initially, even street lighting was taken over by ZESA, only to be given back to local authorities later.

The current practice is that ZESA sells electricity to individual households and institutions (including the local authorities) within local authority areas. On their part, local authorities are

required to provide and maintain street lighting, although ZESA provides street lighting to some local authorities that lack financial resources such as Gwanda municipality.

Another area where central government is directly responsible is on public transport provision. Section 192 of the Urban Councils Act requires urban local authorities to provide omnibus services and stations, but the Minister of Transport and Energy is the one who may enter into agreement and grant permits to persons for the provision of commuter transport services, as well as make regulations to control activities for such public transport. This often creates problems, in that commuter transport service is a local function that is very sensitive to changes in travel patterns; hence, its management locally will make it responsive to the changes. All the sample local authorities are experiencing the problem. It is central government policy that all local authorities that do not have their own town planners can use the Department of Physical Planning free of charge. As already stated, central government also acquires land for future development. At present, it is only the 5 cities (i.e. Harare, Bulawayo, Gweru, Mutare, and Kwekwe), which have their own urban planning staff and can acquire land for future urban expansion. As a result, urban planning, housing estates, land acquisition, development and disposal are local functions that are also the responsibility of central government. Urban planning for most municipalities, town councils, local boards and rural district councils is the responsibility of the Department of Physical Planning. Housing estates and land acquisition, development and disposal are also the responsibilities of the Urban and Rural State Land Offices. All these central government offices are under the Ministry of Local Government. Most of these functions that are centralised are susceptible to lengthy delays that adversely affect infrastructure and service provision.

As already stated in section 3.4.1, the provision of educational and health facilities is shared between central and sub-national governments, private sector and church organisations. However, the division of tasks is mainly dependent on government policy and availability of resources. For instance, in rural district councils like Gutu and Pfura, secondary schools are provided by the councils, whereas, in urban councils, there is a general trend where the local authorities provide primary schools and clinics, leaving secondary schools and hospitals to central government, church organisations and the private sector. However, in Gwanda the local authority is also building secondary schools, while central government is running some primary schools. It is therefore not very clear where the demarcation line is in terms of the ongoing decentralisation of these functions. Sample local authorities are not very clear as to the likely outcome of the timing of implementation.

Road construction and maintenance is another area where central government is still directly responsible. In terms of Section 56 of the Regional Town and Country Planning Act, a local authority or any other body or authority designated by the Minister of Local Government, shall be a road authority. In terms of Section 3 of the Road Act, the Minister of Transport and Energy is the road authority in respect of the whole of Zimbabwe, and local authorities are the road authorities in respect of the area under their jurisdiction. The provisions appear to be contradictory and conflicting. Section 4 of the Road Act states that the Minister of Transport shall be the road authority for all state main roads within city, municipal, town and rural district council areas. Section 14 states that construction of state roads shall be charged against public funds, but state roads within city or municipal council areas shall be constructed and maintained at the expense of that particular council. Current practice is that cities and municipalities use

their own resources to maintain these roads and claim the money from the Minister of Transport and Energy. Smaller local authorities wait for the Ministry to do the maintenance itself. However, the grants from the Ministry to cities and municipalities are either inadequate or non-existent.

6.3 Issues of decision-making relevant for infrastructure and service provision

As discussed in Sections 6.1 and 6.2, local authorities are not free to decide on the infrastructure and service provision on their own, due to the powers of the Minister of Local Government as well as the number of central government ministries and agencies that are involved in various components of ISP.

Central government still controls most of the planning through the Department of Physical Planning. The cities of Harare and Kwekwe are the only ones in the sample that have some degree of autonomy in preparing and approving land use plans. All the local authorities in the sample have to get ministerial approval to borrow funds, particularly for infrastructure construction. Maintenance of this infrastructure suffers in most cases because local authorities cannot raise sufficient money due to central government tariff controls.

Central government controls on infrastructure standards and financing are motivated and sustained, in part, by the fact that local authorities do not have sufficient resources to implement their programmes. Local authorities like Gwanda, Rusape, Ruwa, Gutu and Pfura rely currently on central government for the provision of infrastructure and services. Although legislation permits the local authorities to privatise and commercialise some of their functions, of the sample local authorities only City of Harare has made reasonable strides in this direction. The city has contracted its refuse collection and disposal to the private sector, and it has commercialised its liquor undertaking. The private sector is also heavily involved in planning and funding housing, commercial and industrial estates. The City of Kwekwe has commercialised its liquor undertaking only. Where infrastructure and services are contracted out to the private sector, the local authorities pay the contracted companies (please refer to Section 6.6 for details).

Ruwa is a special case, in that almost 95 percent of the infrastructure development is provided by the private sector. Mashonaland Holdings (Private) Limited initiated development at Ruwa through the subdivision of its land, funding and construction of the infrastructure and then selling serviced industrial and residential plots to individuals. As a result, Ruwa Local Board only maintains the land and infrastructure it has acquired through vesting from the private sector. Ruwa also buys treated water from the Department of Water. The standard of ISP at Ruwa is relatively high and provides good example of what can be achieved by the involvement of the private sector in infrastructure and service provision.

For Gutu and Pfura, central government, through the Central Rate Fund, finances the servicing of land. The central rates fund was established by central government to fund infrastructure development at growth points. Central government allocates funds through the budgetary process. These funds are then invested at growth points directly by central government. The Department of Water then sells potable water directly to the consumers, not to the local authority. Zimbabwe Electricity Supply Commission and the Post and Telecommunication

Corporation also sell their services directly to the consumers. These government agencies maintain their own infrastructures. The Rural District Councils, which administer the growth points, mainly concentrate on refuse collection and disposal, street cleaning and other community services.

Other players who are involved in infrastructure and service provision in the urban areas are the World Bank, through Urban 1 and 2 programmes, and USAID, through the Private Sector Housing Programme. These programmes have targeted infrastructure and service provision, improving the management within the local authorities through the provision of plant and equipment and staff training. The programmes also support the private sector's involvement in the provision of infrastructure and services. All the sample urban centres except Gutu and Pfura have benefited from these programmes. The two growth points are likely to benefit from the current Rural District Councils Capacity Building Programme, which is funded by the World Bank and other donor organisations.

Decisions on infrastructure and services are also affected by the local authorities' internal structures. Councillors in local authorities are chosen on political party lines; hence, their allegiance tends to be to the party instead of the electorate. The interviews with stakeholders in sample urban areas revealed that some councillors do not even support increase on tariffs due to fear of being voted out or being unpopular with party members.

6.4 General aspects and components of central government policies concerning local-self governance with respect to sub-national government

At independence in 1980, the new government was concerned with the promotion of the reconstruction programme, socio-economic development, reduction of inherited inequalities and the establishment of a one party socialist system of government. Local government reforms reflected these central government ideals through:

- strengthening the role of government in local authorities;
- reduction of inequalities within and between local authority areas;
- central co-ordination of all organisations involved in the development of local authority areas; and
- strengthening the role of the party at local levels⁷³.

To institutionalise these ideals, central government enacted the District Councils Act (1980), which provided for the establishment of district councils to administer communal lands. District councils fell under the direct control of central government through district administrators⁷⁴ who were civil servants. In 1984, the then Prime Minister gave a directive, which was later incorporated in the 1985 Provincial Councils and Administration Act, to establish offices of provincial governors, village and ward development committees which were occupied by the ruling party members. These structures replaced the traditional leaders in communal lands.

⁷³ Discussion Paper on the Vision of Local Government in Zimbabwe, 1999

⁷⁴ District administrators are civil servants who were in charge of the administration of the councils before their amalgamation with rural councils in July 1993. Their position as of now is not very clear. They are now responsible for the co-ordination of line Ministry activities at the rural district level and also monitor and supervise the ruling of rural district councils. What makes their position to be unclear is that the rural district administration employs chief executive officers whose responsibilities are similar to those of the district administrators.

Other local government structures i.e. the rural and urban councils remained intact. Rural councils were responsible for commercial farming areas and urban councils for urban areas. The policy of government towards rural and urban councils was biased towards the provision of low-income housing and improved conditions in these areas. As a result all supplementary charges, rates, rents and tariffs charged in high-density areas were to be approved by the Minister of Local Government, which is still the case today. Provision of infrastructure in the other areas of rural and urban areas was left to the local authorities.

The Policy changes between 1980 and 1990 were largely geared towards redressing inequalities between and within local authorities. The focus of government towards a one-party state necessitated entrenching party values and allegiances in local authorities. The effects of this policy are still felt today, where councillors have more allegiance to the ruling party than the electorate. Also during this period there was little focus on long-term planning, resulting in little attention paid to infrastructure construction and maintenance. Section 3.2 provides more details on the historical perspective.

In 1991, central government embarked on the economic structural adjustment programme known as the Economic Structural Adjustment Programme (ESAP), which included public sector reforms. The public sector reform programme entailed central government streamlining its activities in such a way that it would concentrate on its core business of creating an enabling environment for development to take place without much central interference. This necessitated central government decentralising most of its peripheral functions to local authorities. Another major change during the early 1990s was that government abandoned the objective of a one-party state in favour of a multi-party political system. The change created an enabling environment for local civil society to advocate for greater self-governance.

However, this decentralisation worked in a policy vacuum until 1996 when the cabinet adopted 13 principles to guide the decentralisation process⁷⁵. Decentralisation is seen as a way of promoting and strengthening democracy and civic responsibility, as citizens participate in their governance and development. In this spirit, the Rural District Councils and Urban Councils Acts have been amended through the Electoral Laws Amendment Act of 1997 to allow everyone to vote in local government elections, regardless of the property ownership status of the individual (previous legislation provided that only property owners could vote.)

In the policy guidelines, decentralisation is defined as the legislated transfer of functions and authority from central government to local authorities on a permanent basis. Not much has happened in this regard because central government still controls a lot of fundamental areas, like staffing, borrowing powers, tariffs and supplementary charges in high-density suburbs. The institution of executive mayor in city and municipal councils is meant to ensure that local authorities make autonomous decisions. However, government has maintained the policy that the district administrator (a civil servant) should monitor and supervise activities of rural district councils (also refer to sub section 3.1.4 for details).

Another guideline is that all ministries should use the same local institutions for the implementation and management of decentralised functions and not create parallel or separate

⁷⁵ Discussion Paper on the Vision of Local Government in Zimbabwe July 1999.

institutions. Health and primary education have been decentralised. The Ministry of Health is now suggesting that the decentralised functions be headed by district health boards and hospital boards, and the Ministry of Education has decentralised authority to school development associations and not the local authorities. Hence, decentralisation is not being implemented as suggested in the guideline.

The cabinet guidelines provide that decentralisation should be implemented cautiously and progressively with regard to human, financial and material capacities of all the local authorities. All the interviewed stakeholders in sample urban areas indicated that education and health functions are being decentralised without any financial resources to support the additional functions. Stakeholders also complained that the current decentralisation process is mainly top down; what they receive are ministerial directives or laws already approved by Parliament. For example, the Electoral Laws Amendment Act 1997 repealed electoral provisions in the Urban and Rural District Councils Act, while the Procurement Act 1998 provided for the Procurement Board to procure goods on behalf of entities which include local authorities⁴.

The guidelines also provide for the establishment of an inter-ministerial committee of Ministers to manage decentralisation and capacity building. The following implementing structures have been established at national level:

- Committee of Ministers on Decentralisation, chaired by the Minister for Local Government and National Housing;
- a working Party of Permanent Secretaries on Decentralisation and Capacity Building, chaired by the Permanent Secretary of Ministry Of Local Government And National Housing;
- Capacity Building Co-coordinating Committee, composed of operational staff and chaired by the Deputy Secretary of Ministry Of Local Government And National Housing responsible for Local government promotion and administration;
- Capacity Building Unit in Ministry Of Local Government And National Housing; and
- Provincial Support Teams at provincial level

The fact that officials in the sample local authorities complain of not being consulted is an indication that the implementation structure is top down, and has not sufficiently integrated the local authority structures. There is also some tendency for donors to discuss and finalise programmes with central government with little or no participation from sub-national governments. This has a direct impact on disbursement of donor funds to sub-national governments.

According to the Discussion Paper on the Vision of Local Government in Zimbabwe (July 1999), significant funding in the form of grants and loans is being received from the British, Swedish and Dutch Governments, particularly to support the rural district councils' capacity building programme. Urban councils are also receiving financial support through the World Bank- supported Urban II Programme and the USAID-supported Private Sector Housing Programme. It is considered that such funding will assist in accelerating and facilitating the decentralisation programme.

⁴ Joint Submission to the Constitutional Commission by Ministry of Local Government and National Housing, Associations of Rural District and Urban Councils

Other recent initiatives are of the Ministry of Local Government and National Housing and the Working Group on Expanding Municipal Finance that could end up with the amendment of the Urban Councils Act on tariff increases, debt limitation policy and borrowing powers.

6.5 Sub-national management of budgets and indicators of the actual operative autonomy of sub-national governments

The local authority budgetary process is prescribed for both in the Urban and Rural District Councils Acts. Section 288 of the Urban Councils Act states that before the expiry of any financial year the finance committee shall draw up and present, for the approval by the council, estimates in such detail as council may require. The budget should provide sufficient detail of the income and expenditure on revenue and capital accounts for the next financial year. The financial year of all local authorities is from January to December each year and coincides with the central government financial year.

The Urban Councils Act also indicates in Section 93 that one of the functions of the executive committee in municipal and city councils shall be to supervise the preparation by the town clerk of annual draft estimates of income and expenditure for consideration by the council. In practice, there is a potential conflict and overlap between the duties of the financial and executive committee in this respect.

However, the Rural District Councils Act is clearer in the budgetary process. Section 121 of the Act states that every committee shall prepare detailed estimates of income and expenditure on revenue and capital accounts and then submit to the finance committee, which, in turn, presents the estimates to council for approval.

In practice, the budgetary process starts with heads of departments in about November every year. The heads of departments prepare the income and expenditure estimates for their respective departments, which are then sent to the finance committee for approval by council before 31 December.

After council approval, three copies of the estimates are sent to the Minister of Local Government and National Housing for information purposes for and the approval of tariffs and supplementary charges in high-density suburbs.

Local authorities are also authorised to draw up and approve supplementary estimates in any year. In practice, the budgetary process is not as autonomous as it might sound. Subsections 6.5.1 to 6.5.5 illustrate this point.

6.5.1 Autonomy in relation to tax revenues

Local taxes are divided into rates, supplementary charges and unit taxes. Rates are property taxes based on capital value. Supplementary charges are the equivalent of rates in the high-density suburbs, and they exclude water, sewerage and refuse removal charges. Unit taxes are raised in rural areas.

Rates are determined from a valuation roll that is prepared by a valuation officer and approved by a valuation board appointed by the Minister of Local Government and National Housing. The valuation board established in terms of Section 241 of the Urban Councils Act is only responsible for the approval of the valuation roll. The local authority is the one that initiates and updates the valuation roll, through a valuation officer it appoints. According to Section 247 of the Urban Councils Act, a local authority should update its general valuation roll anytime between 3 and 10 years. The Minister of Local Government, by statutory instrument, may extend the interval by not more than 15 years. Section 248 permits a local authority to prepare a supplementary valuation or assessment in respect of:

- any property not appearing on the current valuation roll;
- any non-residential property, the value of which has been materially affected by alterations, additions or demolitions;
- a town planning development plan or the construction of any public work;
- flood or other disaster;
- any cause peculiar to that property;
- any property that has been consolidated or subdivided; and
- any property in which there are errors in the general valuation roll.

Rates can be charged in any area in an urban area except the high-density suburbs. Within the rateable areas, the following properties are exempted from rates, namely: state land, council land, public universities, public schools, public cemeteries or crematoriums, property owned by any other local authority, properties less than 5 hectares (or 10 hectares in terms of Rural District Councils Act) in extent and works of a public nature. The Rural District Councils Act adds mining locations established in terms of the Mines and Minerals Act (Chapter 21:05), rural land or land exempt in terms of any enactment.

The 1984 Commission of enquiry into taxation recommended the abolition of the rate exempt status for central government property. It recommended that central government pay all service charges and only 50 percent of rateable value of its properties. Government then adopted a policy (not a legal instrument) to make an ex-gratia payment of 66 percent of the rateable value, but central government has defaulted in the payment of this grant. This negatively affects growth points and towns like Rusape and Gwanda, which have large tracts of state land. The budgetary process is adversely affected by the uncertainty, which surrounds the ex-gratia payment.

Although supplementary charges imposed in high-density areas are a property tax, by definition, Section 219 of the Urban Councils Act treats them as charges. The amount payable is not related to property value but to the plinth areas of the buildings. In terms of Section 219, the Minister of Local Government and National Housing has to approve tariffs and charges in any local government area, or such part of a council area as may be prescribed or as may be notified to the council. The Minister of Local Government and National Housing has used this Section to control supplementary charges in high-density areas and areas administered by local boards. What it means is that the budget aspect that relates to the specified areas has to be approved by the Minister, who has to authenticate his approval by gazetting the increases or adjustments through a statutory instrument. The statutory instruments are normally published by May or June (i.e. 5 to 6 months late). Councils cannot charge the new supplementary charges before the statutory instruments are published. Although, current debate is on whether or not rates should be

charged in high-density areas, local authorities are not keen to change the status quo because they fear that such a move might yield less revenue.

However, sample local authorities indicated that they usually go on to implement new tariffs without the statutory instruments to minimise the impact of the delays. Besides the rates and supplementary charges, urban local authorities are not authorised to charge any taxes, and there is no mechanism for sharing taxes collected by central government in their areas. Overall, autonomy, in relation to tax revenue, is very limited.

6.5.2 Autonomy in relation to tariffs

Section 219 of the Urban Councils Act states that council may, by resolution passed by majority of its total membership, fix tariffs or charges for the supply of electricity, water, refuse removal services, conveyance of sewage and trade effluent, or any other services which a council may provide in terms of the Act. It may also fix charges for certificates, licenses or permits issued, inspections or anything done by the council. Council may also fix deposits for any service rendered by it in terms of this Act. In the same section, the Minister has to approve increases in tariffs and charges in local government areas like Ruwa and high-density areas of all urban centres. Growth points and those towns that have large tracts of high-density land have to comply with this Ministerial approval requirement. Current government policy (not law) is that any increases in tariffs and charges that are more than 35 percent in high-density suburbs have to receive Ministerial approval. Consequently, local authorities have rarely proposed increases more than the 35 percent until recently, when high inflation has forced them to do so. The Minister usually approves because of special reasons for such increases.

The Ministers of Health and Child Welfare and that of Education, Sports and Culture fix fees payable at local authority clinics and the development levy payable at local authority schools, respectively. People who earn \$400 or less per month are treated free of charge, and council has to get its money through the Social Dimensions Fund (SDF); however, payments from this fund have not been consistent and up-to-date. A similar situation has arisen in schools, where central government has made a commitment to pay for the less privileged children through the SDF. The Social Dimension Fund, which is managed by the Ministry of Labour, Social Services and Welfare, was introduced in November 1991, by central government to cushion the poor from the social effects of the Economic Structural Adjustment Programme. The main components of the SDF are assistance with health fees, tuition and examination fees, food money in urban areas, training and provision of soft loans for retrenched workers. In order to be paid for the services offered, local authorities have to claim their money from the SDF office in Harare. The Harare office usually pays part of the amount due, depending on what is available; because the office deals with the whole country, delays are inevitable. Failure by government to meet the SDF commitments has caused local authorities budgetary problems due to inconsistent and late payment. It is clear that some tariffs are controlled by central government, and this leaves limited autonomy to local authorities.

Table 6.2: Summary on setting of tariffs

	Who sets the rate		Who sets the tax base		Who is in charge of Administration		Who receives the revenue	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Rates ⁷⁶	SNG	SNG	CG	CG	SNG	SNG	SNG	SNG
Supplementary charges	SNG*	SNG*	CG	CG	SNG	SNG	SNG	SNG
Unit tax	SNG	SNG	CG	CG	SNG	SNG	SNG	SNG
Vehicle tax	CG/SNG	CG/SNG	CG	CG	SNG	SNG	SNG/CG	SNG/CG
Vendor tax	CG	CG	CG	CG	SNG	SNG	SNG/CG	SNG/CG
Water Tariffs ⁷⁷	SNG*	SNG*	CG	CG	SNG	SNG	SNG	SNG
Sewerage Tariffs ⁷⁸	SNG*	SNG*	CG	CG	SNG	SNG	SNG	SNG
Health fees	CG	SNG*	CG	CG	CG	SNG	CG	SNG
Educational fees	SDC/SNG	DC/SNG	SDC/SNG	DC/SNG	SDC	SNG/SDC	SDC	SDC/SNG
Refuse Removal Tariffs ⁷⁹	SNG*	SNG*	CG	CG	SNG	SNG	SNG	SNG
Other	SNG*	SNG*	CG	CG	SNG	SNG	SNG	SNG

Notes:

SNG: Sub-national government
SDC: School Development Committee
CG: Central government

In this case, the rate is set by the sub-national government, with the approval of central government. The fact that central government stipulates that the tariffs for high-density suburbs have to be approved by it through a statutory instrument effectively sets the tax base; both rural and urban local authorities are equally affected.

Vehicle taxes comprise change of ownership, surcharge for heavy vehicles, duplicate registration and learners' licenses which are administered by SNGs, but CG sets the rate, tax base and receives the revenue. SNGs set the rate on license fees, which they keep plus 5% from the above components.

Health services are free at all rural health centres (clinics). Central Government only charges fees at its hospitals. In urban centres, CG insist that all those getting less than \$400.00 per month should be treated free, therefore setting the base.

Education fees are set by SDC in rural areas, particularly primary schools; the rural district council controls the secondary schools. In urban areas, the SNGs set the rates in consultation with the SDC. Nevertheless, the Ministry of Education has to approve the fees.

SNGs set the rates for the property tax, but government property is exempt. Government makes (or is supposed to make) an ex-gratia payment to the SNG. Residents of high-density suburbs are exempted from paying rates. Supplementary charges are equivalent to rates in high-density

⁷⁶ Central government payments not up-to-date in most local authorities

⁷⁷ Central government payments not up-to-date in most local authorities

⁷⁸ Central government payments not up-to-date in most local authorities

⁷⁹ Central government payments not up-to-date in most local authorities

suburbs and are not based on a valuation roll but on units per plot. In Gwanda, 80% of people in the town are housed in high-density suburbs. High-density suburbs are 78% of all residential property in the town. Between 10 and 20 % of land is state land.

The vendor tax is a tax set by CG on the informal sector. Local authorities administer it and get 90 percent, while CG gets 10%. Only Rusape indicated that it was charging this tax.

6.5.3 Autonomy in relation to recurrent expenditure decision making

Section 288 of the UCA authorises the council chairman or Mayor to authorise expenditure that has not been foreseen or provided for in terms of the council budget and in his opinion cannot, without detriment to the interest of the municipality or town be postponed, and then make a report to the finance committee. Since the money will have been spent, the committee will have to endorse the decision.

Councils are authorised to spend any moneys which have been covered by the budgetary and supplementary estimates. Estimates are only forwarded to the Minister for information purposes.

Local authorities are spending up to 52 percent of their total recurrent budget on salaries (G. Paradza October 1998). The Minister has issued a directive to limit staff costs to 28 percent of the current expenditure. To comply with this directive, local authorities are either not filling vacant posts or are retrenching staff. However, currently none of the sample local authorities is complying with this directive.

Decision making on recurrent expenditure is directly affected by the late or non-payment of grants/transfers by central government. For instance, in 1981 City of Harare received 83 percent of its health recurrent budget from central government. In 1996, government grant was only 6 percent. This meant that for the 1995/96 health budget of \$118 110 800, 83.35 percent was drawn from rates, 11.21 percent from fees and 5.9 percent from central government grant.

6.5.4 Autonomy in relation to capital expenditure

As already indicated in the previous sections, capital expenditure is shared by central government, parastatals and local authorities themselves. Section 290 of the Urban Councils Act states that council may borrow money to fund the following projects:

- acquisition or construction of permanent works or undertakings;
- acquisition of immovable property or interest therein;
- making of advances authorised by law;
- payment of compensation;
- liquidation of the principal moneys owing on account of any previous loan;
- relief of general distress occasioned by some calamity in the council areas; and
- acquisition of plant, equipment, vehicles and the like.

In terms of Section 124 of the Rural District Councils Act, the Rural District Councils can borrow to fund similar capital projects.

Due to limited tax bases for local authorities and insufficient revenues generated locally, the current practice among local authorities is to use borrowed money for almost all capital expenditure. As already pointed out, the Minister of Local Government has to approve the borrowing of moneys, and, therefore, there is no autonomy to spend borrowed funds. Although the local authority might have its priority list, what ends up happening is determined by what programmes are available to provide funds.

For any capital expenditure that exceeds \$200 000, the local authority has to go for tenders. The tendering process is lengthy, and local authorities end up spending more money due to inflation. Most donor and international financial institutions have their own tendering systems that have to be followed by the borrowing local authority, and delays are inevitable in most cases.

Section 210 of the Urban Councils act state that every municipal and city council shall appoint a municipal procurement board consisting of not less than five and not more than seven members. The municipal procurement board is responsible for arranging tenders and making recommendations to the council in regard to the acceptance of tenders and the procurement of goods, material and services. Local authorities deal with tenders directly, on the recommendations of council officials.

Growth points like Gutu and Mt Darwin (in Pfura) are even worse off due to the fact that they do not have control over the implementing agencies like the Department of Water and the Central Rates Fund.

Autonomy in relation to capital expenditure has not taken place largely because of the Ministerial approval of borrowing powers and because most of the donor funds have to be channelled to prescribed projects. In some cases, donor funded infrastructure projects are decided between the donor agent and central government, excluding the local authority.

6.5.5 Autonomy in relation to external finance decision-making

The Urban Councils Act and Rural District Council make provisions that allow local authorities to borrow money for the financing of capital projects. After adoption by the council of the resolution to borrow, the local authority, by notice, must publish its intention in two issues of a newspaper stating the general purpose for which funds are borrowed. Objections to the borrowing powers may be lodged by ratepayers and voters with the town clerk or Chief Executive. The local authority must then apply for the approval of borrowing powers from the Minister for borrowing from the state, local pension fund, municipal provident fund, a medical aid society, sick fund, or another local authority. If the local authority seeks to raise funds through the issuance of stocks, bonds, debentures or bills, approval must be from the Minister of Local Government and the Minister of Finance.

If the local authority does not have a consolidated loans fund (an account created within the local authority to handle all capital projects loan funds) proceeds from approved loans must be applied to projects for which funds were borrowed. The local authority cannot change any loan conditions without Ministerial approval. The Minister of Local Government and National Housing is authorised to cancel borrowing powers granted to local authorities if such power is not exercised after giving council 12 months notice.

Short-term borrowing is authorised in the form of overdrafts or short-term loans from financial institutions, but this form of funding is dependent on the creditworthiness of the local authority and the security collateral which the local authority can offer.

It should be noted that creditworthiness of local authorities is adversely affected by provisions of the Urban and Rural District Councils Acts that give the President power to alter the boundaries of council or redefine council areas. The President may even abolish any local authority without its consent. However, in practice, this has not happened.

Section 314 of the Urban Councils Act authorises the Ministry of Local Government to reverse, suspend or rescind resolutions and decisions if he feels they are not in the interest of inhabitants or the public. These provisions create uncertainty in terms of the sustainability of a local authority and the security of the moneys that will have been borrowed; hence, the private sector might be uncomfortable lending money to local authorities. In practice, this possibility plays a minor role. On the whole, external finance decision-making entirely relies on Ministerial approval.

6.6 Issues related to private sector involvement in infrastructure and service provision

The Urban and Rural District Councils Acts authorise local authorities to enter into agreements with the state, another local authority or **any other person**. Section 223 of the Urban Councils Act and Section 82 of the Rural District Councils Act state that local authorities may, by agreement, co-operate with the state, any council or person for the better or more economic carrying out either by the contracting parties or by the use of joint facilities of any matter which the council may by law perform and in which the contracting parties are mutually interested. The Minister of Local Government and National Housing may also order any local authority to enter into such agreements if it considers that the agreements will be in the interest of the public or inhabitants. A deed of agreement has to be signed for these agreements to hold. The Minister of Local Government will have to approve any agreement that involves external borrowing by the local authority.

At central government level, the strategic involvement of the private sector in the provision of infrastructure and services has been through the build own operate (BOOT) or the build operate and transfer (BOT). Unfortunately, not much of these strategies have trickled down to the local authority levels. Recently, central government commissioned a company to construct and operate the Bulawayo to Beitbridge railway. The same company has been commissioned to construct the Chitungwiza – Harare railway line, which will cater for commuters between the two urban centres. The Limpopo river bridge was built under the same condition. Central government also wants to use the same concepts in the provision of water and power generation.

Private sector involvement in local authorities has been through construction of infrastructure under contract, commercialisation and privatisation arrangement. The 1996 central government's 13 principles of decentralisation do not talk about private sector involvement in the decentralisation process, indicating that this might not have been perceived as an essential components of decentralisation.

Sections 168 to 200 of the Urban Councils Act and Sections 71 to 72 of the Rural District Council Act identify councils as the sole providers of infrastructure and services like water, sewerage, drainage and other services. Councils only are authorised to charge user fees to rate-payers. While council may enter into contracts to provide the infrastructure and services, ownership and accountability remains with councils. This makes it difficult for BOOT and BOT approaches or concessions to be used. Current legislation does not allow the private sector to charge user fees directly to the end users, but can only charge councils for the services.

6.7 Basic constraints concerning the operative autonomy of sub-national governments

Land management, land use and urban planning are carried out under the provisions of the Regional Town and Country Planning Act (Chapter 29:12). The Act provides for:

- the preparation and approval procedures of master and local development plans;
- permitting of general development, use and change of use of both land and buildings; and
- permitting of land subdivision, consolidation and long term leases.

Land registration and transfers are dealt with by the Surveyor General and Deed Registrar's offices under the provisions of the Land Surveys and Deed Registries Acts.

6.7.1 Constraints in relation to land management, land use and land registration

A master plan prepared in terms of Sections 14 to 16 of the Regional Town and Country Planning Act is a statutory land use and management document. It covers issues pertaining to all sectors; for instance, the provision of housing, community services and facilities, infrastructure, population and employment. The issues are largely covered at policy level. Master plans are prepared by local authorities but are approved by the Minister of Local Government and National Housing. Currently, it is taking at least three to four years to prepare a master and get approval from the Minister, due to bureaucratic procedures that surround the preparation and approval. For example, during the preparation of the master plan, the local authority deals with the provincial office of the department of physical planning, the provincial office then sends the master plan to the director of physical planning in Harare, only after satisfying the director's office can the plan be recommended to the Minister for approval. Land use management greatly suffers due to these delays. Although master plans give an assurance and provide co-ordinated guidance to the future provision of infrastructure and services, they are rarely prepared due to shortage of manpower and financial resources (e.g. it now costs around Z\$1 million to prepare a master plan) within local authorities. As a result, land delivery and co-ordination of infrastructure ends up being done in an ad-hoc fashion. In the sample urban areas, only Harare, Kwekwe and Gwanda have operational master plans.

Local plans are detailed land use management plans that assign a specific zone to each piece of land. That piece of land is developed according to the provisions of the zone. Density of development, size of subdivision, building height and lines are clearly defined for each zone; hence, the local plan is used on a day-to-day basis by the local authority for co-ordinated land use management. Local authorities may approve local plans, but should prepare it in consultation with the Ministry of Local Government and National Housing. However, the Minister may direct

that the local plan shall be approved by him. Local plans take at least two years to prepare and approve.

Master and local plan preparations may be frustrating exercises in that once a local authority adopts a master or local plan it has to put it on public deposit for two months, inviting objections or representations from the local inhabitants. This might lead to long battles in the administrative court if any of the aggrieved parties decides to appeal to the court concerning any objection raised. The City of Harare has experienced this problem in relation to the construction of the Sam Levy Village in Borrowdale, which was objected to by residents and, more recently, in the construction of an office block in the area by the same developer which is also being contested by the residents.

Both master and local plan preparation and reviews tend to lag behind development, because once prepared they are rarely reviewed and updated. For instance, large sections of the City of Harare are still being guided by town planning schemes, most of which were prepared in the 1970s. This becomes a major constraint in infrastructure and service planning, because of the differences in technology and innovative ideas between the time when the scheme was prepared and the present.

Although the Regional Town and Country Planning Act provides for change of land use through special consent or consideration, the procedures can be used to a very limited extent. Any alteration, repeal or replacement of any master or local plan has to be approved by the Ministry of Local Government and National Housing. As a result, once prepared the local plans remain very rigid, to the detriment of implementing any new ideas.

Land registration is another area that has many problems due to manpower shortages in the Surveyor General's office and the general task of land surveyors in the country. It takes more than one year to get any cadastral survey prepared and approved by the Surveyor General's Office. Since individual title or land ownership depends on title survey approval, the delays in approvals frustrate land delivery and registration for both infrastructure and service provision. Further to this, land registration and transfer is still very centralised in that the Surveyor General and Deed Registrar's offices in Bulawayo and Harare. Each office deals with four provinces plus the cities of Bulawayo and Harare. All these constraints tend to discourage the private sector from being actively involved in infrastructure and service provision. Also local authorities tend to provide infrastructure in an ad hoc manner rather than be guided by professionally prepared plans.

6.7.2 Constraints in relation to physical (urban) planning and handling of applications for construction and infrastructure investment

Land subdivision is carried out in terms of Section 40 of the Regional Town and Country Planning Act, for any other land except state or local authority land that is covered by section 43 of the Act.

A developer who wants to apply for subdivision has to start by preparing a subdivision layout and then submitting it to the local authority. Harare and Kwekwe are the only local authorities in

the sample that handle subdivision applications. Once the council receives the application, it then acknowledges receipt, considers and approves or refuses the application.

Planning and applications for construction and infrastructure investment are handled by many actors. For instance, private sector developers apply through the local authorities or the Department of Physical Planning. Developments on state land have to be handled by the urban state land office. Normally the provision of infrastructure starts with land subdivision in order to separate land on which infrastructure is constructed from other pieces of land.

In Gwanda, Rusape, Ruwa, Gutu and Pfura, the applications are made to the provincial office of the Department of Physical Planning. The provincial office reviews and recommends the application to the Ministry of Local Government and National Housing for approval.

In both cases, once the application is approved, it has to be forwarded to a registered land surveyor who carries out the cadastral survey and submits the survey diagrams to the Surveyor General's office for approval. Once the survey diagrams are approved, the developer can start infrastructure construction, but only after the approval of the engineering designs and building plans by the local authority.

In 1992, the average time required to approve and title a new medium-sized residential subdivision, was three years and four months. By 1996, delays had worsened to five years five months. The situation has not improved even up to the present moment. The delays in approved processes have an effect of increasing costs of the projects, particularly infrastructure provision. For the development of state land, a subdivision layout is prepared by the provincial office of the Department of Physical Planning and submitted to the Director of Physical Planning who approves the application after consulting the local authority concerned. Once the layout is approved, infrastructure development may start immediately (without any cadastral survey being done), if the local authority is the one providing the infrastructure.

In such cases, cadastral survey is only done when the land has been developed and has been transferred to the developer. However, in some cases once the subdivision layout has been approved, the urban state land office can then request the Surveyor General's office to appoint a registered land surveyor to carry out the cadastral survey at the expense of the local or central government. Gwanda, Rusape, Gutu and Pfura, which heavily rely on state land for development, follow the same approval processes. For instance, anyone who wants to develop on state land in Gwanda has to go through the following stages:

- For residential land, an application is made to the director of housing and community services, and for commercial, industrial and other uses, the application is forwarded to the senior administrative officer.
- Gwanda municipal council then arranges for a site visit with the applicant, to enable the applicant to make a choice out of available land.
- Once the applicant has made a choice, he/she is given forms for completion at his/her convenience. These are returned to council after completion together with proof of finance and an application fee, which currently stands at Z\$71.50.
- The application is then forwarded to the Urban State land office in the Ministry of Local Government, Rural and Urban Development for final processing and the applicant is advised

accordingly. Should the urban state land office require additional information it communicates with the applicant directly, and the council receives a copy of the correspondence.

- Once the urban state land office is satisfied that the application meets all requirements, it is approved. At this stage, the applicant is given a lease until he/she has fully developed; that is, when transfer can be effected. Currently it takes two to three years to get a lease on state land.
- After getting the lease approval, the applicant then submits copies of engineering designs and building plans to council for approval together with a development fee, where applicable.
- The applicant may then commence construction once the council has approved the plans.

These long application procedures for state land affect Gutu, Pfura, Rusape and Gwanda, which have large tracts of state land. This is further compounded by the fact that presently the state acquires land for most small towns and growth points.

6.7.3 Constraints in relation to national investment requirements

Constraints in relation to national investment requirements generally affect those projects that involve government or national expenditure.

For any dam funded by central government to be constructed, it has to be included in central government budgets first. For instance, this has delayed the implementation of the Matebeleland Zambezi Water Project, which will supply water to the City of Bulawayo and other urban areas in the region. Implementation of the Kunzwi dam, which is supposed to provide water to City of Harare, has similarly been delayed.

Other projects that have suffered the same fate are the Chitungwiza – Harare commuter train. Grants for the maintenance of state roads within urban centres have not been paid due to this problem.

6.7.4 Constraints in relation to the issuing of concession rights concerning ISP

In terms of the UCA and the RDCA, the provision of infrastructure and services is considered a state or local government function. Government policy of build, operate and transfer and build, own and operate are opening up new avenues in the provision of infrastructure. For instance, the Limpopo river bridge and the Gwanda to Beitbridge railway line were constructed under these arrangements of policies.

Generally, concession rights to build roads, generate and supply electricity, build dams, health educational facilities and other infrastructure are mainly controlled by central government, not the local authorities.

6.7.5 Autonomy in relation to external finance for additional ISP

In terms of the UCA and RDCA, all local authorities have to apply to the Minister of Local Government for borrowing powers. The Minister may or may not approve the borrowing powers

in Zimbabwe. In the circumstances, autonomy in relation to external finance for additional infrastructure and service provision does not exist.

6.8 Constraints concerning external finance of sub-national governments

6.8.1 Constraints in relation to requirements concerning balance of budgets on annual basis

Section 6.5 of this report introduces the budgetary process within the local authorities. Local authority budgets are prepared in terms of estimates, and the difference between the estimates and actual amounts is sometimes wide. At the same time, local authorities are struggling to provide audited accounts. This means that the financial position of local authorities becomes very difficult to determine.

The fact that local authority budgets are on an annual basis presents problems in that infrastructure and service planning, implementation and funding are long-term. Hence, without a medium to long-term budgetary system, inadequate funds end up being allocated to infrastructure provision. As a result, external sourcing of funds also ends up being a yearly process. If local authorities could have medium and long-term infrastructure provision plans and budgets that would assist in the sourcing of any external funding.

In addition, once council has prepared its annual budget, funds have to be spent according to the budget provision, unless there is a supplementary budget. With the inflationary environment within which local authorities operate, it becomes difficult to work within a rigid budgetary process, especially concerning tariffs and fees charged by the local authority.

6.8.2 Constraints in relation to approval procedures concerning access to domestic external finance of infrastructure investment

The UCA and the RDCA provide that for any local authority to access domestic external finance for infrastructure investment, the particular local authority has to complete the following procedures:

- Council has to pass, by majority decision, a resolution to borrow money for the financing of infrastructure.
- Public notice must be provided in two issues of a newspaper stating the general purpose for which funds are borrowed. The notice should invite objections to the borrowing authority. The ratepayers and voters may lodge objections with the town clerk or the specified official within a specified timeframe, but not less than 21 days from the date of the last publication of the notice. Before decision-making, council has to take note of their remarks.
- Council must then apply to the Minister of Local Government and National Housing for borrowing from the state, local pension fund, a municipal provident fund, a medical aid society, sick fund or another local authority. If a council wants to raise funds through stocks, bonds, debentures or bills, approval must also be obtained from the Minister of Finance. Council has to submit any objections received from the ratepayers, and its response together with application to the Minister of Local Government who has to take the objections into consideration when approving the application.

- When considering the application, the Minister of Local Government will assess the applicant using the following criteria:
 - the applicant council's capacity to sustain the project once completed and the recurrent expenses to be incurred;
 - if a deficit is anticipated, how long it will be endured and how it will be financed; and
 - review the outstanding debt service of the applicant council and its capacity to keep up-to-date financial documents and accounts.

The Minister may or may not approve the borrowing powers. The SNGs stated that the Minister of Local Government and National Housing's approval process is cumbersome and delays the provision of infrastructure. Previous studies have recommended that the Urban and Rural District Councils Acts be amended to do away with central government approval of individual local authority borrowings and that a general debt limitation provision uniformly applied to all borrowers be enacted.

Debt limit legislation is in place in other developing countries. For example in:

- Hungary, debt service cannot exceed 70% of own resources;
- Brazil, debt service must be less than 15% of municipal revenues; and
- Costa Rica, debt service must be less than 25% of municipal revenues⁸⁰.

The requirements related to external finance represent constraints in as far as they represent inherent delays. Also, the low general creditworthiness of the local authorities is a constraint.

6.8.3 Constraints in relation to the approval procedures concerning mortgage/equity finance infrastructure investment

According to the Urban Councils Acts, local authorities may borrow funds from the state, the Local Authorities Pension Fund, Municipal Provident Fund, municipal medical aid society, sick fund, another local authority or by issue of stock, bonds, debentures or bills or from any other source not mentioned. However, for local authorities to access a mortgage or equity finance they have to go through the external borrowing power procedures, which are cumbersome.

Currently, the norm in Zimbabwe is that most local authorities borrow from the state. Only large cities like Harare, Bulawayo, and others have borrowed by issuing of bonds and stocks. Local authorities are also not borrowing funds from building societies to finance infrastructure development. Building societies can actually engage in infrastructure development or lend funds to private developers who can then invest the funds.

6.8.4 Constraints in relation to decision-making concerning tariffs and fees.

Section 219 of the Urban Councils Act states that a council may, by resolution passed by a majority of the total membership of the council, fix tariffs or charges. Before any tariffs and fees come into operation council is required to:

⁸⁰ . Source: Analysis of Legislation and Policies Relating to Municipal Finance in Zimbabwe

- advertise in two issues of a newspaper
- the notice should be posted at the council offices for not less than 30 days from the date of the first advertisement in the newspaper.
- if objections to the proposed tariffs and fees are received within the 30 days, the whole council has to reconsider the tariffs and the objections so lodged, and they should only come into operation through a resolution passed by a majority of the total membership of the council.
- A resolution passed by council, relating to tariffs and fees provided for in any by-law, shall not have the effect of introducing new tariffs and fees, until the by-law concerned has been repealed or amended. This is the situation with high-density suburbs tariffs and fees. For them to be effected or charged, the Minister of Local Government and National Housing has to gazette and authorise them through a statutory instrument (by-law)

Vehicle license, school and clinic fees have to be approved by the Minister of Transport and Energy, Minister of Education, Sports and Culture and Minister of Health and Child Welfare in that respect, for the fees to become effective.

In the circumstances, the decision-making concerning tariffs and fees does not rest with the local authorities only. The system is full of delays. For instance, to get the statutory instrument from the Minister, the local authorities normally wait for 5 to 6 months, before they can charge any new tariffs and fees approved by council.

In periods of inflation, the heavy procedures and time taken to implement the tariffs has a heavy impact on real value of the revenues collected by SNGs.

6.8.5 Constraints in relation to instruments on assessment of credit worthiness concerning external finance

The Urban and Rural District Councils Acts contain provisions that require the issuing authorities to pledge all assets as security for stocks and that all securities granted by councils shall rank equally without priority. The private sector normally considers this insecure for debt services of revenue bonds.

The level of disclosure in a typical local authority stock prospectus falls well below international norms. For instance, a bond prospectus that would be 40 to 50 pages in the United States is a 3 to 4 page document in Zimbabwe. The Zimbabwe prospectus does not provide adequate information on the economic conditions of the borrower and other relevant information that can assist in making informed evaluation of the risk involved.

The approval of borrowing powers by central government is another constraint. It has been pointed out that the private sector should be allowed to evaluate the validity of each offering and the creditworthiness of each issue.

The law also allows the Minister of Local Government and National Housing to modify the composition of local authorities. This presents a threat to the interest of stakeholders and a constraint to local authority creditworthiness. To improve the marketability of local stocks,

central government should agree to statutory revisions or contractual stipulations in order to protect investors' interest.

Another problem area is the provision of the UCA, which empowers the Minister of Local Government and National Housing to revise, suspend or rescind local authority decisions. This also directly affects the interest of the private sector, and directly affects the local authority's creditworthiness, in that a position or decision taken by council to secure a certain loan can be rescinded by the Minister in terms of the powers bestowed in him. In practice, however, the minister does not exercise this power.

6.8.6 Constraints in relation to the establishment of parastatal municipal credit institution

In terms of the Banking Act, there are no legal constraints to establish parastatal municipal credit institutions in Zimbabwe. At a practical level, however, the biggest constraint is the amount of initial capital required to establish such an institution. Also, most of the local authorities in Zimbabwe can hardly submit audited financial results within twelve months, and all of them are struggling to service their debts. Hence, without a substantial number of creditworthy local authorities, it is very difficult for the country to establish municipal credit institutions; as such, institutions may not be viable.

6.8.7 Constraints in relation to portfolio placement provisions and rules concerning Pension-funds and Insurance Companies

In terms of the Pension Fund and Insurance Companies Act, the prescribed asset ratio for pension funds and insurance companies is 45 percent. This means that the insurance companies and pension funds should invest 45 percent of their assets in government stocks and bonds. Local authority bonds and stocks are regarded as government issue, hence the pension funds and insurance companies can invest in local authority bonds and stocks. The only constraint faced by local authorities is creditworthiness.

6.9 Operational constraints on the operative autonomy of sub-national governments

6.9.1 National request for long-term planning of ISP

In terms of the Act, cities can plan and provide most of their infrastructure without the involvement of the national level. As a result, national requests for long-term planning of infrastructure and service provision largely affect those local authorities that heavily rely on central government for funding.

The decision to build dams that supply water to urban areas largely rests with central government. Hence, for any local authority that requires argumentation of its water supply, central government has to approve the project and include it on its budget. For growth points, which heavily rely on central government for infrastructure provisions, their projects have to be approved by central government and be included in the central government budgets. Where central government is involved in the provision of infrastructure and services there are constraints in terms of the operative autonomy of the local authority.

6.9.2 Stop-go-policies of Ministry of Finance

The Ministry of Finance does not normally deal directly with local authorities. In most cases, the Ministry of Finance disburses funds to the Ministry of Local Government, which then deals directly with local authorities. However, projects like the rural water supply and sanitation programme implemented by rural district councils used to face problems when the Minister of Finance could not timeously disburse funds. It should therefore be noted that once money gets to the central government treasury it might be difficult to control that money and get timeous disbursement.

6.9.3 Constraints in relation to the hierarchical approval and/or consensus building procedures concerning capital expenditure decision-making by sub-national governments

Sub-Section 6.7.2 provides information on project approval procedures and processes. For planning purposes, most local authorities have problems in that their projects have to be approved by central government. Even borrowing of funds for capital expenditure needs central government approval. The system is fraught with delays.

Internally, local authority councillors have to build consensus within the council itself, then between the ratepayers and council in order to make valid decisions on capital expenditure. This also causes delays in the provision of infrastructure and services.

The constraints can be minimised by decentralising decision-making to local authority level.

CHAPTER SEVEN

THE SUB-NATIONAL INSTITUTIONAL ENVIRONMENT IN ZIMBABWE

7.1 General issues in relation to potential and constraints concerning local authorities initiative and management:

In this Chapter, we analyse and discuss the issue of the institutional environment within which sub-national governments operate in Zimbabwe. We address, in particular, the capacity of sub-national governments to mobilise and utilise human resources to more effectively fulfil their mandates. The analysis draws on specific feedback received from the seven SNGs that are covered by the study and on our interpretation of relevant statutes and our understanding of employment practices and general conditions in Zimbabwe.

The basic employment conditions for sub-national governments are primarily regulated by Sections 131 to 148 of the Urban Councils Act, Sections 65 to 70 of the Rural District Councils Act and the Labour Relations Act. However, the larger local authorities, like Harare, have their own National Employment Councils⁸¹ established under the Labour Relations Act (Chapter 28:01), through which they engage in collective bargaining for wages, salaries and other local conditions of service and which also provide local regulations governing employer/employee relations. Sub-national government, generally, are not required to conform to civil service employment regulations although, in reality, the two sectors follow similar traditions and practices relating to employment conditions and standards.

We start our analysis with a discussion of the key legal and administrative constraints that impede local authorities' management capacity. We evaluate the administrative capacity at SNG level and discuss issues of access to private finance and service providers. We also review and discuss the capacity of local governments to innovate to improve their management capacity.

7.1.1 Legal and administrative constraints to local authorities management capacity

The regulatory framework in which SNGs operate in Zimbabwe is discussed in detail in Chapter 6 and the Urban Councils Act and the Rural Development Councils Act. The most relevant statutes are on UCA and RDCA.

⁸¹ Section 56 of the Labour Relations Act provides that “ Any employer, certified employers organisations or federation of such organisations and trade union or federation of such trade unions may at any time form an employment council by signing a constitution agreed to by them for the governance of the council and by applying for its registration”. The duties of the employment council are to assist in conclusion of collective bargaining agreements, prevent disputes from arising, to settle disputes that have arisen and to monitor observance of collective bargaining agreements and regulations pertaining to the undertaking. The main criterion for SNGs to establish their own employment council is that they must have a certified trade union operating in the council.

While the provisions of the statutes are comprehensive, there are various areas which pose potential problems in practice. These areas include:

- the role of the Minister of Local Government, particularly as it relates to budget approvals;
- the role of the Local Government Board in recruitment and discharge of staff; and
- executive management roles in urban local authorities e.g. the role of the executive mayor versus the town clerk and the executive committee vis-à-vis the council.

Sections 7 and 8 of the UCA confer upon the minister the authority, in consultation with a council and by statutory instrument, for vesting or divesting the administration, control and management of a local government area to a council. In exercising this authority, the minister may, inter alia:

- “give directions or impose conditions relating to the administration, control and management of the local government area concerned, including the provision of services therein; and
- give directions or impose conditions providing for the vesting in the council concerned of property, assets, rights and liabilities connected with the local government area concerned.”

The above provisions, in practice, are regarded as limiting the power of the local authorities to run their affairs in the manner that they see fit. Consequently, the local authorities refer most of the important matters to central government for guidance and approval and central government, in turn, issues directives to local authorities on various administrative and management matters.

A common complaint raised by the local authorities is the perceived control of budgets and tariff increases by central government, which are viewed as constraining the local authorities’ management capacity. In terms of existing legislation, local authorities’ budgets (or estimates) are submitted to the Minister for his information. Where tariff changes are proposed, these changes are required to be published in the Government Gazette. As most budgets entail tariff increments due to high inflation, this results in government having to scrutinise budgets before tariff increments are gazetted and, sometimes in withholding the approval to gazette tariff changes. In some cases, there are delays in gazetting tariff changes while negotiations with central government are ongoing. Thus, the government is controlling budgets and tariff increments.

In the area of staff recruitment, both the UCA and the RDCA explicitly constrain local authorities from making independent decision to recruit senior staff. Under the UCA, appointment of senior officials (such as the town clerk, chamber secretary, heads of department) require the prior approval of the Local Government Board⁸², and under the RDCA the appointment of a chief executive officer of a council must be approved by the Minister. This often results in excessive delays, sometimes exceeding six months, in the filling up of vacancies.

⁸² The Local Government Board is established in terms of Section 116 of the UCA. It comprises seven members who are appointed by the Minister of Local Government and National Housing from among nominations submitted by the Urban Councils Association, Town Clerks Association, Municipal Workers Union and the Public Service Commission (one of three nominations from each institution) and two who are appointed on the basis of their ability and experience in public administration and employment in a local authority or the public service. See also Section 7.3.1 for a discussion on the functions of the Local Government Board.

Local authorities, however, can fill vacancies for lower level positions without referring to any external authorities.

On termination of services, again the UCA prohibits the discharge from service of a senior official without the prior authority of the Local Government Board and, in the case of a medical officer, without the authority of the Minister of Health. A local authority with a registered code of conduct can proceed to terminate the service of an employee provided the procedures laid down in the code are followed.⁸³ Local authorities without registered codes of conduct can discharge employees in terms of the Labour Relations Act, which requires the prior approval of the Ministry of Labour before the termination of employment.

On the issue of the executive mayor, there is general agreement among local authorities with that institution, that the introduction of the executive mayor has brought confusion regarding executive responsibility for council affairs vis-à-vis the role of the town clerk. Section 38 of the UCA provides that the “control and administration of every municipality” shall vest in an elected mayor. Section 136 outlines the functions of the town clerk as being responsible for:

- the proper administration of the council;
- managing the operations and property of the council; and
- supervising and controlling the activities of the employees of the council in the course of their employment.

This apparent duplication in the roles of the executive mayor and the town clerk has led to misunderstandings that have adversely affected the smooth running of some local authorities. These misunderstandings have permeated to other levels and committees of local governments. For example, it was reported by the Investigating Team Into the State of Governance and General Administration of the City of Harare (The Thompson Commission) of 1999, that:

“What emerges ... is the fact that the management of the interface between the mayor and the town clerk, between the mayor and the heads of department, between the town clerk and heads of department and between the mayor and his colleagues in the executive committee, was in shambles.”

From our field visits, we established that other local authorities, such as Kwekwe, have been able to manage this relationship much better.⁸⁴ On balance, however, the establishment of the office of executive mayor appears to have imposed an administrative constraint on the operations of local authorities such as Harare and Kwekwe.

⁸³ In terms of Section 101 of the Labour Relations Act, an “employment council or works council may apply ... to register an employment code of conduct that shall be binding in respect of a particular industry, undertaking or workplace”. The code provides for disciplinary rules to be observed including precise definitions of acts or omissions that constitute misconduct, the procedures to be followed in the case of breach of the code, penalties for any breach, etc. SNGs with employment or works councils can therefore register their own codes of conduct, which can be applied to dismiss staff other than senior staff whose dismissal should be approved by the Local Government Board.

⁸⁴ In the case of Kwekwe, the incumbent Executive Mayor is the former Town Clerk and this has contributed to a better understanding of and delineation of roles and responsibilities of the two officials within the local authority.

7.1.2 Supply side analysis - access to private finance and services providers as well as bulk service and utility suppliers

In terms of existing legislation, local authorities that fall under the UCA may borrow money for capital projects and liquidating existing loans. Cities like Harare and Kwekwe have been allowed to borrow money from the private sector but only after the specified ministerial and electorate approval, but borrowing from the private sector also depends on the local authority's creditworthiness. The situation is compounded by perceived inability or fear by local authorities to put up council assets as collateral for loans as described in Chapter 6, inter alia, by advertising in a newspaper their intentions to borrow money and making application to the minister. The borrowing may be from the state, the Local Authorities Pension Fund, a municipal provident fund, a municipal medical aid society or from another local authority. With the consent of the Minister of Local Government and the Minister of Finance, loans can also be raised by issue of stock, bonds, debentures or bills.

Rural District councils, such as Pfura and Gutu Mupandawana, are limited to borrowing only from government from funding that is appropriated for the Public Sector Investment Programme (PSIP). In addition, these local authorities cannot directly access funds from donors because of the requirement that external funds must be channelled through government.

Local authorities have access to utility suppliers (e.g. ZESA supplies electricity and street lighting in some areas, water is supplied by the Department of Water, while PTC supplies telephones). However, most of the bulk services are provided by local authorities themselves except for raw water, which is supplied by Department of Water, and main roads, which are maintained by the Ministry of Transport and Energy. In some instances, such as at Ruwa and Gwanda, the Department of Water provides potable water to the local authorities. The control of water by the Department of Water poses problems for Gwanda in that it buys purified water as opposed to raw water, and any losses in the distribution are borne by the council. In addition, these local authorities feel that they have no control over the quality and the pricing of the water. There is a conflict of responsibility on street lighting between ZESA and the local authorities.

Gwanda has been able to access private financing through the USAID Housing Programme, but, generally, it relies on government loans (e.g. World Bank, Urban II Programme). Government institutions do not pay council bills in time although the councils are expected to pay their own bills on time.

7.1.3 Capacity to innovate - power, capacity and incentives to routinely examine innovative approaches to improving their management (e.g. public/private partnerships, contracting out, commercialisation)

The UCA is permissive of local authorities to engage in innovative approaches to improve their management, but, generally, the local authorities lack the capacity. It was stated by some interviewees that some local authorities were too busy with routine matters to innovate and come up with new ways of doing things.

From our research, we established, however, that the various local authorities had some innovative programmes to improve on their management performance:

- Harare has contracted out refuse collection to the private sector (though, admittedly, this initiative is facing various operational problems).
- Harare, Kwekwe, Gwanda and Ruwa have engaged in public/ private partnerships (e.g. USAID housing scheme) and in contracting out other development projects (e.g. road construction).
- Harare has established the position of Human Resources Director and appointed a professional human resources practitioner to the position.
- Harare has commercialised, and is in the process of privatising, its liquor undertaking, Rufaro Marketing.
- Ruwa has contracted out maintenance, carpentry, grass cutting, grave digging and 70% of roads maintenance to the private sector.
- Ruwa is considering commercialising its liquor undertaking, while Gwanda is planning to enter into a strategic partnership with Ingwebu Breweries for brewing and selling opaque beer; and
- Pfura is engaged in capacity building initiatives such as village based development projects that are donor funded.

Local authorities in Zimbabwe, generally, have experience with and access to specialist expertise that may assist them in identifying innovative management approaches. The Zimbabwe Institute of Public Administration and Management (ZIPAM) is the main provider of consultancy expertise to local authorities. Local authorities use private consultants and specialists in strategic planning, computerisation, engineering and other specialists in projects such as the preparation of Master Plans. However, financial constraints inhibit many local authorities from enjoying full access to such expertise. We discuss specific examples of some of the innovative management practices and arrangements being pursued by SNGs in Zimbabwe.

Construction of infrastructure under a contract

Most urban infrastructure like roads, sewerage and sewage works, water distribution infrastructure and water works, electricity infrastructure as well as health and educational facilities are funded by local authorities but contracted out to the private sector for construction. In such cases, the local authority is obliged to supervise and pay the contractor for the services rendered. All the sample urban centres are practising this form of private sector involvement. The World bank funded Urban II Programme has supported this extensively

Commercialisation

This is a relatively new concept in urban local authorities that have been supported by the introduction of economic structural adjustment programme. The concept of commercialisation is being implemented, in most cases, through the formation of local authority owned companies, which operate on commercial principles. In the sample local authorities, Harare and Kwekwe have commercialised their liquor undertakings. The City of Harare has formed the Rufaro Marketing Company to operate all its liquor undertakings, and the City of Kwekwe has taken a similar route.

The municipality of Gwanda is already in the process of establishing a strategic partnership with Ingwebu Breweries (a company owned by the City of Bulawayo) to start a traditional beer brewing venture. Besides the liquor undertaking, no effort has been made to apply this concept to infrastructure and service provision.

Privatisation

Privatisation is being implemented in the form of public-private sector partnerships. The concept is yielding positive results so far.

The City of Harare has privatised 95 percent of its refuse removal to private contractors (Investigating Team into The State of Government and General Administration of the City of Harare 28 May 1999). The private contractors remove all the refuse in the area they are allocated, and they dispose of it in council solid waste disposal areas. Performance of each company is monitored by the residents and council. Council then pays each contractor according to the number of bins in the allocated area. The Merits and demerits of this undertaking by the city are still to be assessed, since the project has not been in place for a period sufficiently long for lessons to come out clearly.

The USAID funded Zimbabwe Private Sector Housing Programme has fostered a lot of private-public sector partnerships in the development of land, housing finance and construction sub-sectors. Almost all of the towns and cities are benefiting from this project.

Under the programme, USAID provided US\$48 million to building societies (50 percent as a Housing Guarantee Loan and 50 percent as grant assistance). The societies match the funds with an equivalent amount borrowed commercially on the domestic market. The blended funds are then available for low-income mortgage loans at below market interest rates. All the five building societies - namely CABS, Beverly, Founders, Zimbabwe Building Society and the National Building Society - have benefited. These building societies have then gone on to establish public-private sector partnerships with either local authorities or central government in order to provide low cost housing. All of the sample urban areas have benefited, with the exception of Gutu and Pfura.

In Harare, the Kuwadzana 4 low-income housing project is one of the USAID projects. Ministry of Local Government and National Housing, the City of Harare, Houses for Africa (a private company) and Zimbabwe Building Society established a partnership to provide the infrastructure, social services (e.g. schools) and the houses.

The Ministry of Local Government and National Housing was responsible for the design of infrastructure and servicing of the site at cost and supervised the contractor. City of Harare provided the land at cost and the housing waiting list from which the beneficiaries were selected. Houses for Africa provided the project management package, innovative financing package through mortgage securities, innovative building technology using steel frames and floating foundations and main contractors. Zimbabwe Building Society provided mortgage loans to beneficiaries, selection of beneficiaries and collection of mortgage payments on behalf of the partnership

To date more than 4 000 housing units have been developed, and a population of more than 8 000 people has benefited. The only weakness in this partnership is that the Minister of Local Government and National Housing ended up taking the responsibility of the local authority of approving and supervising the project's development stages. Harare City Council as the local authority was supposed to approve all the stages of development for this project. This exemplifies that the powers of the Minister can be applied to land management and development.

The municipality of Gwanda also established the private-public sector partnership for the development of Spitzkop Phase II, which is under the USAID programme. Zimbabwe Building Society provided the finance, and Gwanda municipality did the servicing of the area.

Under the USAID programme, many innovative private-public sector partnerships have emerged, and they provide a wealth of information on possible strategic partnerships for the provision of infrastructure and services. Kwekwe, Rusape and Ruwa have their own experiences. Ruwa, in particular, presents a case on how the private sector on its own initiative can provide infrastructure and services. Private sector involvement in the local authority areas is still in its early stages. However, the introduction of the economic structural adjustment programme and the USAID funded private sector housing programme has revealed some of the potentials of the private sector involvement in infrastructure and service provision. Also refer to 6.7.4 for information concessions then 6.6.1 and 6.6.2 for other forms of private-public sector partnerships.

Human Resources Management

There is no strong human resources management culture in SNGs in Zimbabwe. The cities covered by the study, i.e. Harare and Kwekwe, have human resources functions, while the rest of the sample SNGs have no human resources functions. Even for Harare, the position of Human Resources Director was created only recently, and previously the functions fell under town clerk's department. The Human Resources function is generally underdeveloped, and this has adversely affected Human Resources development in local authorities including in such aspects as recruitment, training, career planning, staff planning, etc.

Although local authorities such as Harare, Gwanda and Rusape have no formal training programmes, others such as Ruwa and Pfura are pursuing active training programmes. In many instances, however, financial constraints have been a limiting factor in the nature and extent of training provision within local authorities. In other instances, some local governments have adopted various policies to encourage training e.g. Gwanda council staff may be allowed to go for further studies using their own private resources and during the period they are away, council pays a third of their salaries. On completion of training, the employee is bonded for a period equal to the period they were studying.

Local authorities have experience with and access to specialist expertise that may assist them in identifying innovative management approaches. Most of the local authorities including Kwekwe, Gwanda and Ruwa have access to specialists e.g. ZIPAM, Domboshawa and consultants but, again, there are financial constraints that limit access to these resources. Innovation in SNGs is also constrained by the prevailing culture of risk aversion, which leads to poor delegation of responsibilities and lack of accountability.

7.2 The sub-national government decision-making process and adaptability to local need and conditions

Local authorities in Zimbabwe have three distinct levels at which controls are exercised over their operations. The **political level** is the highest point of control, comprising the councillors as elected representatives of their communities. The next level down is the **policy level**, which is constituted by the councillors, the executive committee and other functional committees of council. At the lowest level is the **management level**, comprising the executive mayor or chief executive officer, the town clerk and heads of department. These levels are intended to provide checks and balances in the operations of the local authorities as well as to ensure that local needs are met.

7.2.1 The political level

The political level consists of councillors who have the overall responsibility for directing the functions and operations of the local authorities and for ensuring that the local authority delivers its mandate to the community. Most major decisions affecting the local authority are taken at this level. Councillors are also charged with governing relations between the authority and the outside world including with key stakeholders. They determine the rate and pace of change in the improvement of ISP in the local authority and they ensure the survival of the authority.

The size of the council, thus the number of the councillors, is determined by the number of wards (which are electoral structures) in each local authority. Councillors are generally elected on a political party ticket, although some councillors are independent of any political party. This means that councillors owe their allegiance, first and foremost, to their political parties and, secondly, to the people who voted for them. Failure to satisfy the expectations of the party may result in their losing support of the party (and consequently their council positions). Similarly, a failure to satisfy the expectations of the electorate may cause them to be voted out of office at election time. Another dimension is that a council position is often regarded as a stepping-stone to higher political positions.

These political considerations tend to retard councillors from making decisions that are politically unpopular, notwithstanding that such decisions may be in the best interest of the local authority. In the circumstances, councillors are often perceived as being pre-occupied with issues of self-interest and/ or on trivial and irrelevant issues (to their office) such as employment of casual labour and staff administration.

There appears to be a very thin dividing line between the political level and the next level down, the policy level. This is because the policy level is constituted by the politicians (the councillors). At the policy level, the councillors are expected to transform their role into technocrats who formulate, develop and monitor the implementation of council policies. Policy committees include, the Executive Committee, Audit Committee, Works Committee, Finance Committee and Health and Education Committee. In practice, however, political considerations tend to guide the decisions of the councillors as already described above.

7.2.2 The management level

Management of the local authority is vested in the Executive Mayor or chairperson of the council (both politicians), with the town clerk or the council secretary being responsible for the day-to-day management of the council. As already discussed above, there is lack of clarity and demarcation between the roles of the executive mayor and the town clerk in the city councils.

The management level is expected to implement the policies of council and to ensure smooth day-to-day operations. In many instances, this seems to be working very well. For example, Ruwa, Kwekwe and Gwanda appear to have effective management structures as attested by the general orderliness of their operations and the availability of information. Their financial records are up to date. Harare, on the other hand, has experienced problems at management level, which have resulted in a number of heads of department being discharged. Pfura and Gutu, the two rural district councils covered in the study, also appear to have problems at management level, and this is shown by the lack of up to date council records including financial reports. The audit of their financial records is lagging several years behind.

We provide in **Table 7.1**, key aspects of the seven sample local authorities (SNGs) to compare their levels of responsibility in terms of jurisdictional sizes including service populations, infrastructure maintenance responsibilities, revenue bases and authorised staff establishments.

Table 7.1 Rank order of the SNGs to compare levels of responsibility

Local authority/ Rating criteria	Harare	Kwekwe	Gwanda	Rusape	Ruwa	Gutu	Pfura
Service population (Z\$ million)	1.2	0.075	0.011	0.014	0.002	N/I	N/I
Revenue base (Z\$ million)	1072	62	7.6	18	10	N/I	8
Staff establishment	12357	1150	205	253	N/I	N/I	70
No. of Staff per 100 residents	1.39	1.12	0.09	0.72	1.0	N/I	N/I
Staff per Capita	0.01	0.01	0.02	0.02	0.43		
Training Strategy available	No	Yes	No	No	Yes	N/I	Yes
HR functions available (Yes/No)	Yes	Yes	No	No	No	No	No

7.3 Issues concerning the potential of managerial approach for local authorities in relation to the constraints of the regulatory environment

As described above, with a few notable exceptions, local authorities appear to have limited management capability. This is a result of a combination of factors, including:

- inability of the local authorities to attract and retain suitable calibre of staff due to uncompetitive salaries and conditions of service;
- perceived and real political interference in the running of the councils by central government and political party officials;
- unclear roles and responsibilities as provided for in the existing legislation e.g. the issue of executive mayor and town clerk; and

- bureaucratic controls and practices in such matters as budget preparation and approvals, recruitment of senior staff, setting of conditions of service, etc.

We discuss some of these issues in detail in the following sub-sections supporting, where appropriate, our analysis with evidence and data collected from the sample local authorities.

7.3.1 Potentials and capabilities of local authorities to attract comprehensive manpower resources

Local authorities are constrained in the recruitment of senior staff by the legislated requirements of seeking approval for recruitment and engagement of senior staff. Current legislation provides that the recruitment of senior staff (or designated positions) be approved by the Local Government Board or the Minister of Local Government in the case of rural district councils. The Board consists of seven members who are appointed by the minister (some of whom are by nomination of specified representative bodies) and is, inter alia, responsible for:

- providing guidance for the general organisation and control of employees in the service of councils;
- ensuring the general well being and good administration of councils staff and their maintenance in a high state of efficiency;
- making model regulations stipulating the qualifications and appointment procedures for senior officials of councils;
- approving the appointment and discharge of senior officials of councils; and
- conducting inquiries into the affairs and procedure of councils.

The Local Government Board was established to provide checks and balances in the management of staff resources in the local authorities, and, in this regard, it plays an important role as a safeguard against the whims and excesses of council officials. In practice, however, the Board currently constitutes a significant impediment to efficient operations of councils. Recruitment of senior staff takes a long time because of the Local Government Boards delays. It was indicated to us that some positions have taken more than six months to fill.

The Local Government Board also controls the remuneration of senior staff, and the levels are usually determined by the size of the local authority and not the demands of the job. For example, the remuneration levels for Ruwa, which is a highly performing local authority, is pegged at the level of similar sized but poorly performing local authorities. Consequently, Ruwa is currently unable to recruit and retain engineering staff because of uncompetitive conditions of service and poor remuneration and perks. Harare used to have better terms and conditions for staff than other local authorities, but they have slipped to an uncompetitive level and are increasingly failing to attract and retain suitable cadres of staff. Gwanda, which has recently attained municipal status, is still facing a lot of staffing problems due to similar reasons. However, in the case of Gwanda, the position is exacerbated by its small revenue base.

Local authorities can increase potential to attract and retain staff if they are given autonomy to make decisions on recruitment of senior staff and to determine appropriate remuneration levels based on their revenue base and their ability to pay. Currently, such decisions are referred to the Local Government Board, and the involvement of the Board in such management issues is

perceived as constraining the autonomy of the local authorities. There was evident tension and frustration among the SNGs with delays caused by the need to refer matters to the Local Government Board and, in this regard, there has been some instances in which SNGs disregarded the instructions of the Local Government Board⁸⁵. In our view, the Local Government Board could still provide the necessary checks and balances by reviewing and approving all decisions but on a “no objection” basis. This means that the local authority would be responsible for its decisions, but these would be subject to review by the Local Government Board, who may, if they object to any decision, refer the matter back to the local authority for further consideration.

Concerning the extent to which local authority officials can modify the number and qualifications of staff relevant for different functions of the council administration (“including hiring and firing”), again the practice differs from one local authority to another. For Ruwa there are guidelines regarding qualifications of staff, but they are not bound by them. Filling of vacancies on the establishment is automatic, and each department head can specify the qualifications they require for positions within their departments. However, they cannot increase the number of staff without council’s approval. The council approves the hiring of staff, increases in the establishment, etc. But as with other local authorities, the appointment of senior staff has to be approved by the Local Government Board; hence, their qualifications have to satisfy the expectations of the Board. At Harare, the hiring and firing of senior staff must be approved by the Local Government Board, but junior staff can be hired and fired at council level. In a bid to contain expenditure on staff, the Minister of Local Government has issued a directive that the wage bill should not be more than 28% of recurrent expenditure. However, none of the sample SNGs has been able to meet this target.

7.3.2 Sub-national staff inventory (number of employees, education, qualifications, support, etc.)

We summarise, in Table 7.2, the staff establishment⁸⁶ of Harare City Council. Clearly, Harare is the largest employer, with a current staff establishment of 12357 of which the actual strength is 10407. There are 1950 vacancies, with the largest number of vacancies being in the Works Department. At 15.8%, the vacancy level at Harare vis-à-vis the establishment appears to be high. However, Harare is reported to be over-staffed due to lack of a coherent staffing plan and politically motivated recruitment practices.⁸⁷ Rusape has an establishment of 253 staff and its actual strength is currently 235 staff. There are 18 vacancies, including all deputy department heads and Administration Officer, some of which have not been filled due to lack of adequate financial resources. Kwekwe’s current establishment is 1150 and the actual is 817. Heads of department and other managerial positions are filled. Kwekwe has the highest vacancy to establishment ration and this is indicative, in part, of the efforts which have been undertaken to

⁸⁵ Refer to the report of the investigating team into the state of governance and general administration of the City of Harare, May 1999.

⁸⁶ Establishment is the authorised staff complement of the SNG and is established by council through budgeting considerations and /or work-study techniques. It relates to the ideal staffing levels and not to the “actual” number of staff in employment at a given time.

⁸⁷ Report of the Investigating Team into the State of Governance and General Administration of the City of Harare: 28 May 1999. The Report describes the practice whereby councillors were allocated quotas to recruit staff from their wards and other recruitment practices which resulted in a “bloated City Council, non-essential staff and under-staffing in essential services”. The report recommended that the establishment of the city council should be rationalised and this recommendation is currently being implemented.

rationalise staffing levels. Kwekwe plans to further rationalise staffing levels and have contracted ZIPAM to carry out an exercise on how this can be achieved.

Table 7.2: Harare City Council's staff establishment

Department	Establishment	Actual	Vacancies
Town Clerk	55	35	20
Chamber Secretary	1681	1387	294
City Health	3126	2970	156
Human Resources	26	15	11
Housing and Community Services	2313	2155	158
Works	4538	3304	1234
City Treasurer	603	526	77
Mayor's Parlour	15	15	0
Total	12357	10407	1950

Table 7.3 provides a staff inventory for Gwanda. Gwanda's current staff establishment is 205 and the actual number of employees is 187. The following critical positions are currently vacant; Deputy Treasurer, Chamber Secretary, Deputy Engineer, Works Manager, Director and Deputy Director for Housing and Social Services. The council has no personnel, legal and town planning sections. Consequently, the Acting Town Clerk is over loaded and the management and administrative functions are constrained. Pfura currently employs 70 staff and has vacancies in positions of Chief Executive Officer, Internal Auditor and engineering support staff.

Table 7.3: Gwanda staff inventory

Department	Establishment	Actual	Vacancies
Town Clerk	13	11	2
Health	58	51	7
Housing and Community Services	61	58	3
Engineering	56	51	5
City Treasurer	14	14	0
Mayor's Parlour	2	2	0
Total	204	187	17

In line with the educational standards in Zimbabwe, SNG officials are well qualified in their respective disciplines with the heads of department holding degree level qualifications or diplomas while supervisory staff hold diplomas or certificates. The general practice among employing organisations in Zimbabwe, since the mid-1980s, has been to employ persons holding at least five Ordinary Level subjects, including English and Mathematics, for any positions including general labour. Other than for casual/ seasonal labour (e.g. for grass cutting), SNGs have generally followed this practice.

There are no prescribed minimum levels of qualifications in the legislation other than for Executive Mayors. Section 49 (e) of the UCA stipulates the minimum academic and professional qualification of the Executive Mayor. These requirements are "a general certificate of education

with passes in at least five subjects, including English, at Ordinary Level and either a general certificate of education with passes in at least two subjects at advanced level or a post Ordinary Level qualification in any career or profession obtained after pursuing at least two years of studies”.

7.3.3 Rules concerning administrative and other staff established by Civil Service provisions

Terms and conditions of service for sub-national governments are not established by the Public Service Commission but are provided for in the Urban and Rural District Councils Act for senior staff and in the Labour Relations Act for the rest of the staff.

7.3.4 Management practices, reforms and other civil services reforms

In line with the general reforms taking place in the public sector, local authorities are involved in a number of management reforms including the streamlining and rationalisation of management structures and staffing levels. Some of the reforms have been prescribed or reactive e.g. the directive of the Minister to reduce staff costs of local authorities to 28% of recurrent expenditure has compelled all local authorities to review their staffing levels and implement retrenchments.

Others have been proactive and planned e.g. Ruwa have introduced performance management and are exploring how the system can be linked to remuneration. Kwekwe have prepared an Integrated Strategic Development Plan and conducted a study to strengthen accountability and transparency in housing. They are currently engaged in a value-for-money management audit being conducted by ZIPAM. The culture of reform has filtered down to the Harare City Council, which has embarked on a vigorous staff reduction exercise.

The extent to which the administrative management practices support self-governance and decision-making at the local level vary from one local authority to another. Ruwa follow a consultative management process. They have tried to be more transparent with stakeholders (e.g. council officials visit the business communities in the area to discuss matters of mutual concern such as water shortages) and ratepayers have direct access to the Chief Executive. They believe that this reduces bureaucracy and promotes commitment to council objectives.

On the other hand, an official of Harare stated that the council does not accommodate or practice self-governance and they don't have the power to make decisions. This was echoed by an official of Rusape who stated that there is very little support in the local government structure for self-governance because of the need to refer most matters of significance to the Minister of Local Government and to the Local Government Board. An official of Kwekwe stated that the local authority and other municipalities in the country enjoy greater autonomy and self-governance in decision making compared to other countries in the region. However, we have been unable to verify this assertion.

Because of current staffing constraints, Gwanda does not enjoy a high level of autonomy in decision-making and self-governance. The current management and administrative practices do not support autonomy e.g. major decisions on land use are made by the Urban State lands

Department, water decisions by the Department of Water and decisions on electricity by Zimbabwe Electricity Supply Authority (ZESA).

This perception of lack of autonomy and self-governance constraints the process of management policy formulation and implementation in local authorities. As already described under Section 7.2.1, the policy formulation responsibility in local authorities is the task of relevant committees of the council e.g. Finance Committee, Works Committee. These committees lay down policies for implementation by council management including policies on ISP. Again, as already indicated, implementation is often constrained by lack of adequate financial resources.

7.4 Potential and actual introduction of new methods and information technology in the administration and decision-making of sub-national governments' information technology

We provide in Table 7.3 a summary of availability of information technology and office automation equipment in the sample SNGs. As can be seen, local authorities have started using information technology in their operations. However, in most instances, there is under-utilisation of the potential of available technology. Most of the sample local authorities covered in the study, including the rural district councils, are at various levels of computerisation. Ruwa, Harare, Kwekwe and Gwanda currently use computerised systems for accounting and word-processing. However, none of them is using e-mail, the internet or communication technology e.g. administrative registers, information systems and decision-support systems. Ruwa are looking at automation of all council records and data. Computerisation levels are reported to be very low at Harare. Kwekwe is computerised although this is not adequate. At Gwanda, three departments - the Treasury, Town Clerks and Engineering - are computerised, and they are also expecting 15 new computers from an Urban II Programme loan. Gutu RDC has three computers, a fax and one copier shared by eight departments. As result, most of the record management is manual.

Table 7.3 Inventory of Information Technology and Communication Equipment in Sample SNGs

Equipment Type	Harare	Rusape	Kwekwe	Gwanda	Ruwa	Pfura	Gutu
Servers/Main frames	N/I	10	N/I	1	1	1	1
PCs/Terminals	N/I	5	N/I	3	5	3	3

N/I – No information

Training strategy

The study established that while other local authorities have strategies and action plans for the systematic training of existing staff in order to upgrade their administrative and/or innovative capacities, others do not have. It was stated by some local authorities that, although training is provided, it is general skills training and does not address specific needs of local authorities.

Various training institutions provide public sector training to which SNGs have access. These include ZIPAM and Management Training Bureau (MTB). Private and other management

training institutions include Zimbabwe Institute of Management, Institute of Personnel Management of Zimbabwe, Speciss College, etc.

Of the local authorities covered, Ruwa has a training strategy and plan to address performance gaps, improve staff performance, use new technology and to prepare staff for promotion. Harare has no training plan or policy, but they are developing one. Kwekwe's approach to staff training was described as reactive because of financial constraints. The council has no training programme although training needs have been identified for councillors and senior staff. Pfura has a Human Resources Development Programme which guides training of staff. There are no strategies for Rusape, allegedly because councillors think training of staff is a waste of resources and will precipitate a turnover of staff as they seek "greener pastures". Gwanda also has no training strategies and action plans in place. Pfura have responsive training that is directed at identified needs and problems.

Performance management and evaluation

Only two local authorities have put in place measures and practices to enhance their ability to maximise limited resources. Ruwa has introduced an annual appraisal system to monitor individual performance and identify training needs and their suitability for the current job. Kwekwe has commissioned a value-for-money management audit, which is being undertaken by ZIPAM and which is intended to identify opportunities for improving its resource utilisation.

Most local authorities have some measures for analysing internal procedures, with the aim to re-adjust the administrative processes to facilitate optimal use of scarce resources. It is not clear how systematically applied the procedures are. The local authorities have internal audit units/ or departments for carrying out internal checks and controls and to review and advise on improvement of systems.

Ruwa have a system for analysing internal procedures, particularly at budget time and when incidence of fraud arises. In addition to the annual performance appraisal, a manpower audit is carried out annually. For Rusape, performance appraisals are done for purposes of awarding annual increments. Kwekwe have prepared an Integrated Strategic Development Plan, conducted a study to strengthen accountability and transparency in housing; they are currently engaged in a value-for-money management audit being conducted by ZIPAM. Gwanda has prepared a Strategic Development Plan, but lack of funding to implement plans is a constraint. Harare has an audit department but it is reported to be ineffective.

Sharing and use of data

From the evidence gathered, it appears that local authorities seldom share data on land-use, real estate property and natural resources in a structured and systematic way with central government institutions or agencies. Ruwa reported that there is ad hoc sharing of data with other local authorities as and when required, but it is not mandatory. Ruwa and Pfura send monthly reports to central government on state land use. Harare does not share information with central government. Similarly, Kwekwe and Gwanda do not share information except budget information, which is a statutory requirement. Various data and returns are sent to the Central Statistical Office. However, there are no legal requirements to share data.

7.5 Technical management capabilities in relation to infrastructure and service provision

Other than for Kwekwe and Pfura, most of the local authorities covered in the study have low or limited technical capabilities for managing infrastructure and service provision. This is a result of a combination of factors including inability to attract and retain suitably qualified and experienced staff (which is also a result of various factors such as lack of financial resources, controls of salaries by the Local Government Board, poor working conditions and environment, etc.), over-reliance on private sector technical expertise, lack of equipment, etc.

Ruwa's technical management capability has been limited by the absence of an engineer and, as a result, technical aspects of ISP are currently contracted out to the private sector. At Harare, it was stated that competence levels are low. Although they used to have very high skill levels, they have been losing these skills. Kwekwe reported that it is adequately staffed to provide ISP although the most constraining factor is finance and equipment. Gwanda has very limited technical management capability primarily because of staff shortages e.g. there is no Town Planner to ensure that land planning for infrastructure and services is expedited. They depend on the Department of Physical Planning and this results in delays. Pfura has a resident engineer, projects officer and a qualified building inspector

In theory, local authorities should be able to employ and retrench staff in accordance with local needs and priorities in relation to ISP but, in practice, they have difficulties in doing so. Ruwa stated that there are constraints in employing and retrenching staff. Kwekwe have done so, to a large extent, but designated positions like Town Clerk and Chamber Secretary require the approval of the Local Government Board and this is a lengthy process taking up to six months. Harare employs staff as needed but, as with other SNGs, they cannot retrench at will and have to get authority from the Ministry of Local Government for senior staff and the Ministry of Labour for lower level staff. Pfura has not had to retrench staff.

While local authorities are able to employ staff members with experience in planning and carrying through investment projects covering the key infrastructure components or the contracting out of such projects, they are generally constrained by lack of financial resources. Kwekwe and Harare have experienced planning and engineering staff but the later does a lot of sub-contracting than employing because of cost considerations. Gwanda does not employ a town planner and the position is not even on their establishment. The engineering department has only one engineer and that causes operational constraints.

Generally, the level of local authorities' technical staffs' competitive experience with the daily management of the infrastructure components is low when compared to private sector personnel. Ruwa technical staff cannot match the experience and expertise of their counterparts in the private sector. Harare staff are reported to have the experience, but their productivity is said to be low due to low morale and poor work culture. Kwekwe's technical staff are said to be experienced enough to compete with the private sector. Gwanda's staff are mostly inexperienced, and there are staff shortages in critical areas. Pfura stated that their staff are as competitive as the private sector personnel.

Some local authorities have plans and policies for improving their technical management capabilities, while others have none. Ruwa sends their staff on short training courses (e.g. sewerage courses) to improve their technical capabilities. Harare is designing a manpower plan and they get training assistance from “twin” cities and non-governmental organisations. Kwekwe has engaged ZIPAM to carry out a management audit, which is likely to identify training and development needs. Gwanda has no plans in place. Donors have supported Pfura with technical staff who have remained with the local authority on completion of the donor projects.

We provide in **Table 7.4** our assessment of the performance standards of the sample local authorities on technical management. We should confirm the rating is based on the consultant’s assessment of the performance as established through interviews with SNG officials and from public informational such as newspaper reports. It is not scientific assessment.

Table 7.4: Assessment of SNGs performance standards on technical management

Local authority/ Rating criteria	Harare	Kwekwe	Gwanda	Rusape	Ruwa	Gutu	Pfura
Operations and maintenance	U	VG	G	G	VG	U	G
Investment management and planning	G	VG	G	G	VG	U	U
Accounts and audits	U	G	G	U	VG	U	U
Human resources development	U	VG	U	U	VG	U	G

Rating key:

E	Excellent	Standard of performance in terms of technical capabilities for managing ISP, availability of skills, use of external resources, state of infrastructure, etc., substantially exceed that of other local authorities
VG	Very Good	Standard of performance is significantly higher than good
G	Good	Standard of performance meets core requirements
U	Unsatisfactory	Standard of performance which does not meet expected standards

7.6 Financial management capabilities including tariff-policies and management of sub-national governments in relation to infrastructure and service provision

With two notable exceptions, the financial management capabilities of local authorities appear to be limited. The exceptions are Ruwa which has a well-established finance department and whose financial records are up to date. Their services are properly costed, and tariff charges are based on cost recovery basis. The other exception is Kwekwe whose treasury department is adequately staffed with qualified personnel. However, they state that tariffs are controlled by the Minister of Local Government and its citizens and currently the council is facing litigation by ratepayers who are opposing tariff increases.

Harare appears not have the skills and the Thompson Commission chronicled numerous incidents of financial mismanagement. To address its shortcomings, Harare have now appointed fund accountants to take into account the technical work required to come up with realistic tariffs. The financial records for Pfura and Gutu are not up to date and, in our view, this is

indicative of a lack of financial management skills. Gwanda's financial management is constrained by understaffing of the Treasury Department and the limited experience of the current Treasurer. Below we summarise specific findings relating to SNGs financial management capabilities.

Sample Six SNGs

1. Last Audited Accounts (as at January 2000)

Harare City Council	-	June 1997
Kwekwe City Council	-	December 1998
Rusape Town Council	-	December 1998
Gwanda Town Council	-	December 1998
Ruwa Local Board	-	June 1997
Pfura Rural District	-	Unknown
Gutu	-	Unknown

2. Ability to prepare own financial statements and maintain proper accounting Records

Most urban SNGs are able to prepare their own financial statements and maintain proper books of accounts as required by the governing acts. However, the same cannot be said about RDCs. Due to poor remuneration, they are unable to attract qualified personnel to carry out all the treasury functions. It is quite common to find several RDCs operating without a substantive Treasurer, as is the case with Pfura and Gutu. Mostly RDCs source external help to prepare financial statements e.g. external auditors. Currently the World Bank funded "Capacity Building Programme" is helping RDCs in this regard.

3. Key Personnel – Manpower

Both urban and RDCs lack key personnel in one area or another. It is quite common to find SNGs operating without substantive Chief Executives, Treasurers, officers, Housing and Administrators etc. It is also possible in certain instances that people holding such key positions are not adequately qualified. RDCs suffer due to lack of key personnel much more than their urban counterparts. Some reasons may be:

- lack of adequate remuneration;
- current bureaucratic structures;
- lack of motivation, team work; and
- frustration on the job and political interference.

4. Tax Administration – Revenue Collection

SNGs are able to administer their tax assignments fairly well. However, the problem arises in collection of revenue from defaulters. Due to current economic hardships, SNGs are noticing increasing numbers of defaulters. Although a lot of effort is made to collect money from defaulters through legal channels, political meddling in some instances hinders the effort.

It must also be noted that several government ministries, public bodies (such as the Zimbabwe Republic Police and Zimbabwe National Army), parastatals, ZRP, ZNA etc. owe huge sums of money in user fees, rates, etc. to almost all urban SNGs. This has led to severe cash flow problems for the SNGs.

4. Internal Control

In most urban SNGs as well as some RDCs, internal controls, in practice, are not strictly adhered to all the time. All city councils and most municipalities have internal audits departments who carry out continuous spot checks to ensure internal controls are in place. In the case of smaller urban SNGs and most RDCs, the situation is grim in the sense that they lack qualified manpower to carry out such tasks. In most RDCs, post of internal auditor is non-existent.

As borrowings for local authorities have largely been confined to borrowing from government, local authorities have not previously been concerned about the need to identify, influence and develop strategies to improve creditworthiness. However, following the study by Duff & Phelps Credit Rating Company on Credit Rating and Diagnostics, which was prepared for USAID in January 1999, considerable interest has been aroused. Of the sample local authorities covered in this study, Harare and Kwekwe were covered in the Duff & Phelps study. Those that were not covered, such as Ruwa, feel that the exercise could have been better communicated to other local authorities. They also feel that the fact that the results were kept secret (at least until after they were published by the local press) has not provided an incentive for the local authorities to improve their creditworthiness.

We provide in **Table 7.5** our assessment of the performance standards of the sample local authorities on financial management. As already indicated above, these assessments must be considered with caution.

Table 7.5: Assessment of SNGs performance standards on financial management

Local authority/ Rating criteria	Harare	Kwekwe	Gwanda	Rusape	Ruwa	Gutu	Pfura
Finance	U	G	U	U	G	U	U
Use of regional financial expertise and experience	U	U	U	U	U	U	U
Identification and use of financing options	U	G	G	U	G	U	U
Motivation of domestic institutions	U	G	G	U	G	U	U
Investment management and planning	G	G	G	G	VG	U	G
Accounts and audits	U	G	G	U	VG	U	U
Human resources development	U	VG	U	G	VG	U	G

Rating key:

E Excellent Standard of performance in terms of financial management, up-to-date

		Accounts, tax administration, internal controls and credit worthiness substantially exceed that of other local authorities
VG	Very Good	Standard of performance is significantly higher than good
G	Good	Standard of performance meets core requirements
U	Unsatisfactory	Standard of performance does not meet expected standards

7.7 Issues of management and decision-making in relation to land, water and other key resources within the boundary of the sub-national government

The extent to which local authorities are involved in decision-making and management control of land, water and other key resources is largely determined by the conditions of ownership and control of such resources. The local authority, through the preparation of local and master plans, decides on land use. The master plan is approved by the Minister, while a local plan is approved by the local authority. There is a general shortage of land for most local authorities, and they look to government for assistance.

Gwanda does not own much of its own land, as most land is owned by the state, and the local authority administers the land on behalf of the Urban State Land Office. Water is controlled by the Department of Water, and council controls the water distribution system. Consequently, for Gwanda, land delivery, water and other key resources are largely controlled by other bodies. Ruwa have had land disagreements with neighbouring Goromonzi Rural District Council. Harare has been reported as not having efficiently managed its land.

Other key resources are managed by government parastatals e.g. electricity is managed by ZESA and telephones are managed by Post and Telecommunications Corporation (PTC). Quality of water is controlled by the Water and Public Health Acts, but the distribution is controlled by the local authority. Local authority management is responsible for issues such as leak detection, sewage reticulation and waste removal.

On water, other than for Ruwa, SNGs appear to be reasonably well supplied. Pfura drills their own boreholes to supply water to service centres, while the Department of Water Supplies processes water to the town of Mt Darwin. Ruwa buys purified water from the Department of Water, which, in turn, buys it from Harare. This makes the water very expensive. There are also frequent shortages of water, and even industrial concerns have to rely on borehole water. Pfura also lacks financial resources to maintain water reservoirs. Kwekwe has sufficient water, although they are unable to charge economic rates for the water due to fears of consumer resistance.

Ruwa are able to manage key resources except for water, which is in short supply. Gwanda, on the other hand, have very limited capacity to manage land because there is no land use Planner and the local authority relies on the Department of Physical Planning. For Pfura, central government owns all land, which the local authority manages on its behalf by allocating land for commercial, cultivation and communal use. For Kwekwe, the private sector is permitted to develop land, but the development permits and subdivision approvals normally take time. Harare does not have enough land and has experienced problems in purchasing land because of constraints imposed by the UCA.

In terms of the Urban Councils Act (Chapter 29:15), urban councils may acquire land within and outside the council area and such acquisition may be by way of purchase, donation, lease agreement with the owner of the land. However, the council may not acquire land outside the approved town planning scheme without approval of the Minister of Local Government. SNGs face a number of problems relating to land acquisition and these include:

- Lack of financial resources to acquire the land as the SNGs have to compete on the open market for land and the cost of land is very high. Because of their limited financial resources, SNGs look towards government to purchase the land (or to compulsorily acquire it in terms of the Land Acquisition Act (Chapter 20:10) and then pass it on to the SNGs but government also has constraints in acquiring land;
- The requirement to acquire only the land which is within the town planning scheme also means that those cities which are expanding rapidly, such as Harare, quickly exhaust all the land which is within their master plans and, thus, have to obtain approval from the Minister for any additional land purchases.

There is, however, a positive spin-off from this scenario in that it has encouraged greater involvement of the private sector, which is increasingly getting involved in estates development of both low, medium and high density suburbs such as Borrowdale Brooke and Msasa Park in Harare. Commercial and industrial parks have also been developed by the private sector, thus, significantly contributing to infrastructure provision.

Concerning physical planning and land management, the level of authority given to local governments is governed by legislation and local by-laws. For building, there is a need for permits for development and there are delays in getting permits. Development permits are issued by the SNGs and the land sub-division permits are issued by the Department of Physical Planning except for the cities (i.e. Harare, Kwekwe) who can also issue land sub-division permits. Permits do not always conform to the requirements specified in the applications. There are also delays in processing of applications for permits, both internally within the local authority, and externally with the Department of Physical Planning. Kwekwe and Harare are engaged in physical planning, although the Minister approves the preparation of Master Plans and change of reservation. Kwekwe and Harare are largely in charge of land management including preparation of the valuation rolls for property rating. Land management is difficult for Gwanda because the use of land is controlled by the Urban State Land Office (which is in Harare) and the Department of Physical Planning.

Local authorities largely have powers to control and influence formal development within their jurisdictions but do not have much control over informal developments that, in any case, are illegal under town planning legislation. Ruwa has some control over formal developments within their jurisdiction, but they do not own the land, and this poses some constraints in that developers can work on the land without the council knowing. However, registration of developers is in progress but there has been resistance to registration and there are no by-laws to enforce licensing of developers.

The processes of planning, development control and land delivery are clearly defined in the current legislation, but some of this legislation (e.g. the Regional and Town Planning Act, 1976; Model Building By-laws, 1977) is now regarded as archaic. Thus, its implementation is not

always viewed as clear and transparent. It was stated that the provisions are clear, but people flout the regulations. Central government, through the Urban State Land Office and the Department of Physical Planning, has a lot of say on land use. Land availability and delivery is also largely dependent on the local authority's land acquisition and land bank approaches, as well as central government's authorisation on land acquisition plans.

7.8 Institutional Relationship between SNGs and key government ministries

SNGs fall under the general supervision of the Ministry of Local Government and National Housing, and there is a close working relationship between SNGs and that Ministry in such matters as budgeting, tariff changes, staffing of senior positions, etc. However, the relationship is generally viewed by the SNGs as one of "unequals" or "master and servant", with the Ministry taking a dominant role and the SNGs a subordinate role. This perception of inequality is, in part, an expression of the legislative authority of the Ministry of Local Government and National Housing over the SNGs. Although the legislation provides that submission of budgets to the Ministry of Local Government is for information purposes only, in practice the Ministry exercises significant influence on the whole budgetary process and exercises direct control on tariffs for the high-density areas. The Ministry is also responsible for disbursing to the SNGs grants allocated by the Ministry of Finance, and, thus, effectively they hold the "purse strings" of government grants. This adds to their power and control over the SNGs.

SNGs have very limited direct interaction with the Ministry of Finance, as the latter mainly deals with the Ministry of Local Government on a ministry-to-ministry basis. This means that the Ministry of Finance is not very well-informed about the issues and concerns of the SNGs. We understand that SNGs are not directly involved or consulted in the national budget formulating process although some initiatives have been embarked upon to involve them through the Urban Councils Association of Zimbabwe (UCAZ).

UCAZ and the Rural District Councils Association represent the collective interests of both the urban and rural district councils, and they act as co-ordinators for SNGs. In addition to these, there are also professional associations of Town Clerks and City Treasurers to deal with the interests of these specific SNG groupings. There are also other fora for private/public cooperation such as the Working Group on Municipal Finance, which is composed of private sector representatives, SNG representatives and officials from the Ministry of Local Government.

The above-mentioned institutions and fora ensure that the interests of SNGs are taken care of, but there is no conclusive evidence from the study about how effective they are. Given the wide range of current problems facing the SNGs, it is probable that a greater level of communication and co-ordination is still necessary to strengthen relations and ensure a more effective representation of SNGs interests.

CHAPTER EIGHT

CONCLUSIONS AND SUSTAINABILITY OF THE FINDINGS

In most important respects, Local Government in Zimbabwe runs on relatively sound and well-regulated lines. Mayors and Councils are democratically elected, and the two associated national arms of government - the Ministry of Local Government and National Housing and the Local Government Board - perform the necessary regulatory and administrative functions to ensure effective operation of the system.

Government has stated a commitment to decentralisation and has taken steps to implement it. However, there are questions as to whether the present situation is sustainable, and whether the legislative checks and balances are being used appropriately. The study has documented examples of abuse of power at the SNG level but also that SNGs are sometimes prevented from making politically difficult, but financially sound, decisions by the Ministry of Local Government.

Nevertheless, the study has provided indicators of solutions that, if implemented, can add significantly to the effectiveness of Local Government and enhance the government's objectives of decentralisation.

This Chapter is not intended to provide prescriptions for solutions, but rather to indicate where current problems lie and to record possible solutions, as suggested to and by the team.

8.1 Financial management

SNGs in Zimbabwe are constrained in many ways with respect to financial management. It is considered that the type of controls used are, in many cases, unnecessarily restrictive, and that, left to take responsibility for their own financial management, the financial strength of many SNGs would be significantly improved. Examples of matters in which increased autonomy is proposed are as follows:

- Setting budgets

It is considered that budgeting is the essential exercise of political power at the local level. To impose constraints on the budgeting process by the imposition of approval of tariffs and supplementary charges for high-density suburbs (which impacts on the overall budgeting process) acts as a deterrent to SNGs for efficient financial control. The approval process disempowers SNGs, and the delays it causes (up to six months) create difficulties for them.

- **Setting tariffs**

The same comment may be applied to tariffs, which are an essential part of the budgeting process. The freedom to set tariffs is an essential component of decentralisation, and there is little evidence of irresponsibility by SNGs in this respect. Central Government should therefore trust SNGs to take their own decisions on tariffs.

- **Setting tax levels and bases**

SNGs should be free to determine their own tax levels, especially regarding assessment rates. They should also be free to identify other sources of revenue and establish the necessary mechanisms to collect the proceeds. SNGs should update property values more frequently, say, every four or five years and not every seven to ten years, as at present.

- **Borrowing from the markets**

It is ironic that the markets impose stricter controls on SNGs than the Ministry of Local Government and National Housing has tended to do, and yet the Minister has responsibility for approving all borrowing. This control is redundant.

8.2 Expenditure levels and government grants

Table D3 showed that the adjusted level of expenditure of SNGs as a percentage of total public expenditure has declined from 10% in 1994 to 7.6% in 1997. The study has also shown that the level of government grants for SNGs has declined in real terms during the period under review. This parallels trends in many parts of the world and places the onus on SNGs to develop more innovative revenue generation methods and cost effective management techniques.

8.3 Unfunded mandates

The study has revealed the extent to which central government has imposed financial burdens on SNGs in respect of the decentralised services of education and health.

At Independence, education and health were provided as free services, funded by central Government through taxation. Subsequently it was found essential to introduce an element of cost sharing between the central government and the users, and modest charges were introduced. At that stage, user fees reduced, but did not eliminate, the subsidies provided by central government.

However, when responsibility for providing these services was passed to Local Government, although the latter were entitled to receive the user fees, the rest of the cost – the subsidised portion of the cost that had been met by Central Government – was now to be met by Government grants to the Local Authorities. In practice, not only were these grants less than the costs, but also they were usually not paid. For example, the per capita equalisation grants in respect of education are not being paid, and health grants have been far below the actual costs incurred. Thus, the extra cost has had to be borne by the ratepayers.

In addition, Government has controlled the charges that the public has to pay for using the services, thereby making it doubly difficult for SNGs to sustain these services on a viable basis. The policy whereby people earning less than \$400 per month receive free health care has also been abused, resulting in addition loss of income by the SNGs.

The consequence has been a parallel deterioration in the standard of services provided and the financial strength of the SNGs. This has made it impossible for the SNGs to keep costs within their budget, and many have had to resort to withholding government loan repayments.

8.4 Divided Cities

In relation to the urban areas, the question of integration between the so-called high-density areas and the remainder of the urban area has not yet been fully addressed.

The present situation is a relic of the pre-independence days when the high-density housing areas – as in South Africa – were treated as a separate part of the town and subject to different rules. Instead of paying rates, they were charged “supplementary charges”. What was first introduced for people of a specific race is now seen by the Government as a tool for reducing the financial burden on the poor. Meanwhile, due to demographic and economic changes, the so-called “high density areas” house a large variety of income groups. It is felt that, in the interest of equity, the system should be reappraised. If there is a need for special measures for the poor, this should be addressed through welfare measures. The approach adopted in South Africa might be a useful model.

8.5 Infrastructure

There are several causes for concern in respect of infrastructure provision. The most important is the reduced level of Government grant funding to SNGs, which has made the planning for future infrastructure very difficult and delayed essential projects. As a result, the standard of infrastructure provided to many citizens, especially the poor, is likely to be adversely affected for many years to come.

The study has also shown that funding that was supposed to be devoted to local roads has been diverted in some cases to include the maintenance of trunk (national) roads going through urban areas, as Government has not met its commitments to give SNGs grant funds for maintenance of national roads.

In addition, the maintenance of existing infrastructure has been adversely affected, which could lead to costly breakdowns and similar problems in the future.

In respect of water, a cause for concern is that the Ministry of Rural Resources and Water Development has not had the funds to plan and implement long-term bulk water supply projects such as dams. Examples cited include the Matabeleland Zambezi Water Project and the Kunzwi Dam. Delays in implementing such projects create difficulties for SNGs, whose populations tend to expand faster than available water resources. Due to the long lead-time for such projects, the picture is likely to get worse with time, at least in the short term.

The study also revealed inconsistencies in respect of water prices. For example Ruwa, thanks to an accident of geography by which two “middlemen” (Harare City Council and the Ministry of Rural Resources and Water Development) are involved, must pay much higher water charges. It is considered that rationalisation based on catchment area costs should be considered.

8.6 Devolving responsibility for infrastructure provision

It has been noted that water sales are a major contributor to municipal finances in many cases. Consideration should be given to giving the larger, urban SNGs responsibility for also selling and managing electricity within their borders. This could provide a useful source of income and would rationalise the current anomalous situation whereby they provide street lighting but no other reticulation.

8.7 Mayors and Councillors

8.7.1 Mayors

Section 64 (1) of the Urban Councils Act gives mayors responsibility for “the supervision and co-ordination of the affairs of the council”. The study has shown that there is a lack of clarity with regard to the interpretation of the terms “supervision and co-ordination”, and it is recommended that the Ministry of Local Government and National Housing convene a workshop at which all Mayors and Town Clerks have the opportunity to discuss the practical interpretation of this provision.

A much more radical provision is found under s 64 (3):

“a municipal council may, and if so directed by the Minister, shall delegate to the mayor any of its functions.”

This provision is open to abuse, in that it has no limitations either in the duration of the delegation or the powers so delegated, other than the council having the power to revoke the delegation. The well-publicised case of Harare illustrates the problem well. It is thought that consideration should be given to amending the Act so as to introduce the appropriate checks and balances in the execution of these powers.

8.7.2 Councillors

Council staffs experience many frustrations in dealing with councillors who lack the educational qualifications or experience to deal with the issues raised in council meetings. This creates difficulties in terms of both the quality of the decisions that are taken and the effectiveness of the management of council business.

The concept of minimum educational qualifications is already entrenched in the Urban Councils Act in respect of the Mayor, and many consider that councillors should also have to meet minimum educational levels: say, 5 “O” levels. Alternatively, political parties should be more aware of the need to nominate candidates with the appropriate qualifications and personal integrity. Councillor training programmes are also an important component of local governance,

but they are costly and present major logistical problems, especially after elections. Attention should be paid to improving the effectiveness of training programmes and developing a sustainable method of providing this support.

8.8 Capacity building and training

Much work has been done in connection with capacity building and training, especially in respect of Rural District Councils. This work must be continued and subjected to regular evaluation to determine whether it is attaining its objectives.

8.9 Land and land-use planning

The study has revealed that very few SNGs have physical development plans. This affects their ability to undertake effective infrastructure planning and development and results in haphazard development, which affects housing, commercial and industrial development.

In this connection, it may be necessary to determine whether the requirements of the Regional and Town Planning Act are too onerous for use by SNGs. It might be possible to modify the Act to allow the use of more appropriate physical planning tools by SNGs and to introduce planning systems that permit a more rapid response.

8.10 Privatisation/commercialisation

Zimbabwe has shown reluctance to commercialise or privatise urban services. It is considered that several opportunities should be explored.

Two different categories exist: commercial services (such as beer halls) and infrastructure (such as solid waste removal and water provision). International experience suggests that, as a matter of priority, commercial services should be privatised. Councils can earn income from the lease of premises or enter into profit sharing arrangements with private operators.

The issues in connection with the privatisation of public services are more complex, but the privatisation of some services, such as solid waste removal, has been successfully undertaken in many parts of Africa. Zimbabwe may also find benefits in pursuing this approach.

Increased participation by the private sector could mitigate the problems currently being experienced in the maintenance and development of roads, water supply and other infrastructure.

Different ways of engaging the private sector in terms of providing capital, skills and services need to be disseminated more widely, and appropriate models developed for wider application to the needs to SNGs.

8.11 Staffing

8.11.1 Appointments

There is an almost unanimous demand from the sample SNGs for increased local autonomy to appoint and determine the conditions of service of their own staffs. The study revealed many complaints concerning the delays caused by the Local Government Board and inappropriate appointments.

The issue, from the perspective of governance, is how to do so in such a way as to avoid abuse of power by SNGs (for example in terms of nepotism) and/or unfair dismissal for staff who refuse to implement illegal instructions.

Consideration could be given to retaining the Local Government Board as a body to ratify decisions on a “no objection” basis, rather than being responsible for the whole recruitment process, and to safeguard against unfair dismissals.

8.11.2 Salaries and conditions of service

Local Government service requires high levels of skill and dedication, but sample SNGs have found it difficult to attract or retain good staff due to the low levels of pay and unattractive conditions of service.

It is considered that SNGs should have much more flexibility to determine the salaries and conditions of service of their staff, especially as conditions vary so much between different types of SNG. SNGs should also be able to determine the number and qualifications of their own staff, and thereby establish more accountability.

Overstaffing has been recognised as a problem in most SNGs. This imposes high costs and reduces morale. Increased autonomy will allow SNGs to create a leaner and meaner service, especially if improved salaries and conditions of service are linked to performance contracts.

8.12 Conclusion

8.12.1 What is Decentralisation for?

The Government has been accused of using decentralisation “as a means of reducing the costs of providing public services”⁸⁸.

This study confirms that the harmful effect of imposing unfunded mandates on SNGs, such as in the case of education and, especially, health, is born out strongly by the data.

This is an indicator that the concept of decentralisation has been misapplied. Thus, while central government has been progressive in decentralising certain functions, it has abused, and may

⁸⁸ Ministry of Local Government and Public Housing: Discussion Paper on the Vision of Local Government in Zimbabwe, Draft July 1999, p7

continue to abuse, the concept by placing further burdens on SNGs without the corresponding financial support. This has, in effect, rendered the concept of decentralisation ineffective and unpopular among SNGs, as it permits central government to blame local government for a failure to deliver services for which they do not have revenues.

True decentralisation has another, quite different dimension: it aims to bring power and responsibility closer to the beneficiaries so that they may control the provision of public goods and services to the maximum degree. The consequence of a well-working decentralised system is that politicians, and the staff who serve them, are accountable to the electorate and stand or fall by the success with which they meet the expectations of the electorate.

The question that always arises is how we can prevent abuse of the system in a decentralised model. This chapter endeavours to identify some pointers as to how to achieve this, within the Zimbabwe context. In summary, they are as follows:

8.12.2 The ingredients of success

8.12.2.1 Orderly transfer of responsibilities

There is, inherent in the concept of decentralisation, mutual respect between the tiers of government. Accordingly, decentralised powers should only be given to SNGs that have the capacity to use them. The powers and duties given to different tiers and sizes of SNG necessarily vary.

The tradition has been that the Ministry of Local Government and National Housing should take decisions with regard to the functions that different SNGs can perform, and/or should advise the President to do so (mainly by classifying into city/municipal/town and rural districts/councils). So be it: this is the correct constitutional position. But whether a SNG can and does assume responsibilities should be negotiated between the parties. Such negotiations will, on the one hand, consider the technical and financial strength of a SNG; and transitional arrangements whereby it can reach the required benchmark; and on the other the financial and technical support which it will receive from other arms of government. Only once such negotiations have been properly conducted and appropriate arrangements made in respect of funds, staff and other issues, should a final decision be made.

8.12.2.2 Financial independence

The current system relies on control by means of requiring Councils to obtain approval from the Minister in respect of tariffs and supplementary charges for high-density suburbs, borrowing powers and the like. The Harare experience has demonstrated that, in spite of the existence of this control mechanism, it can be too little, too late.

A well running, decentralised, system, under which there is an effective flow of information between the council and the electorate, works differently. It establishes accountability, which can be more effective at controlling excesses and better at highlighting poor performance than central government control, which inevitably has to use a control system based on paper indicators.

In addition, SNGs must be given the responsibility to set their own tax bases and levels and identify their own sources of income.

8.12.2.3 Staffing

SNGs must be given the responsibility to define the roles that their staff will play, determine the qualifications necessary and the levels of remuneration. They should use management techniques that will ensure accountability and high levels of performance.

A pre-requisite for this will be for them to be given the necessary funds and powers to retrench surplus staff.

There is support for a watchdog authority to protect the interests of the staff and support or strengthen the recruitment process for those serving in Local Government. However, this body should be a supporting, not controlling, one.

8.12.2.4 Engagement of civil society

Another important dimension in respect of local governance in Zimbabwe has been the relative lack of engagement of civil society. An inherited, elitist tradition continues to be applied by SNGs (particularly the Councillors), which not only makes the abuse of power more easy, but also fails to recognise the important contribution that civil society can make to local government. Recently, however, this attitude has been challenged vociferously by Rate Payers Associations throughout the country, who are demanding an increased say in matters of service provision and rates levels within their neighbourhood.

Effective local governance is based on a transparent exercise of power in which civil society is a partner. There are many organs of civil society in Zimbabwe which to date have tended to be treated as either obstacles to smooth government (such as some NGOs) or of no relevance (such as church and women's groups). Engagement of, and working with, civil society will strengthen Local Government and give it more legitimacy and the capacity to assume wider powers.

8.12.2.5 Use of modern management methods

Local Government in Zimbabwe has much to learn from modern management techniques. This will include the use of incentive-based employment strategies, which reward hard work and good results and penalise the lazy and inefficient.

Other techniques include the outsourcing of goods and services, privatising some units, commercialising or selling concessions in the operation of public services. These techniques allow the leverage of private capital and encourage the public sector to concentrate on its core business.

8.13 Conclusion

The ultimate objective of decentralisation is to place the provision of public services under the jurisdiction of the beneficiaries. Zimbabwe has developed the basic pillar of the system of local

government. The study has revealed that the system is relatively sound, although important challenges need to be addressed in the short-, medium- and long-term for the system to be sustainable. It remains now to expand this to cover a wider field. However, this will require more care in the transfer of suitable skills and financial resources and the fuller engagement of civil society. This must be accompanied by increased freedom in financial management, more imaginative co-operation with the private sector and autonomy in the remuneration and appointment of staff.

CHAPTER NINE

NATIONAL WORKSHOP PROCEEDINGS

9.0 Introduction

The Zimbabwe national workshop on fiscal decentralisation and sub-national government finance in relation to infrastructure and service provision was a component of the Fiscal Decentralisation Study in Zimbabwe and in five other countries in the region. It was held at Kadoma Hotel and Conference Centre (KHCC) from 8 to 9 February 2000. The workshop was attended by 86 delegates representing a cross-section of stakeholders including Executive Mayors, Town Clerks, City/Town Treasurers and Engineers, Health and Housing Directors and senior officials from the Ministries of Local Government and National Housing, Finance and Information, private sector executives, donor agencies and international and local consultants.

The workshop objectives were to:

- discuss and analyse the findings of the fiscal decentralisation study which was undertaken by the local and international experts;
- identify financial constraints facing local governments for infrastructure and service provision and make appropriate recommendations to overcome them;
- identify issues that require legislative intervention and make specific proposals for amending the relevant legislation; and
- develop an action plan for delivering the workshop recommendations.

Workshop Structure

The workshop was structured to enable the main elements of the study to be presented and discussed in three primary methods, i.e. consultant presentations, panel discussion and breakaway groups. The workshop structure is illustrated in Table 9.1. The key components of the study, SNG finance and infrastructure and service provision, were covered using all three modes. It should, however, be recognised that the components of the study are generally overlapping and, hence, were touched on all methods of delivery.

The workshop was convened primarily to receive and consider the findings and recommendations of the consultants. The panel discussions and breakaway groups largely confirmed and expanded on the issues covered in the study report. Chapter 9 reflects the full proceedings of the workshop and, hence, may repeat issues covered elsewhere in the report. This duplication is necessary to ensure completeness of record of the workshop proceedings, conclusions, recommendations and action plans.

Table 9.1: Structure of the workshop (topics covered and presentation modes)

Sessions/ presentation methods	Slide presentations	Panel discussions	Break-away groups	Group Presentations including Action Plans
Country context				
SNG finances				
Infrastructure & service provision				
Institutional environment				
Regulatory environment				

Government Perspective

The workshop was officially opened by the Permanent Secretary of Local Government and National Housing on behalf of the Minister who has been called up on short notice. In his prepared statement read by the Permanent Secretary, the Minister acknowledged the importance of the workshop, given the:

- high expectations for local governments to contribute significantly to the well being of their residents;
- pressures brought about by structural adjustment programmes and the rapid rate of urbanisation; and
- challenges of national development such as attracting capital and investment, job creation and addressing gender concerns.

The Minister reaffirmed government's commitment to decentralisation and, more specifically, to the thirteen principles of decentralisation which were adopted in 1996. He gave examples of government's efforts in this regard, including the disbursement of grants to enable local authorities to plan, implement and manage their ISP, the decentralisation to local governments of all the tasks under the Water and Sanitation Programme and approval of borrowing powers to enable councils to access funds from the government and the international development agencies. Given the government's policy of reducing expenditure, there is recognition of the need to establish alternative and sustainable sources of funding from private capital markets.

He confirmed that the government's proposals for amending the Urban Councils Act and the Rural District Councils Act are at an advanced stage, and, in this regard, the Ministry has adopted the principles for amending the Acts and to provide for the:

- establishment of an early warning system which will enable government "to take pre-emptive measures to correct signs of fiscal distress emerging in any council"; and the
- introduction of a system under which councils that demonstrate sound fiscal management and whose debt is below set limits are allowed access to the markets without obtaining borrowing powers approval from the Minister.

Consultant Presentations

Four local consultants presented the results of the study covering the five areas of the study, i.e. Country Context, SNG Finances, Infrastructure and Service Provision, Regulatory Framework and Institutional Framework. The presentations were based on the discussion paper which had been circulated to the delegates and which provided an executive summary of the study, including the detailed findings and recommendations. Each presentation was followed by a questions and discussion session.

Panel discussions

Two panel discussion sessions were held, one dealing with the issue of local government finance and the other addressing the issue of infrastructure and service provision. The panel discussions followed a pre-set discussion guide, which, in turn, had been derived from the key findings and recommendations from the study. The objectives of the panel discussions were threefold:

1. to review the findings and recommendations of the study, as perceived and reported by the consultants;
2. to provide additional insights and information, based on individuals' experience and expertise, to feed into the break-away group sessions; and
3. to begin the process of developing action plans for implementing the adopted recommendations.

Panel discussion on SNG finance

The first panel discussion was titled, "Streamlining local government finance in a decentralised environment – a review of the key issues". The panel was chaired by a city treasurer, and it comprised senior government officials, local authority officials, a private sector finance expert and a representative of an aid organisation working in local governments. The panellists identified some of the key issues relating to SNG financing and provided recommendations as follows:

- Although there are sufficient sources of SNG financing, much depends on the credit-worthiness of the local authorities. Credit rating should be made compulsory for all SNGs to enable them to raise financing from private sources. However, central government should provide guarantees to SNGs, as a stop-gap measure, while they extricate themselves from the present situation.
- There is need for closer cooperation between central government and SNGs on such matters as grants and tariff setting. The relationship needs to be better defined including the central government budget preparation process.
- The allocation of grants should be made specific e.g. for health, education, etc. It was noted that there is a need for central government to share taxes with SNGs more equitably, as the latter were not receiving a fair share of the "national cake".
- SNGs should be allowed to increase tariffs without reference to the central government. Government needs to speed up its addressing of the regulatory framework.
- SNGs should maximise levels of existing revenue sources and identify new sources. SNGs should examine whether they are raising user charges and fees for all services. In addition,

user fees should be based on a correct valuation of the services, and they should take into account the ability and willingness to pay of the citizens.

- There are practical difficulties in the disbursements of grants in that tax collection by government is on a monthly basis, and there is therefore an element of unpredictability on what level of funding is available at the beginning of each year.
- There is presently no mechanism to monitor that the grants disbursed by the Ministry of Finance through various ministries for SNGs actually get to those institutions. There is need for an audit trail to be established to track and confirm that grants disbursed reach the SNGs.
- Central government needs to synchronise its taxation with that of the SNGs, as they are both tapping from the same tax base. Central government could, for example, reduce its taxation rates to enable the SNGs to increase the taxes proportionally without placing a heavy tax burden on the consumers.
- SNGs should be competitive to be able to attract investment; they should adopt long term visions through strategic planning and also improve their management capacity and core competencies.

Panel discussion on infrastructure and service provision

The second panel discussion was titled, “Apportioning responsibility for infrastructure and service provision – regulatory and institutional obstacles to and opportunities for more effective delivery of ISP”. The panel was chaired by the executive mayor of Kwekwe, and it comprised senior government officials, local authority officials, a private sector expert and a representative of a large donor organisation. The panellists identified some of the key issues relating to ISP and provided recommendations as follows:

- Currently the markets for infrastructure are not well defined. There are people who cannot afford to pay for infrastructure and services but are enjoying them. Similarly, a large percentage of the people cannot afford the standards of services being provided.
- The sequencing and timing of development versus infrastructure provision needs to be reconsidered, as experiences elsewhere have shown that some developments (e.g. housing) can be implemented first and then infrastructure follows.
- The division of tasks and responsibilities for ISP between central government and SNGs is not clear.
- There is mistrust between the private sector on one side and central government and the SNGs on the other side.
- Rural areas are not planned, and it is therefore difficult to provide infrastructure. In addition, rural district councils lack the technical staff to develop and maintain infrastructure.
- Issues of affordability of ISP are not adequately addressed, as there is little information to work on. No studies have been undertaken to establish the real position on affordability of SNG investment in infrastructure and services.
- There should be an accurate calculation of tariff rates e.g. administration costs should be included.
- There are many subsidies. For example, rural growth points charge flat rates on all developments regardless of the size of the development.
- Some SNGs are not able to access some donor funding for ISP because of the onerous procedures inherent in accessing such funds.

- The private sector is involved in providing technical expertise to SNGs regarding ISP and have also been involved in providing funding through lending arrangements such as under the USAID supported Private Sector Housing Programme.
- Procedures for going into private-public partnerships should be clearly laid down, but the SNGs should retain accountability to the people.
- When considering to increase revenues, SNGs should not only think of increasing tariffs but should also look at improving operational efficiency and bringing all sectors of the economy into the tax net e.g. new property developments and vendors who are currently not paying fees.

9.1 Breakaway group sessions

Three breakaway groups were established to deal with each of the following issues: SNG finance, infrastructure and service provision and the regulatory and institutional environment. The groups were requested to identify and review the key issues relating to each of these areas using, as a basis, the findings of the report and outputs from the panel discussions. They had to draw up their own conclusions and recommendations, based on their knowledge and experience of the situation in the local government sector, and develop action plans for implementing their recommendations.

Each group presented their recommendations and action plans to the plenary session and these were discussed and adopted. The conclusions, recommendations and action plans of the breakaway groups are summarised below.

9.2 Conclusions and recommendations of the breakaway group on SNG finances

- The revenue bases of SNGs, particularly RDCs, are very narrow, and there is need to review the nature and level of various grants provided by central government.
- There is an initial funding gap in the health and education sectors, and strategies must be developed to cover this gap. Health, in particular, was causing major problems for SNGs, as the funding gap was too wide and greatly constrained the abilities of SNGs to attain any semblance of financial break-even. There is a need to immediately review grants for health/education, specifically for:
 - Health: Government pays salaries for professional staff and supplies drugs. Differences in funding gaps i.e. running costs, should be recovered from patients/ beneficiaries. SNGs should determine fees for health services, and these should be uniform for all SNGs.
 - Education: there should be a clear policy on the role of central government and that of SNGs. School fees and levies should be pooled into one fund for administering by the SNGs. In addition, SNGs should be given powers to determine fees. Central government should fund salaries of teachers, while SNGs should fund the administration.
- There is a need to establish clear policies on the roles and responsibilities for social services such as health and education. Once this is addressed, SNGs should meet debt servicing.
- Tariff/fee structures should be designed in such a way that revenues from these can finance future capital expenditure.

- There should be more continuous and frequent dialogue between central government, SNGs and the private sector, particularly in the initial stages of budgeting.
- There is a need to widen the tax base by introducing greater flexibility in increasing tariff and user charges (i.e. by removal of the ceiling that is set by Government). In addition, the Urban Councils Act should be amended so that SNGs do not have to gazette fees.
- There should be better debt collection systems without political interference, especially in high-density suburbs.
- SNGs need to be creditworthy just like any other organisations. SNGs should not completely depend upon government guarantees, but, at the same time, central government cannot ignore the financial difficulties being experienced by SNGs. Central government should assist to fund SNGs deficits to render the SNGs creditworthy.
- To encourage investment in SNGs, tax benefits should be extended to include institutional investors. Central government should remove restrictions so that SNGs can access capital markets.
- There is a need to match demand for and usage of ISP. SNGs should determine that and pay attention to environmental concerns and health standards.
- SNGs should establish sub-offices in strategic places conveniently located for easier collection of revenues.
- There is an immediate need to restructure SNG finances through injection of immediate cash to finance the common deficits and develop credit rating.
- The criteria for assessing creditworthiness should be properly established.
- The amendment of legislation needed to level the playing field in SNG operations and investments should be hastened.

9.3 Action plan

Given the multiplicity of players involved, directly and indirectly, in financing SNGs, it was recommended that an inter-ministerial conference to be chaired by a high level government official be convened as soon as practicable to discuss the above issues together with SNG representatives and agree on the way forward. Specifically, SNGs (through their representative organisations); the Ministries of Health, Finance, Transport, Lands and Water, Education and Local Government; the private sector; and donors would attend the workshop. USAID, which had supported considerably the promotion of fiscal decentralisation, could be approached to assist in funding such a conference.

9.4 Conclusions and recommendations of breakaway group on Infrastructure and Service Provision

- There is need to clarify and redefine roles and responsibilities for infrastructure financing, development, operation and maintenance. For example, a mapping of current responsibilities and recommendations is given below:

Infrastructure type	SNGs responsibilities	Central govt. responsibility	Private sector responsibility	Recommendations
Roads	Urban Roads	100% National roads	Limited to construction, contracting and consultancies.	CG should fully exercise its responsibility for national roads and not leave it to SNGs
Water works and Sewerage	Treatment Transmission Distribution	Impoundment	Limited: Encourage Legislation reform	RDC to take over at appropriate times
Social Infrastructure	Provision and administration	Provision and administration	Provision and administration	CG to take over public institutions completely.

- Local level reforms should be implemented in which all stakeholders should be involved and dialogue encouraged.
- The legal framework should be amended to encourage/facilitate increased private sector participation through partnerships, “build own operate and transfer” (BOOT), “build operate and transfer” (BOT) and concessions.
- Central government should allow SNGs to operate autonomously by removing unnecessary ministerial approvals. It was noted, in this respect, that legislation is currently being amended following recommendations by various stakeholders including the Working Group on Municipal Finance.
- Full cost recovery is not feasible for education, health and community services and, hence, central government should continue to provide support through grants and subsidies. For roads, the Road Sector Reform Programme (RSRP) is addressing how this sector can be financed through direct licensing and taxing (through fuel) of road users. Water and sewerage should be fully recoverable.
- Regarding the affordability of SNG infrastructure and service, it was concluded that proper research was required. Regular monitoring of the situation should take place through regular consultation with and participation of residents in decision-making to create willingness to pay.

9.5 Action Plans

- In the short term, and pending the outcome of the legislative reforms, road infrastructure development should be left as it is, but there is need to increase SNG capacity. In the longer term, the reforms being proposed should result in greater involvement of the private sector in ISP.
- For water and sewerage, central government should continue impounding and treatment of water for small SNGs. In the long term, rural district councils with the capacity should take over responsibility for water provision at the appropriate time without compensation to central government for the assets.
- For health and education sectors, decentralisation was poorly matched by inadequate resources. In addition, SNGs should also have autonomy to hire and fire staff for the assets.

- Legislation should be changed to allow greater participation of the private sector, investors and developers in ISP.
- The capacities of SNGs to deliver services and to open out to inputs from citizens in decision-making should be developed.

9.6 Conclusions and recommendation of breakaway group on regulatory and institutional environment

- There is currently inadequate/poor co-ordination between SNGs and central government sector ministries of Education and Health regarding tariffs, user fees, borrowing powers, valuation systems, etc.
- SNGs are not adequately recognised in their own right in the existing constitution, and there is also concern that the proposed provincial councils in the draft constitution might derail decentralisation.
- A minimum standard of education, passed 'O' levels, specified by the Urban Councils Act is necessary for executive mayors, given their executive management responsibilities. There is, however, no need to specify a minimum level of education for councillors, but they should be literate.
- The one city concept should be adopted to ensure uniformity of user charges and tariffs and provision of ISP of acceptable standards. The ability to pay, shown by the property valuation, should be used as a guide for charges payable in high-density suburbs.
- The Local Government Board should continue to exist to provide checks and balances, but it should reduce the time it takes to make decisions on SNG human resource matters.
- The rural district and urban councils associations should focus on developing innovative capacities of SNGs. Capacity building should be embarked upon, and stronger SNGs should second staff to support weaker SNGs through "twinning" and sharing of resources between councils.
- SNGs should have direct inputs into the national budgetary process through their associations (e.g. when Ministry of Finance conducts its pre-budget consultations).
- Management committees in SNGs should be strengthened and made more effective. For example, reports from council offices should be simple, understandable, well researched and provide practical alternatives.
- There should be a requirement for councillors to be literate, and effectiveness could be enhanced through training of both councillors and officials.
- The involvement of civil society should be enhanced through information sharing with them and involving them in the budgetary process and SNG decision-making.

9.7 Action Plans

- In the short term (within 2 years), there is need to legislate a minimum level of literacy for councillors. The institution of SNGs should be entrenched in the constitution.
- Legislation should be amended to introduce the one city concept and to provide for a uniform valuation system for residential, industrial and commercial property.
- Specifying the maximum periods within which certain decisions should be made, without which the SNGs can proceed to implement their decisions, should speed up decision making

of the Local Government Board. In the long term, it will not be necessary to have the Local Government Board.

- Involvement and participation in SNG decision-making by civil society must be developed, e.g. in the budgetary process, management committees.
- The innovative capacities of SNGs should be developed.

9.8 Way forward

The workshop delegates debated on how the recommendations emanating from the workshop should be taken forward, and it was resolved that the consultants should consolidate the recommendations for submission to USAID, the sponsors of the study. USAID/Zimbabwe will submit the workshop recommendations and Action Plans to both the Municipal Finance Working Group for consideration and consolidation with other action plans already on the ground as well as to the Ministries of Local Government and National Housing and Finance. The action plans adopted at the National Workshop are summarised in Table 9.2.

Table 9.2: Summary of Action Plans adopted at the National Workshop

	Short-Term Action Plan	Long-Term Action Plan
Sub-nation Governance Finance	<ul style="list-style-type: none"> • Given the multiplicity of players involved, directly and indirectly, in financing SNGs, an inter-ministerial conference to be chaired by a high level government official should be convened as soon as practicable to discuss the above issues and agree on the way forward. SNGs through their representative organisations and the Ministries of Health, Lands and Water, Finance, Transport, Education and Local Government, the private sector and donors would attend the conference. 	
Infrastructure Service Provision	<ul style="list-style-type: none"> • Pending the outcome of the legislative reforms, road infrastructure development should be left as it is, but there is need to increase capacity. • For water and sewerage, central government should continue impounding and treatment of water for small SNGs. • For health and education, the necessary resources should support decentralisation. In addition, SNGs should also have autonomy to hire and fire staff. 	<ul style="list-style-type: none"> • Rural district councils with the capacity should take over responsibility for water provision at the appropriate time without compensation to central government. • Reforms being proposed should result in greater involvement of the private sector in ISP. • Legislation should be changed to allow greater participation of private sector and public sector in ISP.
Regulatory/Institutional Environment	<ul style="list-style-type: none"> • There is need to legislate a minimum level of literacy for councillors. The institution of SNGs should be entrenched in the constitution. • Legislation should be amended to introduce the one city concept and to provide for a uniform valuation system for residential, industrial and commercial property. • Specifying the maximum periods within which certain decisions should be made, without which the SNGs can proceed to implement their decisions, should speed up decision making of the Local Government Board. 	<ul style="list-style-type: none"> • Enhancement of innovative capacities of SNGs and their involvement in such matters as the budgetary process, management committees and civic society involvement should be undertaken. • In the long term, it will not be necessary to have the Local Government Board.