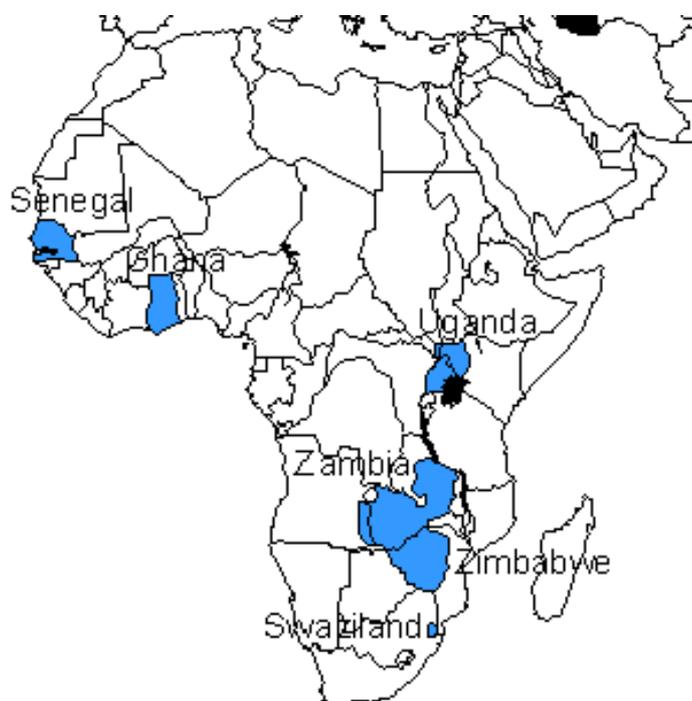


Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision

Synthesis Report on 6 Sub-Saharan African Country Studies



Synthesis Report

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The National Association of Local Authorities in Denmark

Directed by the World bank
Financed by Danida, Denmark with support from
United States Agency for International Development

May 2000

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ACKNOWLEDGEMENTS

This report presents the synthesis of results of the six country studies of Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision. The studies were undertaken by a team of experts from the National Association of Local Authorities in Denmark (NALAD) and national experts/consultants from six countries: Zambia, Senegal, Ghana, Swaziland, Uganda and Zimbabwe. The local teams in the six countries were:

- in Zambia, the Institute of Economic and Social Research (INESOR), led by Prof. Oliver S. Saasa;
- in Senegal, a consortium consisting of the companies CABEX Sarl and M. R Beal International, led by Mr P.A. NDIR;
- in Swaziland, the Faculty of Social Science (FOSS) of the University of Swaziland (UNISWA), led by Dr. M. P. Dlamini;
- in Ghana, the Centre for Democracy and Development (CDD), led by Dr Francis Appiah;
- in Uganda, the Economic Policy and Research Centre, led by Dr. Marios Obwona; and
- in Zimbabwe, a consortium organised by People and Systems Inclusive, Management Consultants and led by Mr D. Pasipanodya.

The authors of this report would first like to express our deepest gratitude to these six country teams for very good co-operation during the May 1998-May 2000 research period. This synthesis report is based on the findings from the country studies. Please refer to these six reports for a detailed review of the systems in place in each country.

A team of experts from NALAD has developed this synthesis report, but valuable contributions and comments have been received from the six country team-leaders, the World Bank, USAID and other institutions and individuals.

The authors are indebted to a number of institutions and individuals for support received during the planning and implementation of the full Study. First, our gratitude goes to the World Bank, Danida and USAID for financing the research. Second, we greatly appreciate the support received from the Governments in the six countries, Zambia, Senegal, Ghana, Swaziland, Uganda and Zimbabwe. We are especially grateful to the ministries in charge of sub-national governments for their assistance in the identification of the sample local sub-national governments and the support through all crucial phases of the exercise.

In particular, the authors would like to thank the key ministries and institutions in relation to sub-national governments in the six countries, i.e. to the office of the Permanent Secretary of Ministry of Housing in Zambia; to Agency Development Municipal, director Mr Sakho and Mr Youssoupha Sakho, Massar Sarr and Mr Cheikhou Diop in Senegal; Principal Secretary, Mr Mbuso C. Dlamini, Director of Urban Government, Ms Lolo S. Mkhabela, Senior Local Government Officer, Mr Patrick M. Dlamini, Director of the Project Coordination Unit, Mr Napoleon Ntezinde, and Ms Lindiwe Madonsela of the PCU in Swaziland; director Mr S.Y.M. Zanu in Ghana; the Local Government Finance Commission led by Chairman Dr. Dick Odur, and to advisor Mr Eigil Carner Nielsen, the Ministry of Local Government/the Decentralisation Secretariat the Project Management Unit, Mr Martin Olae, the Decentralisation Secretariat, Mr Kisembo, Permanent Secretary in the Ministry of Gender and Community Affairs, Mr Martin Odwedo and the Uganda Local Authorities Association, President Mr Musisi and Secretary General Mr Gegezyi P, all from Uganda; Mr Mpamhanga and Mr A Tokoda in Zimbabwe.

We are also grateful for the support given by the more than 30 sample sub-national governments involved in the Study and the associations of local authorities from all six countries for their worthwhile contribution to the success of the Study.

The authors would also like to thank Messrs Alan Carroll, James Hicks and Dave DeGroot of the World Bank, who provided useful backstopping and comments on earlier drafts and contributed to the development of the terms of reference for the Study; Ms Emanuela Digropello for valuable input to the system of decentralisation indicators; and Messrs Richard Martin and Joel Kolker, representing USAID, for their important contributions to all stages of the Study. We would also like to express our thanks to Messrs Miles Toder USAID in Zambia and Eliah Tafangombe in Zimbabwe for support during the set-up and implementation of the studies in those countries.

Many people, too numerous to mention by name, helped considerably in data collection, analysis and other contributions to the six country reports, which form the basis for this synthesis report. Great thanks should be forwarded to all these people.

The authors are also grateful for the useful comments regarding drafts of this synthesis report received from Messrs Jørgen Lotz, the Danish Ministry of Finance, Holger Pyndt and Kenneth Kristensen, NALAD.

Further gratitude is extended to Ms Annette Frank Leotta and Ms Elisabeth Heymann for secretarial support to the synthesis report; and to Mr. Regin L. Lauritsen and Ms Barbara DeGroot for a valuable editorial review.

This report contains the views of the team, which do not necessarily correspond to the views of the World Bank, Danida or the governments in Zambia, Senegal, Ghana, Swaziland, Uganda and Zimbabwe.

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Mr Svend Trollegaard

The National Association of Local Authorities in Denmark
Copenhagen, May 2000

CHAPTER - 1 INTRODUCTION AND OBJECTIVES OF THE STUDY

1.1 Objectives of the synthesis report

This report is a synthesis of the major findings and experiences from the six country studies (Zambia, Senegal, Ghana, Swaziland, Uganda and Zimbabwe) of *Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision (ISP)*.

The country studies have been undertaken in close cooperation between teams of local experts and the National Association of Local Authorities in Denmark (NALAD) under the supervision of the World Bank and with support from USAID.¹ The synthesis report summarises and compares the results (common lessons, problems, challenges, best practises and ways forward) from the six studies.

Development of sub-national fiscal systems and inter-government financial relations to provide the best infrastructure and services to the citizens involves many and often conflicting economic and political challenges. It is one of the most complex reform processes in the area of public finance. There is limited international comparative information to guide the countries in this process. Therefore, this six country study is intended to establish a useful analytical baseline which may assist governments in the Sub-Saharan region and elsewhere in planning and implementing comprehensive reforms leading to sustainable infrastructure and service provision at the local level.

The main *objectives of the Studies* have been to:

- 1) Facilitate discussions and *identify priorities* within each of the case study countries regarding the appropriate systems, procedures and processes of decentralisation. The findings (e.g. challenges and problems in the field of local governments) and the identification of decentralisation indicators will make it possible to monitor the extent and nature of decentralisation in the countries and track developments over time.
- 2) Foster *cross-national learning on best practices* for decentralisation of responsibilities and finance for the provision of important infrastructure and services. The studies examine various models for decentralisation and alternative ways of providing and financing infrastructure and other local government services.
- 3) Support private and public sector investors as well as the donor community in the *identification of future needs and possibilities for investments* 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, cf. below. This research, with its *database of decentralisation indicators*, provides a valuable guide to potential investors and IDBs (international

¹ The World Bank and the National Association of Local Authorities in Denmark (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 the costs of the analysis in the two countries (Ghana and Zimbabwe) and supported the study in Zambia and Senegal. The studies have been carried out in co-operation between NALAD and local teams lead by INESOR in Zambia, CABEX/M R BEAL in Senegal, Centre for Democracy and Development in Ghana, FOSS at University of Swaziland in Swaziland, EPRC in Uganda and a team led by People and Systems Inclusive in Zimbabwe. USAID has supported the studies in Zambia and Senegal and delivered considerable support in Ghana and in Zimbabwe.

development banks) in promoting the emergence of a regional market. It is hoped that by using this data base and resultant private and IDB infrastructure investment plans, bilateral donors can plan programmes more effectively for capacity building assistance, taking advantage of learning-by-doing approaches, including access to development capital. In this way, the study should be seen as a first step in a more comprehensive strategy to link the findings to future assistance (programmes and investments), which will allow participants to build the consensus necessary for decentralisation to progress in each country.

The study focuses on “*decentralisation*”. The definition of “decentralisation” varies across countries and between actors within various countries. This has also been the experience from the present study. In the present study “decentralisation” is defined as “*devolution*”² of power to independent sub-national governments (SNGs)³, which are given responsibilities for determining the level and the quality of service to be provided, the manner in which those services will be provided, and the source and types of funds to finance the delivery of those service.

Decentralisation should be 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 SNGs and not on a deconcentration or delegation of power within the central government system to regional or local agencies/offices.

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

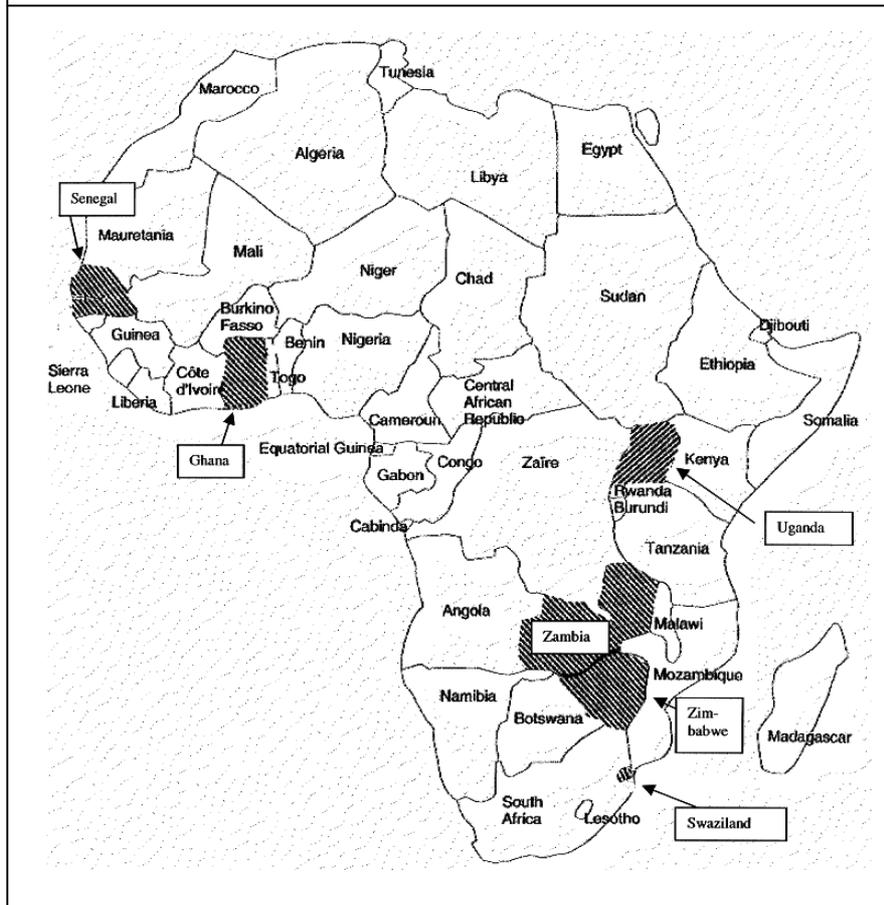
The African context

The study includes six Sub-Saharan African countries selected on the basis of their expressed commitment to decentralisation of the public sector (indicated below).

² This is in line with the definition made by Richard M. Bird, Robert D. Ebel and Christine L. Wallice (editors), “Decentralisation of the Socialist State, Intergovernmental Finance in Transition Economies”, International Bank of Reconstruction and Development, Regional and Sectoral Studies, 1995, pp. 11-13. The term “decentralisation” 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.

³ In this report, the term “sub-national government” (SNG) is used to describe the level of governments below the central government. The type of sub-national government 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.

COUNTRIES INVOLVED IN THE IBRD-STUDY



The African region is experiencing an accelerated 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 a pre-requisite for productive investment and economic growth. In most African countries, fiscal resources are woefully inadequate to meet these demands or/and the fiscal arrangements, e.g. composition of revenues or design of user charges, 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. Many SNGs are newly formed and lack the capacity to fulfil these responsibilities, cf. the key-information on the figure: “Profile of the Countries”.⁴

⁴ The data on finance are drawn from the present Study on Fiscal Decentralisation and Sub-national Government Finance in Relation to Infrastructure and Service Provision (ISP) (1998-2000): Figures from Zambia are an average of 1994-97, Uganda account figures are from 1997/98 and figures from Swaziland and Senegal are from 1997. Figures from Ghana are from 1996.

PROFILE OF COUNTRIES INVOLVED IN THE STUDY

ZAMBIA		SENEGAL	
<p>Population: Total: 9.215 mill. (1996) Annual growth rate: 2.8% 15-64 years age: 5 mill. Above 64 years age: 3.7%</p>	<p>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)</p>	<p>Population: Total: 8.534 mill. (1996) Annual growth rate: 2.5% 15-64 years age: 4 mill. Above 64 years age: 4.6%</p>	<p>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)</p>
<p>Geography: Area: 762,000 sq. Km. Density: 12.1 inhab/sq. Km. Vegetation: High Plateau Savannah</p>	<p>Public Finance (revenues): Total revenue share of GDP: 21% LG revenue share of GDP: 0.8% Sources of LG revenue: (97) Own taxes: 71% Transfers: 3.4% Fees/charges: 23%</p>	<p>Geography: Area: 197,000 sq. Km. Density: 43.3 inhab/sq. Km. Vegetation: Savannah Semi dessert</p>	<p>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%</p>
GHANA		UGANDA	
<p>Population: Total: 17.522 mill. (1996) Annual growth rate: 2.7% 15-64 years age: 9 mill. Above 64 years age: 4.8%</p>	<p>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)</p>	<p>Population: Total: 19.741 mill. (1996) Annual growth rate: 3.2% 15-64 years age: 10 mill. Above 64 years age: 3.6%</p>	<p>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)</p>
<p>Geography: Area: 238,000 sq. Km. Density: 73.6 inhab/sq. Km. Vegetation: Rain Forest</p>	<p>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%</p>	<p>Geography: Area: 236,000 sq. Km. Density: 83.6 inhab/sq. Km. Vegetation: Savannah</p>	<p>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%</p>
SWAZILAND		ZIMBABWE	
<p>Population: Total: 0.926 mill. (1996) Annual growth rate: 3.1% 15-64 years: - Above 64 years age: -</p>	<p>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)</p>	<p>Population: Total: 11.248 mill. (1996) Annual growth rate: 2.4% 15-64 years age: 6 mill. Above 64 years age: 4.7%</p>	<p>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</p>
<p>Geography: Area: 17,000 sq. Km. Density: 47.1 inhab/sq. Km. Vegetation: Savannah</p>	<p>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%</p>	<p>Geography: Area: 390,000 sq. Km. Density: 28.8 inhab/sq. Km. Vegetation: Savannah</p>	<p>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%</p>
Climate: Tropical		Climate: Tropical	

(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.

Please refer to Annex No. 5 for an overview of the structure of SNGs in the six countries. As part of their decentralisation efforts, many African countries have begun to address *fiscal resource allocation and mobilisation*. This is an absolute necessity, but the Study has shown that 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 (especially electricity, urban water, and solid waste), although some successes are starting to be registered.

In order to attract private sector participation in ISP, SNGs must be well managed, creditworthy, and sufficiently autonomous to enter into and honour contracts. To achieve these goals in the region, work needs to be done on macro-economic fundamentals, good governance, development of capital markets, regulatory and institutional capacity, strengthening of the intergovernmental relationship and creditworthiness of utilities and SNGs. In addition, the right mix of public financing, and the administrative framework for it, e.g. taxes, grants and user charges, is crucial for an efficient public sector.

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

On the demand side, a viable financing system for basic infrastructure and services requires SNGs to become creditworthy and do their part to create favourable conditions for private sector participation. Technical assistance is necessary, but it is not effective unless the policy incentives for SNGs are favourable.

Many governments are choosing to pursue decentralisation/sub-national strengthening programmes for a variety of reasons. The transfer of responsibility for services to SNGs can help to limit demands on over-stretched central budgets. Decentralisation can also lead to more efficient responses 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 efficiency gains in service and infrastructure provision with 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. Among the diverse motivations and approaches 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.

Lessons learned in many countries clearly indicate that negative outcomes result both when capacity building takes place in the absence of access to significant finance and, conversely, when finance is provided to SNGs that lack adequate management capacity. Lessons have also been learned from various countries around the world, e.g. some regional studies in Europe and Latin America show that transfer of responsibilities for tasks to the local level without a parallel transfer of financial responsibilities (or the opposite) may lead to inappropriate results.⁵ This has also been proved by the results of the present Study.

⁵ 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.

The regional approach

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 the Sub-Saharan Region are all 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 SNGs, and the successful country-specific co-operation of the World Bank and a number of bilateral donors, it appears that a *regional approach* to local government capacity building and development of municipal finance markets achieves a number of key efficiency gains.

A key purpose of this research is to improve *information flow* and assistance to participating countries in the region. By drawing participating countries into a regional effort, individual reform processes should be greatly strengthened by the sharing of information on specific activities being undertaken in specific 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 much more efficient programming of bi- and multi-lateral donor resources over longer time horizons.

A key element in organising a successful regional programme of SNG capacity building and financial market development is a definition of a reform framework that, building on regional examples, systematises the key areas of the required reform and emphasises the inter-dependence of these reforms, leading to the desired ends. Such a *framework* is contained in the following chapters and annexes.

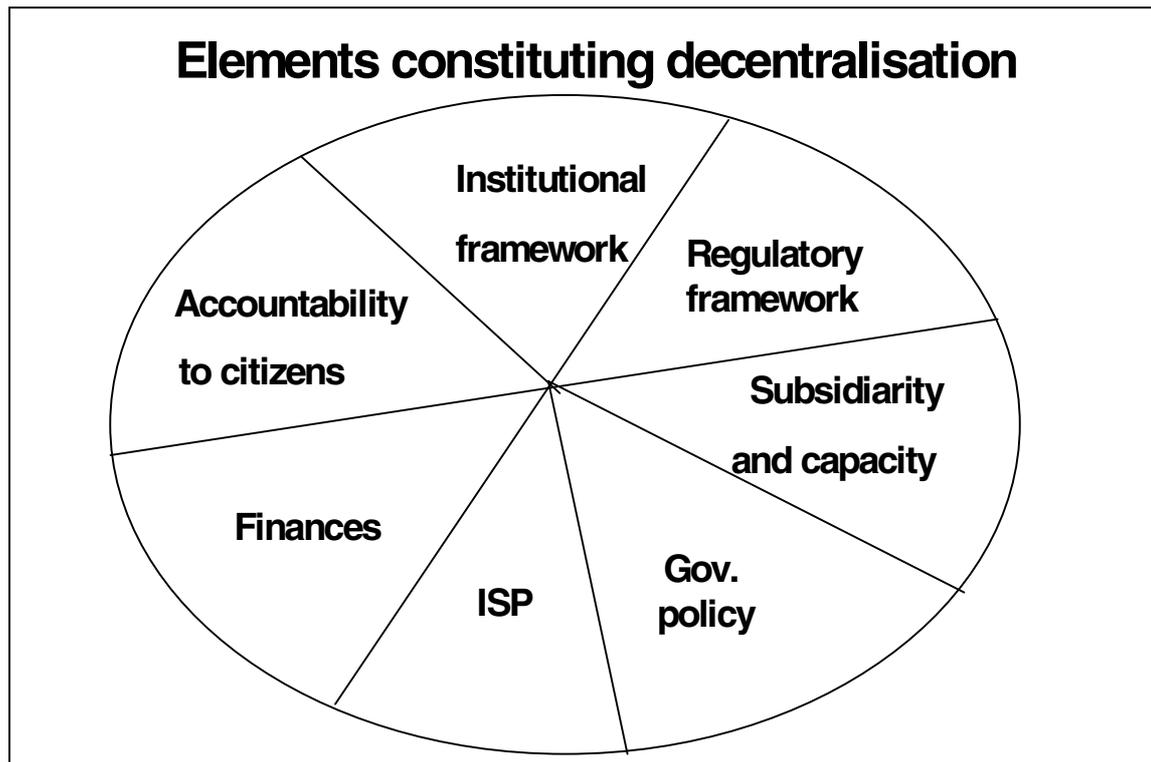
The **synthesis report** is an important element of this research. In the present report, the experiences from the six country studies are compared, and broader comparative benchmarks and indicators of progress in implementing regional decentralisation programmes are included in the annexes.

1.2 The Analytical Framework

1.2.1. Introduction

A *framework to review the status and processes of decentralisation* has been developed and applied in the six country studies. The framework contains indicators on the following five main dimensions related to the main chapters 3-7 of the country reports:

- the government's commitment to and objectives for decentralisation and the context of SNGs;
- sub-national finance systems, including indicators on SNG revenues, expenditures and inter-governmental fiscal relations;
- elements of well-functioning SNG infrastructure delivery systems and infrastructure investment inventories;
- the regulatory environment and reforms; and
- the institutional framework and basic capacity building requirements.



In addition, two cross-cutting indicators are applied:

- the principle of subsidiarity - operational capacity and
- the accountability of sub-national governments to their citizens.

1.2.2 Indicators of decentralisation

The analysis examines not only fiscal elements of decentralisation (e.g. revenue and credit possibilities), but also the larger institutional and regulatory environment for SNGs and the interface with the financing and provision of basic services and infrastructure. The indicators are based on the objectives of the six countries and internationally-recognised definitions.

A large range of indicators covers different elements of decentralisation, although they are only partial measures of a complex system, **cf. Annex No. 3**. Many of the indicators of decentralisation are interdependent and have an impact upon each other. Careful consideration is needed of the optimal mix of expenditure and revenue; the capacities, tasks and competencies of the SNGs; and the legislative and regulatory environment to promote local democracy and service provision.

For instance, it is not sufficient to have a large SNG sector ratio in public expenditures without the concomitant SNG 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 access to and control over a part of the finance for services and infrastructure and without a stable revenue sources. The types 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 frameworks have to be

included, as well. It is, for instance, not appropriate to transfer all tasks and financial matters to SNGs if they cannot take any decisions on the priorities of expenses or if they have a severe lack of human resource capacity to carry out their functions and manage their financial autonomy. In addition, the indicators may have different importance in different countries (political and cultural environments).

There is no standard model for decentralisation applicable to all countries in the world or in the Sub-Saharan African Region. Various appropriate decentralisation approaches have been initiated with different speed, form, content and procedures 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 in identifying practical solutions and in making existing systems of central and sub-national government relations more efficient, effective and accountable to the citizens.

The regional framework and the indicators for decentralisation should be useful both as analytical and organisational tools. At the analytical level, compilation of the data on infrastructure investment requirements, SNG 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 these findings 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. 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.

The following chapters contain the main findings and lessons drawn from the six countries regarding the various components of decentralisation and the environment for SNG infrastructure and service provision. Below follows a short executive summary of the key findings.

1.3. Executive Summary

This Synthesis Report has been funded by the World Bank and DANIDA, Denmark, with support from the United States Agency for International Development (USAID). The report is based on the key findings from a six-country series of studies on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision in Zambia, Senegal, Ghana, Swaziland, Uganda and Zimbabwe. This study series was conducted in collaboration between the National Association of Local Authorities in Denmark (NALAD) and INESOR, University of Zambia; CABEX/M.R. Beal, Senegal; CDD, Ghana; FOSS, University of Swaziland; EPRC in Uganda; and People and Systems Inclusive in Zimbabwe.

The key central government decentralisation objectives, the findings from the country studies and the recommendations on the ways forward are summarised below. Please refer to the recommendations found at the end of each chapter of this report and the six country reports for more details.

The study has shown that there is no common single best "golden" solution to the challenge of developing the optimal system of fiscal decentralisation in relation to infrastructure and service provision; in fact, there are a number of optimal ways and means toward this end. Nevertheless, the

Study has revealed common principles, methods and ways forward, which facilitate the establishment of an enabling environment for sub-national government (SNG).

The findings and common lessons are divided in the following key dimensions: policy and objectives, SNG finance, infrastructure and service provision, regulatory framework, institutional framework, the principle of subsidiarity and SNG-capacity and measure to ensure accountability to citizens. The central governments' objectives as revealed in most of the six country studies are listed in the left column.

Policy and Objectives for Decentralisation (central government):

Policy and objectives	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Strengthen decentralisation gradually, although with difference pace 	<ul style="list-style-type: none"> Decentralisation concepts have been developed in most of the countries, but not with sufficient detail to provide a basis for implementation of co-ordinated concrete reform initiatives 	<ul style="list-style-type: none"> Decentralisation is generally agreed upon as the guiding principle for reform in the six countries, but within each country there is widespread disagreement and confusion among the key players (e.g. within the central government ministries) on how best to implement decentralisation objectives 	<ul style="list-style-type: none"> Develop a clear and consistent decentralisation policy and a plan for implementation with the necessary steps to be taken in short, medium and long term, including estimates for financial, human and physical requirements and address innovative management approaches. This policy should be regularly up-dated. Involve all the key stakeholders in this process, including the associations of local authorities

CG= Central Government, SNG = sub-national governments

Sub-National Government Finance (cf. also the box on ISP):

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Create viable SNGs in terms of balanced financing 	<ul style="list-style-type: none"> The studies have shown that many functions have been transferred as unfunded mandates, thus creating problems in the implementation of ISP at the local level The SNGs in the six countries, except Uganda, constitute a very small (<10 %) of the total public expenditure and less than 5 % of the GDP. 	<ul style="list-style-type: none"> Calculation of costs of new activities and legislative requirements is not an easy task but is necessary if the laws and regulations are to be implemented In terms of the size of the public expenditure and revenue, the decentralisation in five of the six African countries is still in an incipient stage 	<ul style="list-style-type: none"> The existing revenue sharing arrangements between levels of government should be reviewed. Any transfers of new functions should be accompanied by allocation of funds or assignment of new revenue sources. Before the transfers take place, detailed calculations of the impact on the various levels of governments should be made. Decentralisation of responsibilities, human resources and finance should be done in parallel. <u>First step:</u> Develop a methodology for cost calculation of new SNG functions and principles for the compensation scheme
<ul style="list-style-type: none"> Strong own revenue sources 	<ul style="list-style-type: none"> Generally, the six countries have a significant share of own revenues sources (taxes and user charges) of total SNG revenues, but the yield from these sources is restrained, among other reasons, by the following: they are often the most unpredictable revenue sources in the country, poor administration, strong control by the CG on the raising of the revenues, lack of political 	<ul style="list-style-type: none"> The examples of SNGs that have focused on the enhancement of the present revenue sources show a great potential. The extra revenue potential that might be achieved by strengthening the administration of taxes alone is between 30-70 % in most of the six countries. 	<ul style="list-style-type: none"> SNGs should have strong tax sources of their own (stable, predictable, high yielding and easy to administer) CG should support SNGs in the system of tax administration, incl. Registers, etc. SNGs should facilitate and strengthen revenue collection as well as improvement of the taxation bases

	commitment to collect revenue and lack of an enabling regulatory framework		<ul style="list-style-type: none"> Strong incentives should be established and maintained to improve SNG revenue sources, e.g. by including tax effort in the grant system
<ul style="list-style-type: none"> Increase the SNG autonomy regarding revenue sources and expenditure priorities 	<ul style="list-style-type: none"> The CG control of SNG revenues - e.g. by control of budgets, by approval procedures of increases in user charges and fees, by regulatory restraints - is one of the most severe problems for the present SNG possibilities for ISP 	<ul style="list-style-type: none"> A severe problem is the design and the modalities in the six countries of the dialogue between CG and the SNG, i.e. strong, unpredictable, non-timely, discretionary control, instead of having overall national priorities and targets for economy and service levels. 	<ul style="list-style-type: none"> The SNGs should be given considerable autonomy in local priority setting combined with overall targets and minimum-standards for ISP CG should change the way it deals with SNGs from control/sanctions to dialogue/support/mentoring/coordinative role
<ul style="list-style-type: none"> Stable system of CG transfers to the SNGs 	<p>The key problems in most of the six countries have been that the transfers from CG have been:</p> <ul style="list-style-type: none"> Unpredictable Not transparent Unclear, non-objective criteria for distribution Not timely Not related to the size of the financial responsibilities SNGs tend to cater for 	<ul style="list-style-type: none"> The countries where the CG transfers have been regulated by a clear regulatory framework have performed best in this area. Systems of equalisation of difference in tax bases and expenditure needs across SNGs is only developed in one out of six countries, and these systems are in their initial stages in all countries. 	<ul style="list-style-type: none"> The system of CG grants should be transparent and predictable; grants should be timely and they should be distributed according to objective criteria and after dialogue with the SNGs, cf. below. Equalisation systems to address the horizontal imbalances (differences in tax bases and expenditure needs) across SNGs should be established step-by-step. The first step is collection of the basis data to be used for the systems.
<ul style="list-style-type: none"> SNG control of local expenditure priorities, combined with some CG influence 	<ul style="list-style-type: none"> Many of the countries have cumbersome control and approval procedures for budgets and for other key decisions on SNG priority setting. 	<ul style="list-style-type: none"> If the gains from decentralisation are to be realised, the SNGs will need to have a significant influence on the local priorities 	<ul style="list-style-type: none"> SNGs should have greater autonomy for local priority setting, and the CG interference should be eased.
<ul style="list-style-type: none"> Strong financial management 	<p>The financial management is gradually improving in the six countries, but there are still severe problems in all countries relating to:</p> <ul style="list-style-type: none"> Realistic budgeting Up-dated financial audited statements Current budget follow-up and control Information exchange internally in the SNGs and among they key stakeholders on SNG finance Defining the optimal composition of expenditure (e.g. salary vs. non-salary components) 		<ul style="list-style-type: none"> Strengthen the information on SNG budgets, accounts, audit and key figures on finance and performance by involving all key stakeholders in the development of a coherent data base on SNG finance with open access for various adm. purposes. This database should be regularly updated. The first step should be to improve the tax registers and information. All SNG revenues and expenditures should be included in the budgets and accounts in a transparent and accountable manner. Proper financial regulations on budgeting and accounting should be developed, followed up by targeted training and user manuals. Support sharing of best practices on financial management
<ul style="list-style-type: none"> Budget co-operation and clearance of interests between levels of governments 	<ul style="list-style-type: none"> The dialogue between CG and SNGs on the future budgets is often characterised by mistrust, lack of involvement of the SNG level, lack of clearance of interests and information exchange. 	<ul style="list-style-type: none"> Some countries, like Uganda and Senegal, have taken important steps to improve the vertical dialogue between levels of governments and the mutual co-ordination of interests in the field of finance and budgeting 	<ul style="list-style-type: none"> Establish a forum for budget dialogue and negotiations between CG and SNGs. The parties should meet on a regularly basis, in an environment where the various stands and interests are recognised. The forum should be involved in the estimated resource requirements when new functions are transferred between levels of government

			<ul style="list-style-type: none"> • Ensure strong co-ordination and dialogue between CG and SNG on the budgets, including budget information, performance indicators and account and audit information
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CG= Central Government, SNG = sub-national governments, ISP = Infrastructure and service provision

Infrastructure and Service Provision:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> • Clear demarcation of responsibilities 	<ul style="list-style-type: none"> • The fast development of the decentralisation process, combined with lack of clearly defined implementation strategies, has caused some problems in the demarcation of responsibilities and SNG accountability to the citizens 	<ul style="list-style-type: none"> • This area is in progress in most countries, and rather detailed and clear laws and regulations have been developed in countries such as Uganda, Senegal and Zimbabwe. The challenge now is to implement this in reality. 	<ul style="list-style-type: none"> • Create a clear division of tasks and responsibilities between levels of governments, well known and understood by the various governments, the citizens, NGOs and other stakeholders.
<ul style="list-style-type: none"> • ISP co-ordination 	<ul style="list-style-type: none"> • A crucial problem for many SNGs is the lack of co-ordination and/or various modes of co-operation with the line ministries and donors 	<ul style="list-style-type: none"> • The studies have shown that in some of the case study countries, new ISP projects are carried through within SNG jurisdiction without involvement of the SNGs 	<ul style="list-style-type: none"> • ISP co-ordination should be strengthened by setting up co-ordination fora at the regional and local levels. • Additional attention should be given to mechanisms to co-ordinate with donors in the field of ISP
<ul style="list-style-type: none"> • Improved coverage of the most urgent ISP citizens' needs 	<ul style="list-style-type: none"> • The coverage of ISP needs varies greatly, but is generally 40-60 % for most ISP components in most countries. The needs are better covered in the bigger cities and in the urban areas 	<ul style="list-style-type: none"> • All ISP areas suffer, but water and sanitation seem to be the areas in the six countries with the poorest coverage of the most urgent citizens needs. 	<ul style="list-style-type: none"> • A clear strategy and implementation plan should be established for the future development and maintenance of ISP, taking into consideration the scarce resources available
<ul style="list-style-type: none"> • Sustainable ISP and cost recovery 	<ul style="list-style-type: none"> • The lack of cost recovery of key amenities and economic services is a major problem for the sustainability of new investments • At present, the basis for payment is typically linked to normative estimation of consumption of ISP • Lack of principles and methods for costs calculation • Lack of enforcement strategies for defaulters of user fees • Lack of clear development and maintenance strategy for key ISP components 	<ul style="list-style-type: none"> • The studies have shown that the potential of the user fees/charges revenue is significant, especially concerning the higher income groups. • The significance of the user fees in the SNGs' finances varies greatly across the six countries, from average 5 % of total SNG revenues in Uganda to 35 % in Zimbabwe. 	<ul style="list-style-type: none"> • SNGs should develop and implement ISP maintenance strategies, including a clear policy for tariff setting. This policy should address the following: 1) adjustment for inflation, 2) recurrent costs, 3) preventative maintenance, 4) depreciation costs and investments. • In order to counteract the non-affordability of full cost recovery, systems for fee differentiation or special support to weak income groups need to be considered.
<ul style="list-style-type: none"> • ISP Performance 	<ul style="list-style-type: none"> • In many of the SNGs there is a lack of knowledge, awareness and information about actual performance in ISP • Senior staff in most SNGs see additional financial means as the one and only solution to the need for increased ISP 	<ul style="list-style-type: none"> • The use of the normative approach for estimating and collecting payments for ISP has had the result that too little attention is paid to losses and leakages in the distribution system for water, etc. • In a number of sample SNGs, there is very little real awareness of the crucial impact of low activity concerning sanitation and solid waste management on the living conditions 	<ul style="list-style-type: none"> • The systems for ISP should be changed to cater for actual consumption and innovative management in order to ensure overall efficiency in ISP • SNGs should be should have awareness of and training in leadership and management based on target performance approaches and the use of benchmarking with neighbouring SNGs, e.g. through their associations

<ul style="list-style-type: none"> Involvement of the private sector in ISP 	<ul style="list-style-type: none"> Experiences with private sector involvement in ISP have been gathered in all six countries, but the area is still in its incipient stage. 	<ul style="list-style-type: none"> The issue should also be seen in relation to the regulatory framework. A proper involvement of the private sector is not an easy task; it demands expertise within fields such as contracting, setting performance indicators and managing external parties 	<ul style="list-style-type: none"> Strengthen the involvement of the private sector in the ISP and establish better co-operation between SNGs and the private sector by use of various models such as contracting out, joint ventures, franchises, etc.
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- CG= Central Government, SNG = sub-national governments, ISP= Infrastructure and service provision

Regulatory Framework:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Develop clear basic legislation for the SNG, safeguarding the principles of decentralisation 	<ul style="list-style-type: none"> This is one of the areas, where the six countries are most advanced in the development. This has often been the initial stage of development of decentralisation. The challenge is mostly to implement these principles in practise. 		<ul style="list-style-type: none"> Develop clear and coherent basic legislation on SNGs, including the delineation of responsibilities, financial resources and the key relationship between CG and the SNGs. This basic legislation should be regularly up-dated and adjusted
<ul style="list-style-type: none"> Avoid overlap and conflicting rules 	<ul style="list-style-type: none"> The basic legislation is often in conflict with the many detailed sector laws and there is a lack of up-dating and development of a coherent legislative framework 	<ul style="list-style-type: none"> Conflicting rules often results in non-compliance and lack of accountability – who is responsible for the ISP ? 	<ul style="list-style-type: none"> Better legislative co-ordination should be achieved between the line ministries in order to avoid overlap, duplication and conflicting regulations. The smooth functioning of the SNGs requires a harmonised regulatory framework and a coherent set of modes of decentralisation and operation used by line ministries.
<ul style="list-style-type: none"> Develop supportive and enabling legislative framework 	<ul style="list-style-type: none"> In the six countries, there have been revealed a strong need to develop supportive up-dated legislation, e.g. within the field of information exchange, taxation, land management, borrowing, demarcation of the involvement of SNG in the private sector and visa versa. 		<ul style="list-style-type: none"> Continue the current up-dating of the legislative framework in a way that establishes clear “rules of the game” for the SNGs’ ISP and that supports the most effective delivery of actual ISP (not in order to enhance the control and sanctions.) Detailed and cumbersome CG approval procedures should be avoided and exchanged with general guidelines and performance measurements. Whenever approval procedures are established, the modalities for these should be transparent and statutorily defined.
<ul style="list-style-type: none"> Land management 	<ul style="list-style-type: none"> Problems in the SNG possibilities to use, own, develop and manage the land within the territory cause problems in all six countries, especially around the major cities 	<ul style="list-style-type: none"> Uganda has developed a new law on land management (1998), but lack of financial resources has restrained the implementation 	<ul style="list-style-type: none"> Revise the act on land and land management with view to enhance the SNG autonomy in this area and the possibilities to use land in the development of ISP The functioning of ISP should be enhanced by delegating competencies to the SNGs in the field of management, land registration and land acquisition

- CG= Central Government, SNG = sub-national governments, ISP = Infrastructure and Service Provision.

Institutional Framework:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Improve the administrative capacity at the SNG level 	<ul style="list-style-type: none"> The capacity of the SNG in terms of financial management, technical matters, planning, etc. varies greatly from country to country and across SNGs, but it is rather limited in all countries, especially in the rural areas. Some of the problems are: lack of rightsizing of the staff, lack of specialists combined with too many less qualified staff, lack of support to the staff in form of equipment, working tools, transportation etc., which make their efforts less optimal 		<ul style="list-style-type: none"> Rightsizing and retrenchment, which has already started in various countries, should be supported and intensified CG should support the SNG administrative capacity by providing better information, establishment of easily accessible databases with demographic, financial, physical, et information for administrative purposes such as taxation and ISP
<ul style="list-style-type: none"> Enhance the SNG autonomy on the administration and human resources 	<ul style="list-style-type: none"> The CG's control of human resources is still significant in most countries and causes various problems, among them: delays in the hiring and firing of staff, double loyalties, lack of accountability of the staff, problems in creating the right incentives, etc. Double loyalties, where civil servants refer to both SNG and CG, has caused severe problems in some of the countries 		<ul style="list-style-type: none"> The SNGs should have a strong autonomy/influence on the hiring, promotions and dismissals of the SNG staff in order to ensure clear lines of managerial accountability.
<ul style="list-style-type: none"> Clear division of responsibilities between politicians and administration in the SNGs 	<ul style="list-style-type: none"> Many of the country studies have revealed problems in defining roles for the politicians at the practical level - the politicians concentrate too much on administrative matters, while the administrative staffs are too involved in political decisions 		<ul style="list-style-type: none"> The responsibilities should be better identified in the regulatory environment, combined with a training and awareness campaign, especially for the newly elected councillors. The councillors should focus on the strategic/political decisions and the administration on the implementation of those decisions
<ul style="list-style-type: none"> Enhance innovative management approaches 	<ul style="list-style-type: none"> In many of the sample SNGs, including those having clear division of responsibilities between politicians and administrative leaders, the managerial leadership focuses too much on control and routines. The restructuring of the administration itself and delegation of competencies and responsibilities are very seldom used as a management tools. 	<ul style="list-style-type: none"> Relying on traditional hierarchical organisational structures generate to a limited extent new methods and streamlining of work routines The lack of user orientation of service provision in management generates heavy overloads in the involvement of leadership in routine cases 	<ul style="list-style-type: none"> Much efforts should be devoted to create awareness and training of the administrative leadership in service-oriented management The potential to delegate power to the lower level cadres of the SNGs' administration should be facilitated inter alia by experiments in organisational restructuring and delegation-based management
<ul style="list-style-type: none"> The need for a common Information and communication technology (IT) strategy 	<ul style="list-style-type: none"> IT is very limited in most of the SNGs, and its use is mostly restricted to word processing – most SNGs have very few computers 	<ul style="list-style-type: none"> There is much to gain by establishing and operating multi-purpose information systems at the SNG level It is very important for the 	<ul style="list-style-type: none"> The efficiency of the SNG administration could be facilitated by the adoption of a joint SNG IT strategy. The strategy should include the

	<p>available, typically not connected</p> <ul style="list-style-type: none"> IT use in the sample SNGs is generally characterised by the absence of integration, openness, standards, economies of scale and IT-market 	<p>SNGs to share data in their administration as well as among stakeholders in ISP and in the handling of land and real property</p>	<p>following three strategic components: SNG IT – training, IT organisation supporting IT development and adoption of a common IT architecture.</p> <ul style="list-style-type: none"> In the medium term, the SNGs should incorporate in their management and information system data concerning land, property, building, natural resources, demographics and urban planning constraints on land use
<ul style="list-style-type: none"> Improve the relationship between the CG and SNG from control to support 	<ul style="list-style-type: none"> Generally, many key decisions with a crucial impact on the SNGs are taken by the CG without proper involvement SNGs and recognition of their interests and expertise. This is particularly a problems within the fields of CG transfers of funds, new legislation and regulations where tasks are transferred, and decisions on the labour market (e.g. on salaries of the staff) 		<ul style="list-style-type: none"> The relationship between CG and SNG should be based on mutual respect, clearance of interests, information exchange and mutual trust. Establishment of a formal forum for budget dialogue should be the first step in this direction Support to the Association of Local Authorities should be rendered in order to enable these to represent the interests of the SNGs and support capacity building at the local level.
<ul style="list-style-type: none"> Support innovative initiatives and training 	<ul style="list-style-type: none"> The use of strategic planning, target setting of ISP and innovative measure to stimulate efficient administrative provision is not widespread in the six countries, but has started on an experimental basis in few of the SNGs. Much SNG staff training takes place in all six countries, but the level is still insufficient to cover the large training needs 	<ul style="list-style-type: none"> There are many good practices within the sample SNGs in the six countries. Initiatives to gather best practices on administration, e.g. financial management or land management should be collected and distributed to other SNGs in order to exchange experiences. 	<ul style="list-style-type: none"> Training of staff should be conducted currently, based on identified needs and adapted to the local needs for the upgrading of qualifications. Training in financial management, technical matters and land management should have top priority. The training should be conducted in a coherent and co-ordinated manner, and the establishment of special training institutions, closely related to the association of SNGs, can facilitate this. The SNG administration should be developed around the principle of Good Governance”, i.e. transparency, accountability, full information and the involvement of citizens Establishment of a human resource function in the larger SNGs Strategic planning, with clearly defined objectives, and performance indicators in the short, medium and long term should be developed and closely linked to the budgets of the SNGs.

CG= Central Government, SNG = sub-national governments, ISP = Infrastructure and service provision.

Subsidiarity and SNG Operational Capacity:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Pursue the principle of subsidiarity, in which services are provided at the lowest possible level of government that is able to perform them and as close to the citizens as possible 	<ul style="list-style-type: none"> The tendency in most of the study country has been to create more and more SNGs (and tiers of SNGs), even in situations where the existing SNGs lack important capacity The inter-municipal co-operation on ISP is not widespread within the six countries It is too early to judge the experiences resulting from the establishment of several tiers of SNGs in the six countries 	<ul style="list-style-type: none"> Especially under conditions of financial and capacity constraints, it is important to be able to address the local needs as flexibly as possible in order to use the scarce resources in the optimal ways. 	<ul style="list-style-type: none"> The assignment of task and responsibilities, in reality, should follow the principle of subsidiarity Functions should only be transferred between levels of government after careful analysis of the administrative capacity, financial assignments and resources available, the possibility to perform the tasks with a certain degree of co-ordination between the various activities and economy of scale Establishment of more than one tier of SNGs might be a solution to the problems of limited administrative capacity and lack of economy of scale at the lowest level but should be carefully designed to avoid waste of scarce resources, overlapping responsibilities, lack of accountability and fragmentation
<ul style="list-style-type: none"> SNG operational capacity 	<ul style="list-style-type: none"> The average SNG size, in terms of number of inhabitants, in the six countries is not smaller than in other parts of the world, but there tend to be many very smaller units (especially within the rural areas) with little or no administrative capacity and future possibilities to do any important ISP tasks. 	<ul style="list-style-type: none"> The optimal size of an SNG is hard to define, but evidence from various parts of the World suggest that SNGs with below 5,000 inhabitants will have severe difficulties in providing significant ISP in an efficient manner (this is of course very dependent on the type of ISP the SNGs are assumed to perform). 	<ul style="list-style-type: none"> It should be considered to amalgamate some of the smallest units of SNGs, especially in the rural areas, after careful review of the above components

CG= Central Government, SNG = sub-national governments, ISP= Infrastructure and service provision

SNG Accountability to the Citizens:

Policy and objectives (central government)	Findings	Comments	Recommendations
<ul style="list-style-type: none"> Decentralisation to the SNGs should ensure that the local priorities have a greater say 	<ul style="list-style-type: none"> The study has revealed that the comprehensive CG control of SNG finances, key strategic decisions and the organisation of the administration the human resources has compromised the SNGs' accountability to their citizens. The citizens feel that the SNGs cannot deliver services; as a result, the support and commitment to the SNGs is low in most countries 	<ul style="list-style-type: none"> Accountability to citizens is compromised by lack of SNG autonomy vis-à-vis CG and too little public awareness of real financial constraints. 	<ul style="list-style-type: none"> The SNG autonomy should generally be increased to ensure a better relationship between the tasks/responsibilities, competencies on key decisions, staffing and finance.
<ul style="list-style-type: none"> To promote local democracy in local politics 	<ul style="list-style-type: none"> Half of the countries have strong CG influence on the appointment of the local councillors by direct 	<ul style="list-style-type: none"> The mobilisation of the local citizens might be very decisive for the possibilities to raise local resources and 	<ul style="list-style-type: none"> Mayors and councillors should be public elected on a regular basis

	<p>appointment by the central government of a part of the SNG councillors</p> <ul style="list-style-type: none"> • Mayors and councillors are elected in Zimbabwe, Uganda and Senegal, but the real possibilities to select between various parties with real influence is still developing and varies 	<p>create awareness of the link between taxes and user charges raised and the quality and quantity of ISP delivered</p>	<ul style="list-style-type: none"> • Key decisions, e.g. on budgets, regional planning and larger investments should undergo public hearings beforehand. • The budgets, the accounts and the audit of the accounts of the SNGs should be open and easily accessible for the public
<ul style="list-style-type: none"> • Involvement of the citizens in ISP 	<ul style="list-style-type: none"> • User boards and involvement of the citizens in ISP decision-making is developing in most of the six countries, but still in its initial stages. 	<ul style="list-style-type: none"> • NGOs and other associations of citizens have been established in a few countries, e.g. Zimbabwe and Swaziland. It is important that these relatively strong associations are matched by and balanced by the interest in ISP development (e.g. user boards) 	<ul style="list-style-type: none"> • The principle of "Good Governance", cf. above should be realised. • Involve and consider the stakes of the citizens in all key decisions on ISP, including physical planning, major investments and decisions on services, e.g. by use of user boards, public hearings, open information, transparent procedures in the SNGs

CG= Central Government, SNG = sub-national governments, ISP = Infrastructure and service provision.

Overview and Road Map for the Ways and Means Forward

The analysis of the system of SNGs in the six countries has made it possible to indicate the progress towards these objectives. The table below gives a simplified overview. Please refer to Chapters 3-9 and Annex No.3 for a more detailed comparison of the countries. The position of the various countries was determined after a careful analysis of approx. 50 indicators and was, naturally, greatly dependent on the selection of indicators, the stage in the decentralisation process of each country, the history, culture, etc. The position of each country should only be understood as an instant picture of the status at the moment on these indicators. The indicators gives a very rough picture of the general situation, as the situation varies within each country across the SNGs, e.g. from urban to rural areas.

Road Map on Decentralisation	Central Government Policy on Decentralisation	Financial sustainability at the SNG level	Performance and sustainability of ISP	Regulatory Framework	Institutional Framework	Subsidiarity-operational capacity in relation to SNG tasks	SNG accountability to their citizens
Advanced	Clear policy and strategy on decentralisation including a plan for implementation agreed among all key stakeholders	Clear relationship between revenue and expenditure assignments Strong own revenue sources Appropriate system of transfers	Comprehensive coverage of the ISP needs Strong system of costs recovery fees and charges Participatory ISP and private involvement	Clear and harmonised legislation Support and guidance oriented CG intervention Significant SNG autonomy	Significant autonomy on human resources and administration Strong administrative capacity in key areas Innovative strategy to improve HR, including training and incentives	Tasks and responsibilities assigned across levels of government according to the principle of subsidiarity	Strong SNG accountability to citizens (public election, user involvement etc.) Strong SNG possibilities to fulfil the mandates/i.e. significant SNG autonomy on finance and administration
Developing	Uganda Moderate Senegal Ghana Zimbabwe Swaziland	Moderate Uganda Senegal Zimbabwe	Moderate Senegal Swaziland Zimbabwe	Uganda Moderate Senegal Ghana Zambia Zimbabwe	Moderate Senegal Uganda	Moderate Zambia Uganda Zimbabwe	Uganda, Senegal Moderate Zimbabwe Ghana
Initial/incipient	Lack of policy and/or strategy Zambia (1)	Severe imbalances Lack of strong local revenue base Unpredictable sources Weak links to CG Zambia Ghana Swaziland	Severe problems in quality and quantity of ISP Lack of cost recovery strategy and implementation measures Zambia Uganda Ghana	Unclear and non-comprehensive legislation Strong and rigid regulatory control Swaziland (2)	Weak administrative capacity Lack of HR autonomy Swaziland (3) Ghana Zimbabwe	Problems in matching the SNG capacity (broadly defined) to the present tasks Fragmentation of capacity Ghana Senegal Swaziland	Low accountability Low SNG (local) autonomy Zambia Swaziland

(1) At the time of the study (might have been developed since that time) (2) Is in a process of development (3) The two bigger cities have significant administrative capacity, all the other 11 SNGs have problem

CHAPTER 2 - POLICY FRAMEWORK OF CENTRAL GOVERNMENTS FOR DECENTRALISATION - OBJECTIVES

2.1 Findings from the six case studies on the central government objectives

The analysis of the central government decentralisation objectives in the six Sub-Saharan African countries involved in the study revealed great harmony across the Region, cf. **Annex No. 1** for a more detailed treatment. Below is an analysis of the central government objectives as they have been revealed in the six country studies. It is important to underline that these are the stated objectives of the central governments of the study countries. In reality, we have to distinguish between the officially approved central government strategies and what is actually happening on the ground. The objectives contained in this chapter portray the official policy.

2.1.1 Decentralisation

All six countries pursue a stated policy of decentralisation; however, some of the countries (e.g. Uganda) have formalised this policy more explicitly than other countries. All countries define decentralisation as devolution of tasks and responsibilities, but there are important differences between the strategies adopted for this purpose. **Senegal** has decided to keep strong deconcentrated central government links to the SNGs at the local level. **Swaziland** has adopted a solution with SNGs in the cities and another type of government in the rural (traditional) areas. The policy in **Uganda** is strongly in favour of gradual devolution of power to both the urban and the rural communities and development of several tiers of SNGs. Most of the countries find that it is advantageous to have a clearly stated policy and related implementation strategy as the basis for the decentralisation process and the related legislation, although the development of the strategy is ongoing in some of the countries (**Zambia** and Swaziland).

All six countries are pursuing a policy of gradual decentralisation in which more and more tasks are transferred to the SNGs over time. Although the pace has varied, **Uganda** has moved fastest in the recent years.

2.1.2 Sub-national government finances

Certain key principles and objectives in the design of systems of SNG finance are similar in all the case study countries. Among these objectives are:

- Viable sub-national governments should be established.
- Strong sub-national government own revenue sources should be developed (although there are variations between the Zambian objective to have self-financing SNGs and the view in Uganda, Senegal and the other countries to go for a more balanced composition of revenue sources).
- The SNGs' autonomy to raise own revenue sources should be increased.
- The SNGs' tax yield and the local tax administration should be strengthened (to enhance the efficiency in tax assessment, valuation, collections, etc.).
- User charges should be established as a significant revenue source.
- Central government transfers should have an important role in the co-financing of SNG expenditures (except in Zambia where the objective is for SNGs to be self-financing). In most of the countries, it is an objective to make these transfers to SNGs transparent, objective, fair, timely, reliable, stable and regulated by law. Uganda is the only country in which it is a legal requirement to negotiate conditional grants with the SNGs before they are submitted.

- In most of the six countries, e.g. Senegal, Uganda and Swaziland, it is also an explicit policy that the transfer of new tasks and the transfer of financial resources for those tasks should be done in parallel.
- All the countries have as a declared policy to strengthen financial management at the local level including the capacity to budget, make realistic accounts, elaborate development plans, deliver audit statements, provide information, etc.
- The SNGs should have a considerable autonomy to prioritise their expenditures, although the central governments of all countries seek to control and direct the spending to certain key areas (Uganda is a good example, where the SNG budgets have to be in accordance with the national priority areas).
- In addition, in some of the countries, e.g. Senegal and Zimbabwe, the central government have a clear objective to support SNGs in borrowing for investments in ISP.

In summary, most of the countries' objectives for SNG finances are identical. The main variations between countries include the pace at which the SNGs' autonomy regarding revenues and expenditures should be introduced and the balance between own revenue sources and transfers from the central governments (to achieve the optimal composition of revenues).

2.1.3 Infrastructure and Service Provision (ISP)

The analysis of the six countries has (not surprisingly) revealed that all the central governments wish to enhance SNG infrastructure and service provision to the citizens in terms of the coverage of the most basic needs.

All the countries also pursue a policy of cost recovery for most of the SNG services, although this policy is more comprehensive (covering most ISP areas) in countries like **Zimbabwe** and **Zambia** than in **Ghana**, where user fees and charges are still limited to a few areas.

All countries also have a declared policy to increase private sector involvement in ISP and to improve the relationship and co-operation between the public and the private sectors, although with varied scope, strategies and progress in implementation, cf. chapter 4.

Involvement of the citizens, the NGOs, the traditional leaders and other local interest groups in ISP is also a declared policy in most of the case study countries.

2.1.4 Regulatory framework

All six case study countries have a declared objective to develop a comprehensive and clear legislative framework for the SNGs with clear delineation of tasks, responsibilities and power between levels of governments. Most of the sample countries, in fact, have constitutional safeguards in place for this purpose. All the six countries have as an explicit objective to use the Local Government Act as the main pillar in the regulatory framework, followed-up by more sector-specific legislation. These sector-specific laws should be in accordance with the basic Law on Local Governments.

2.1.5 Institutional framework

There are also a number of similarities in the objectives for the institutional framework. All countries aim at strengthening the following:

- administrative structures at the SNG level;
- human resource development;
- training of politicians and administrators on a regular, comprehensive and relevant basis;
- the relationship between central and SNGs and to find the right balance between the need for monitoring/control/mentoring and the wish to secure autonomy at the sub-national level;
- development of the public sector in accordance with the concept of "Good Governance", including responsiveness to citizens, accountability and transparency;
- support for the use of IT;
- strategic management and development plans; and
- gradual increases in SNG autonomy to hire and fire civil servants, although opinions vary across the central governments as to the appropriate extent and pace of this process and the authority the SNGs should have in this area.

2.1.6 Overall capacity of the sub-national governments to conduct their functions

There is awareness in all six case study countries on the relationship between the size, the functions and the capacity of the SNGs (e.g. in terms of finance, resources, staffing, etc.).

Generally, all countries state that they are pursuing the principle of subsidiarity, which means that services should be provided at the lowest capable level of government, as close to the citizens as possible.

But, in reality, there are many ways to implement this principle. **Uganda** and **Senegal** have as a declared objective to establish several tiers of SNGs, each with functions suitable for their size and capacity. Other countries, such as **Swaziland**, wish strongly to maintain separate forms of governance for urban and rural areas. In Senegal, the central government's deconcentrated agencies are supposed to support the SNGs, especially within the weaker rural areas. Deconcentrated central government departments are also common in **Ghana**, but there the attempt is to incorporate these in the SNG administration. Nevertheless, all countries are pursuing a gradual transfer of more and more functions and responsibilities to SNGs in line with development of administrative and financial capacities at the local level. Again there are differences in the desired pace of these decentralisation processes, cf. later chapters. Other criteria for the assignment of the tasks - such as economy of scale, bundling of services, linkage between the services, efficiency, etc - have not been directly stated in most of the countries.

2.1.7 Accountability of the SNGs towards their citizens and mechanisms for citizen participation at the SNG level

In principle, all the six countries are in favour of a high degree of citizen involvement in local decision-making, through the budget procedures, the development plans, the land management process, the planning of the key ISP investments, etc. Establishment of user boards, various kinds of hearing procedures, involvement of NGOs and possibilities for appeals of SNG decisions have been

given priority in all the six countries and have been defined as objectives for the future development of the SNG systems.

2.2 Findings from Victoria Falls Meeting and the Declaration

The findings from the country studies are generally in line with the content of the declaration from the Victoria Falls Meeting in September 1999⁶. Below are listed the main recommendations and objectives for the **Declaration** within the key focus areas, **cf. Appendix No. 2**.

Box 2.1: The content of the Victoria Falls Declaration:

Central Government Objectives:

- The decentralisation process should be further developed and put on the agenda of OAU, ECOWAS, SADS, COMESA and EAC in order to promote awareness and commitment and facilitate ownership of shared vision by the member states.
- The purpose of decentralisation should be to devolve power and responsibility to the lower echelons, promote local democracy and encourage good governance.
- There is a shared vision of the basic principles for decentralisation on the African continent.

Sub-National Government Finance:

- The revenue base of the sub-national governments should be enhanced – innovative sources of local revenues should be identified.
- Land and property tax should constitute the key sources of local government revenues.
- Decentralisation should include the provision of access to the resources needed to execute the above powers and functions efficiently and effectively, including financial and manpower resources.
- Financial resources should be available to local authorities in a manner that is reliable, adequate, predictable, transparent, accountable, sustainable and equitable.

Infrastructure and Service Provision:

- The objective of decentralisation is to improve the quality of the life of the people.
- The main priority should be to improve the ISP in the rural areas.

Regulatory framework:

- The legal framework governing sub-national government should be improved.
- The legal safeguards to protect the gains made so far in the decentralisation process in order to ensure the sustainability of the process should be strengthened.
- The basic components of a decentralised system of local government should be enshrined in the constitution.
- Legal provisions and mechanisms must be put in place to facilitate effective and equitable sharing of resources.

⁶ The Victoria Falls Meeting was a preparatory meeting for the AFRICITIES 2000 and was attended by ministers and representatives from ministries of local governments from 15 countries, among them five out of the case study countries. The Victoria Falls Declaration – Ministers' Conference on "Challenges Facing Local Governments in Africa in the 21st Century", September 20-24, 1999 Kingdom Hotel, Victoria Falls, Zimbabwe.

Institutional Framework:

- The bureaucratic and fragmented structures should be made more efficient, and the bureaucratic barriers eased.
- The political will to improve the situation should be strengthened.
- The skills, knowledge, attitudes, organisational and management systems at the sub-national government level should be improved – appropriate capacity building programmes should be put in place.
- The present planning systems are weak – local governments at appropriate levels should implement policies and programmes for economic development, priority being on modernisation of the productive sectors and improvement on the conditions in the rural areas.
- The monitoring processes of decentralisation should be strengthened.
- The formation and strengthening of national associations of local government in the countries should be supported in order to promote networking and information exchange between local government institutions and to enable local authorities to speak with one voice.
- Exchange programmes between African countries should be supported.
- Steps should be taken to promote information sharing and encourage the development of systems for information dissemination through the compilation of a common directory of local government contact persons and different systems of local governments.
- Recognition should be given to the role that the traditional leaders, wherever they exist, play in the process of development.
- Effective institutions for auditing and monitoring should be put in place.
- Local government financing and management practices should be consistent with the national macro-economic policy.

Citizen Participation:

- The public image of the sub-national governments should be improved.
- Strengthened citizen participation in civic affairs and improved efficiency, accountability and transparency in infrastructure and service provision should be sought.
- Decentralisation should be to local government structures, which are representatives of and accountable to all sectors of the local population, including marginalized and disadvantaged groups.
- Decentralisation should be to levels of local governments structures that enable effective community participation in local governance.
- Local Governments should adopt a participatory planning and budgeting process.

Overall Capacity of the Sub-national Governments:

- Service provision should be done at the governmental levels closest to the citizens.
- Decentralisation should involve transfer to local government institutions of those powers and functions necessary to enable them to: 1) improve services for the local population efficiently and effectively, 2) provide a conducive environment for local economic development and 3) develop and manage local resources in a sustainable manner.

Creditworthiness:

- While not mentioned as an explicit objective in the Summit Declaration, improved SNG creditworthiness is assumed to be an underlying development objective of many of the other more specific objectives.

In **summary**, the objectives defined in the Summit are in accordance with the findings from the six country studies. The indicators of decentralisation contained in **Annex No 3** are developed with their point of departure in the above-mentioned objectives from the case studies and the Declaration.

2.3 Evaluation of the central government objectives on decentralisation and recommendations for the future

2.3.1 Introduction

The analysis of the central government objectives revealed great harmony among the six countries in their overall decentralisation objectives. Most of the countries have also developed rather comprehensive strategies or sets of objectives for decentralisation. Nevertheless, the country studies have revealed considerable differences in terms of the existence of officially adopted and clear decentralisation strategies, implementation plan and initiatives to ensure that these plans are adjusted to new challenges.

Uganda and **Senegal** have developed and officially adopted clear strategies for decentralisation that outline the main objectives, the division of tasks and responsibilities between levels of government, the regulatory framework and the institutional framework. In other countries, e.g. **Zambia** and **Zimbabwe**, development of detailed policies on decentralisation are still underway..

Progress has been more modest in the development of implementation plans and the adjustment of the plans to new challenges, including issues involving SNG finances and human resource development. **Uganda** has shown the way forward in the development of a clear constitution, 1995 with clear guarantees for the SNGs. It has enacted a very comprehensive, detailed and consistent legislative framework, based on the Local Government Act of 1997, with regular meetings and fora to follow-up on the progress of decentralisation and to adjust the legislative framework. Nevertheless, there remains a need to realign many of the sector laws to ensure consistency in Uganda's overall decentralisation framework.

The following chapters will analyse the extent to which these objectives have been implemented and review factors that have facilitated or restrained this process.

2.3.2 Recommendations and the road forward

1. Develop an official, clear and consistent *decentralisation policy*. Among other issues, the policy should address the type of decentralisation to pursue; the objectives of decentralisation; the structures of SNGs to be established; the main division of tasks, responsibilities and competencies between the levels of government; the features of the system of finance (ways and means, including the key sources of finance); and the human resource area. In addition, the links between these components should be clearly outlined.
2. An *implementation plan* should follow-up on the policy and should cater for all the necessary steps to be taken in the short-, medium- and long-term future, including estimation of the

financial, physical and human resource requirements for implementation. The implementation plan should show the approach to implementation; the scope of the exercise; and the phases of implementation, including geographical phases and whether or not there should be a pilot phase. An action plan for the practical implementation should be elaborated, including concrete measures to be taken.

3. Establishment of strong *structures* to implement and drive the decentralisation process, e.g. in the form of a Decentralisation Secretariat or development agencies within the Ministry of Local Government and finance commissions.
4. During the above-mentioned process, strong *involvement of all the key stakeholders* from the central and SNG levels should be ensured.
5. Support the development and strengthening of democratically based *local government associations* as representatives of SNGs and co-operation partners for central government in order to mediate interests, exchange information and represent the SNGs at the central government level.
6. Regular *adjustment of the policy* and the implementation plan should be pursued to address the actual challenges in fields of human resources, capacity, finance, new tasks, etc.

CHAPTER 3 - SUB-NATIONAL GOVERNMENT FINANCE

3.0 Economic development – the general context of the system of SNG Finance

The system of sub-national government finance in the six study countries has to be seen in the context of the general economic development in the countries. This report will not examine this subject in great detail (please refer to the country reports), but the table below gives an short overview of economic development conditions within each country during the study period (1995-1998):

Table 3.1: Overview of the development in economy in the six countries:

Country	Inflation	GNP growth**	GNP per capita (USD) **	Financial situation in general
Zambia	1994: 55% 1995: 35% 1996: 44% 1997: 25%	1996-97: 4.4%	1997:370	Severe economic problems, among other reasons due to reduction in revenue from export.
Senegal	1995:8 %, 1996: 3 % 1997: 3 %	1996-97: 5.4%	1997: 540	Growth in economy has been higher than growth in population in the period.
Uganda	1995/96: 7%, 1996/97: 6 %, 1999: 5 %	1996-97: 6%	1997: 330	High economic growth rates in the 1990s, although with a slow down in growth the most recent years due to the El Nino weather.
Ghana (1)	1995: 60% 1996: 47% 1997: 28%	1996-97: 4.3%	1997: 390	The public debt has been increasing within the study period (1995-1997)
Swaziland	1996: 6 %, 1997: 8%, 1998: 8%	1995-1998 average: 3 %	1997: 1000	Decline in the real GDP per inh. the study period, financial problems due to problems with the expert
Zimbabwe	94-97: 82% *	1996-97: 2.2 %	1997:720	Financial problems in the recent years

Source: The country reports on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision. Based on the annexes to the country report.

* Over the three- year period. Swaziland figures from the Report on Fiscal Decentralisation. GDP estimated approx. figures by use of the figures from the report

** World Development indicators, 1999 The World Bank.

The figures mentioned in this report are in local currency. In order to compare across countries, please refer to the following exchange rates:

Table 3.2: Exchange rates : USD-Local Currency

Country	1USD = Local currency, 1996	1 USD = Local currency, 1997	1 USD = Local currency, 1998
Zambia (K)	1214	1321.3	1862.2
Senegal (CFA)	519	598.2	559.6
Uganda (U Sh)	1045	1067	1225
Ghana (Cedis)	1740	2250	N/A
Swaziland (E)	4.3	5.50	5.4
Zimbabwe (ZD)	10.1	12.4	23.4

Data from the country reports and the local consultants, cf. Appendix No. 4.

As it appears from the tables, the six countries have great differences in their financial capacity to provide ISP to their citizens measured in GDP per capita. Swaziland and Zimbabwe are the most prosperous countries, although with decline in the economy in the most recent years. Senegal,

Uganda, Zambia and Ghana are all low-income countries, but Uganda and Senegal have had the most positive financial development within the period 1995-1998.

At the sub-national government level, the table below gives an overview of the real expenditure per capita at the SNG level in USD (cf. *Appendix No. 4 A-B* for further details):

Table 3.3: Sub-National expenditure and revenue per capita in USD

Country	Total revenue per inh. in all SNGs	Total <u>own</u> revenue in all SNGs per inh.	Total revenue from user fees per inh. in all SNGs	Total expenditure per inh. in all SNGs	Total expenditure on ISP per inh. in all SNGs (2)
Zambia (1997)	3.2	3.1	0.7	2.0	1.3
Senegal(1996)	6.5	5.8	1.3	6.0	N/A
Ghana (1996)	3.6	N/A	N/A	3.7	N/A
Swaziland (1998)	51.1	45.8	2.8	45.0	34.8
Uganda (1997/98)	12.9	3.0	0.99	11.6	9.0
Zimbabwe (1997)	18.9	12.8	6.7	19.4	13.2

Data from the country studies on Sub-National Government Finance in Relation to Infrastructure and Service Provision. ISP= Infrastructure and Service Provision, defined as the total expenditure – general services (administration). The SNGs in Swaziland only cover the 12 urban SNGs = approx. 20-30 % of the population, areas where the ISP is most developed.

The table shows great differences in the financial capacities to provide ISP to their citizens. The following sections will treat these differences in detail. Please refer to *Annex 4* for more details on SNG finance.

3.1 Findings from the country studies – trends in SNG finance from 1995-1998

The development of efficient systems of SNG finance is one of the most challenging and complex components of decentralisation reforms. It is generally agreed that fiscal decentralisation results in a number of economic welfare gains⁷. Among the advantages are:

- Stronger accountability to the citizens is ensured.
- Local preferences are more directly reflected in the decisions and the optimal mix of revenues, expenditures and related welfare gains.
- Stronger incentives are established to provide services in an efficient way.

However, these results are not achieved automatically, but they demand that a number of initiatives are taken.

Strong SNG financial frameworks must be based upon:

- clear assignment of responsibilities;
- authority to adjust revenues to the needed expenditures;
- authority to generate sufficient SNG own revenue sources and to develop strong positive incentives to strengthen this;
- the development of strong financial management and accountability systems and procedures;
- development of an appropriate mix/composition of expenditure and revenues;
- efficient, democratic and accountable budget procedures; and
- appropriate financial relationship between central and SNGs.

⁷ The OECD 1999 Survey on Fiscal Design Across Levels of Government, Summary Note, OECD 1999.

All countries will have to address these key objectives to successfully decentralise their systems of government. There are many ways and means to address these challenges, but also common principles and lessons to learn from the studies of the six countries.

This chapter reviews the SNG financial framework in the six countries and the above-mentioned prerequisites for success. *First*, a comparison will be made of some of the key indicators of SNG financial strengths and weaknesses. These indicators are treated separately, but are closely inter-linked. A high SNG share of the total public expenditure is of limited value if the SNGs have little autonomy to determine expenditure and/or revenue sources. *Second*, the key challenges for the SNGs in the field of finance are identified, followed by tentative recommendations on how to address these future challenges.

The evidence from this chapter should be combined with the more detailed figures presented in **Annexes Nos. 3 and 4** to this report. The chapter is also related to Chapter 5, which addresses the regulatory framework, including the financial regulations, especially for budgeting and borrowing.

Data in this chapter is based on the six country studies on *Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision*. The data has been collected from two levels:

- aggregate figures for central government and SNGs' expenditure and revenue available at the central government level, especially official figures from the Ministry of Finance, Ministry of Local Government, Finance Commission and Central Statistical Office in each of the six countries; and
- figures from a sample of six to ten SNGs in each country; the sample SNGs were chosen to represent various SNG sizes, capabilities, relative financial strengths and geographical areas of the country.

The data, as far as possible, is based on accounts figures, official figures, combined with findings and cross-checked, e.g. by comparing aggregate figures with findings from the sample SNGs. The data has been presented at national workshops in each of the countries for decision-makers and experts, and officials from central and SNGs have had the opportunity to check and forward comments regarding the data.

3.1.1 Sub-National Government Share of Expenditure of the GDP and Total Public Expenditure

The relative size of SNG expenditure in relation to the total public expenditure and GDP is one of the indicators of the degree of decentralisation; however, it obviously must be related to the responsibilities and the autonomy of the SNGs in each country.

Annex Nos. 3 and 4 and **Table 3.4** below show that the SNGs in the six case countries, except Uganda, have rather low expenditure shares of the GDP and low shares of the general public expenditures.

Table 3.4: Share of the sub-national government expenditure of GDP and General Government Expenditure (*)

Size of the SNGs	Share in percentage of GDP (%)	Share of SNG expenditure of general government expenditure (%)
Zambia	0.5	3
Swaziland	0.6	2
Senegal	1.8	7
Ghana	2.6	4
Zimbabwe	3.0	8
Uganda	4.0	21
Total (unweighted average)	2.1	8

*Most recent figures from the Study on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision (ISP): Zambia: 1997, Senegal: 1997 (including 10 regions), Swaziland: 1998, Uganda: 1997/98, Ghana: 1996 and Zimbabwe: 1997 figures.

Table 3.4 shows that the SNG expenditures in all the six countries constitute less than 5% of the GDP, and in most countries less than 3% of the GDP. On average, the SNGs in the six countries account for approx. 2.1% of the GDP.

Table 3 in Annex No. 4 compares the findings in the six countries with the OECD countries. Compared with the unweighted average of the 21 OECD countries included in the analysis (11.1%), the unweighted average from the six African countries (2.1%) of the GDP is rather modest.

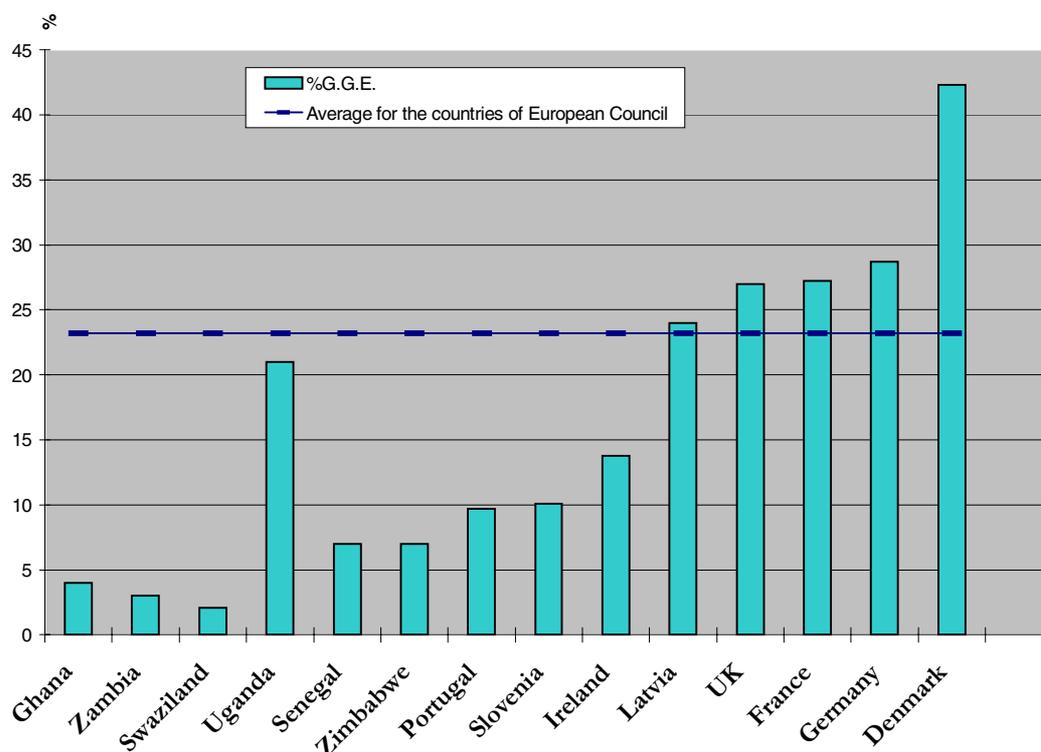
The SNG share of GDP in the six countries has increased from an average of 1.9% in 1994 to 2.1% in 1997, cf. Annex No. 4.

Table 3.4 shows that the SNG share of the **general public expenditure** is also comparably small: less than 10% in five out of the six countries. The average SNG share of the general public expenditure is 8% for the six countries. **Uganda** is an exception. The SNGs in Uganda constitute more than 20% of the general public expenditures and have done so during the entire investigated period from 1995-1998.

A similar low share of SNG expenditure is seen for both recurrent and capital expenditure. The SNG share of general public expenditure *has been stable from 1994 – 97 and has averaged 8%*, cf. annex Nos. 3 and 4.

Compared to countries in OECD, the SNG share of general public expenditure is rather modest in the six Sub-Saharan countries, cf. the figure below. The SNGs in most of the countries of the Council of Europe constitute between 10-30% of the general public expenditure, cf. below:

Table 3.5: SNG Expenditure in Relation to General Government Expenditure



Generally, it is assumed that a large share of SNG spending to total government spending, associated with decentralised responsibilities and a high level of autonomy, is an advantage for a system of SNG finance. However, such a relationship cannot be assumed to exist automatically or proportionally since the share of expenditures per se is not necessarily equivalent to local *control of* expenditure and revenue and responsibilities.⁸

Tables 3.3 and 3.6 show the SNG expenditure per inhabitant in the six countries (USD) per year. The table show a significant variation across the six countries (cf. also the differences in GDP). The SNGs in Swaziland and Zimbabwe spend by far the largest amount per inhabitant, USD 45.0 and 19.4 respectively, followed by Uganda at USD 11.6 per inhabitant per year.

⁸ This has also been the findings of the Directorate for Financial, Fiscal and Enterprise Affairs, The OECD survey on Fiscal Design across levels of Government, Summary note, 1999, OECD.

Table 3.6: SNG Expenditure per Capita in USD

Country	Total SNG expenditure per inhabitant in USD	Total expenditure per inhabitant in USD on ISP
Zambia 1997	2.0	1.3.
Senegal 1996	6.0	N/A
Ghana 1996	3.7	N/A
Swaziland 1998	45.0	34.8
Uganda 1997/98	11.6	9.0
Zimbabwe 1997	19.4	13.2

Cf. Annex 4.b 1 and 2. ISP defined as total expenditure excluding general services (administration)

3.1.2 Recurrent and Capital SNG Expenditures

The composition of expenditure has an important impact on the possibilities for development of the ISP level and future improvement of ISP. A system that entails only recurrent expenditure on general administrative items leaves little promise for future improvements in ISP, especially if salaries account for the largest share.

The analysis of the expenditures in the six countries has revealed that the SNG expenditures have increased over the study period, in most countries by more than the inflation rate. The recurrent expenditure constitutes by far the greatest share, except in **Ghana**, where central government transfers from the Common Fund are dedicated to capital investments and therefore have a great impact on disbursements at the SNG level, cf. below:

Table: 3.7: Composition of SNG Expenditures – Recurrent and Capital (%)

Countries	Recurrent expenditures %	Capital expenditures %
Zambia (1997)	95	5
Senegal (1997)	69	31
Uganda (1997/98)	84	16
Swaziland (1998)	96	4
Ghana (1996)	31	69
Zimbabwe (1997)	80	20
Unweighted average	76	24

Figures from the Study of Fiscal Decentralisation and Sub-national Government Finance in relation to ISP; Senegal figures are exclusive the 10 new regions from 1997

The share of the recurrent expenditure of total SNG expenditure has been stable over the 1994-1997 period.

Contrary to all the other five countries, **Ghana** has decided to decentralise the development budget before the recurrent budget. The table confirms this, as Ghana's SNGs have the highest share of capital expenditure of total expenditure. One of the main reasons is that most of the recurrent expenditure at the SNG level is finance by the central government, e.g. staff seconded by the central government service. The other countries have typically started with decentralisation of some of the current tasks and responsibilities and then gradually introduced capital investments at the local level, starting on a pilot basis in selected SNGs in **Senegal, Uganda and Swaziland**. None of these countries has yet fully decentralised the development budget, and the system is still in a kind of a pilot stage, where various models of financing capital investments are tested. The table shows that **Zimbabwe** and **Senegal** have made important first steps in assigning capital investments to the SNG level.

The low level of capital expenditure in Zambia is a reflection of the fact that virtually all capital expenditure is undertaken by central government on behalf of the SNGs. This include donor funded

projects as well as those funded by the National Roads Agency. In addition, water and electricity are operated by parastatals.

3.1.3 Composition of SNG Expenditures across Sector Areas

The analysis of the most recent years in the study shows that the expenditures for general public service (administration) constitute a significant share of the total SNG recurrent expenditures, c.f. Table 3.8 below (and Annex No. 4):

Table: 3.8: Composition of the Recurrent SNG Expenditures

	General public service %	Educa-tion %	Health %	Social security and welfare	Housing	Com-munity amenities	Culture Recrea-tional*	Eco-nomic services	Other tasks	Total %
Zambia	33	1	21	0	18	3	1	15	7	99
Senegal	43	9	15**		2	9	_*	1	19	98
Uganda	21	60	13	0	0	0	0	5	0	99
Swaziland	35	0	11	0	0	11	7	32	0	96
Ghana	77	1	7	1	0	1	0	0	13	100
Zimbabwe	29	1	4	1	10	40	5	10	0	100
Average Unweighted	40	12	12	0	5	11	2	12	7	101

Figures from the Study on Fiscal Decentralisation and Sub-National Government Finance: Zambia 1997, Senegal: 1997, Uganda 1997/98, Swaziland: 1998, Ghana: 1997 (based on the six sample SNGs), Zimbabwe: 1997

*Including sport and culture

** Includes both health and social welfare

The analysis reveals that the expenditure to general public service (administration), on average, is the largest expenditure item in the SNG budgets, accounting for an average of more than 35% of the total recurrent expenditure. There are great variations across the other sector areas.

Uganda has a high share of expenditure on education (reflecting the strong priority of education in this country), whereas Swaziland has a large share of expenditure on economic services. This reflects the high investment in road infrastructure in the country in recent years and the fact that the SNGs in **Swaziland** have comparably limited assignment of ISP responsibilities. The average expenditure for community amenities (11%) and economic services (12%) indicates the importance of these areas in most of the countries, but the shares are still much smaller than general public services. The expenditures on social security and welfare, culture and housing are limited.

Health care expenditure has increased from 9% in 1994 to 12% in 1997 of the average total expenditure. The relative composition of other expenditure sectors and expenditure to general public services has been stable from 1994 to 1997, cf. Annex No. 4.

3.1.4 Wage and Non-Wage Expenditures

A proper composition of wage/non-wage expenditure is needed in order to utilise the staff fully and to pave the way for significant ISP investments. The table below shows the composition of the recurrent expenditure broken down on wage and non-wage groups. The analysis shows that wages constitute (on average) more than 50%, of the recurrent expenditure. Annex No. 4 shows that the wage share of total SNG recurrent expenditure has been stable at approximately 53%.

Table: 3.9: Wage and Non-Wage Recurrent SNG Expenditure

Countries	Wage (%)	Non-Wage (%)
Zambia	59	41
Senegal	47	53
Uganda	59	41
Swaziland	50	50
Ghana	75	25
Zimbabwe	36	64
Total (unweighted average)	54	46

Figures from the Study on Fiscal Decentralisation and Sub-National Government Finance in Relation to ISP: Zambia: 1997, Senegal: 1996 (based on only three sample SNGs), Uganda: 1997/98, Swaziland: 1998. Ghana based on estimates from the review of the six sample SNGs. Zimbabwe: 1997

It appears from the table, that Ghana has a very high share of wages of the total recurrent costs. This can be explained partly by the fact that Ghanaian SNGs are mainly responsible for capital investments in ISP and that most of the recurrent SNG expenditures are covered directly by the central government. Nevertheless, the table shows that the shares of the SNG resources available for other types of expenditure (e.g. building, equipment, materials, etc.) are very limited.

3.1.5 Composition of Revenues

The *size of the SNG revenue* in USD per capita in the six countries is shown in Table 4 B 2 in Annex 4. The table shows that the total SNG revenue per capita per year varies from 3.6 USD in Ghana (lowest) to 51.1 USD in Swaziland (Swaziland only covers the urban areas).

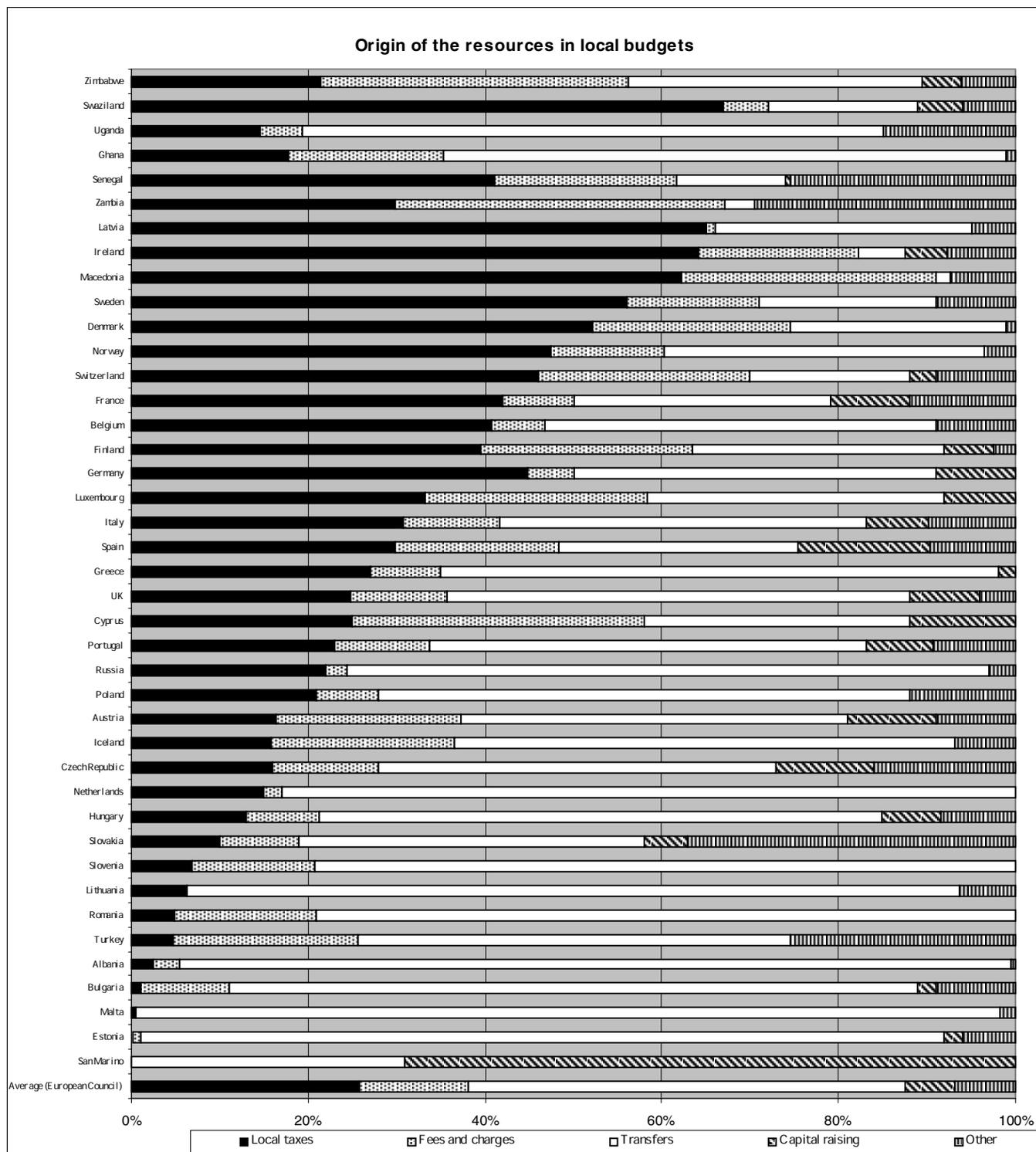
The *composition of SNG revenues* is very important in determining the capacity to provide local infrastructure and services. The composition of revenues varies greatly across the countries. Typically, the following main types of SNG revenues can be identified:

- tax revenues – local taxes or shared national taxes;
- revenue from sales of services, e.g. the proceeds from the sale of utilities, called non-tax revenues and user charges/fees – here defined as user charges and fees;
- single source revenues, e.g. from sale of houses, buildings, etc.;
- various types of grants (general, specific, capital grants) made available to sub-national governments from the central government; and
- donor funding (often a part of the central government grants).
- Borrowing, e.g. for investments expenditure

“*Own source revenue*” is defined as income controlled directly (either partly or fully) by the SNGs (e.g. certain tax revenues and user fees and charges). Shared taxes and general transfers are generally collected and redistributed to SNGs by central government. The distribution of these categories varies significantly across the six Sub-Saharan countries and the countries from Europe/OECD, cf. Tables 3.10 and 3.11 below.⁹

⁹ It is difficult to make a rank order of the revenues according to level of autonomy, as other factors also have an impact; but, generally, the following order is useful: 1) Own revenue sources (own taxes and user charges), 2) shared taxes, 3) General grants, 4) Conditional grants and 5) Specific and discretionary grants and grants given to “agent functions”. In the definition of own taxes, factors such as the possibility to set the tax rate, define the tax base and influence the collection of taxes (indirectly influence the level of revenue) are important.

Table 3.10: Origin of the SNG Revenue Sources



The table is drawn up based on reports by members of the group of experts, the work by the DEXIA and statistics included in the so-called CDLR report. Paper from the working group on "The European Charter of Local Self Government", Strasbourg 21, October 1997, Finance of Local authorities (impl. Of Art. 9 of the charter, cf. also appendix No. 2). Africa: Study of Fiscal Decentralisation and Sub-national Government Finance in Relation to Infrastructure and Service Provision (most recent figures). (1996-1998). The table only shows that there are many ways to design a system of SNG finance (composition of grants, taxes, loans etc.).

Table 3.11: Composition of SNG Revenue in the Six Sub-Saharan African Countries

	Own taxes (%)	Shared taxes (%)	User fees/Charges (%)	Single source revenues (%)	Transfers from central gov. (%)	Donor contribution (%)	Other non-tax revenues (%)	Borrow-in (%)	Total Revenue (%)
Zambia	21	0	23	18	3	0	34	0	99
Senegal	43	1	23	0	22	0	11	0	100
Swaziland	67	0	5	1	17	0	5	5	100
Uganda	15	0	5	0	66	11	4	0	101
Ghana	22	0	9	0	69	0	0	0	100
Zimbabwe	21	0	35	0	33	-	6	4	99
Total	32	0	16	3	35	2	10	2	100

Study on Fiscal Decentralisation and Sub-National Government Finance in Relation to ISP: Zambia: 1997 (most of the “other non-tax revenues” derive from various smaller revenues on licences and permissions on the borderline of user charges and fees), Senegal 1997, Swaziland 1998, Uganda 1997/98. Zimbabwe: 1997 (other non-tax revenues are derived in large measure from beer charges), Ghana: 1996 based on six sample SNGs. Donor contributions are probably underestimated, as these revenues are often not registered in the budget and accounting systems.

Transfers from central government (35%) are still the most important SNG revenue source for the six countries (average), followed by own taxes (32%) and user fees/charges (16%). Shared taxes and borrowing constitute an insignificant proportion of the total SNG revenues over the 1994-97 period, cf. Annex Nos. 3 and 4. It appears from Annex Nos. 3 and 4 that own revenue sources have decreased from an average of 85% of total SNG revenue sources in the six countries in 1995 to 64% in 1997.

It appears from table 3.11 that two typical models for SNG revenues are common among the study countries. In the first model, SNGs rely very much on own source revenues, especially own taxes and user charges/fees (**Zambia, Senegal and Swaziland**). Under the second model, SNGs are heavily dependent on transfers from central government and/or donor contributions (**Uganda and Ghana**).

The first model theoretically provides more autonomy for the SNGs. However, these so-called “own taxes” and user fees are often strongly controlled by central government laws, regulations, approval procedures and discretionary powers of the ministers of local government to interfere in the tax level, the tax base and the tax collection. The level of central control varies across the involved countries, but generally it is rather strong, cf. also Annex No. 3.

Contrary to expectations in a situation of gradual decentralisation, local taxes have not kept pace with the other revenue sources over the period 1994-97 in the six countries, especially in comparison to user charges and the transfers from central government, cf. Annex No. 4. The causes of this situation are discussed in Section 3.2.

Shared taxes, e.g. where the central and SNGs share certain tax bases, are not common in the six Sub-Saharan countries, contrary to the situation in many other parts of the world.

User charges and fees is a significant SNG revenue source, especially in countries like **Zambia, Senegal and Zimbabwe**. In other countries, the limited assignment of tasks with revenue generating potential to the SNGs contributes to a lower share, e.g. **Swaziland and Ghana**. Other factors contributing to the limited significance of fees and charges are political resistance to increases in user fees and charges, the fact that the system for calculation of the costs/and collection is often not fully operational or that payments sometimes takes place outside the SNG budgets/accounts. The contribution from *donors* is often not included in the SNG accounts; in countries where this is the case, such as **Uganda**, it appears that this is an important revenue source.

Borrowing constitutes only an insignificant revenue source in the present system of finance in all of the six countries, but it does occur in countries such as **Swaziland, Zimbabwe** and, to a more limited extent, Senegal. Still, the borrowing constitutes less than 5 % of the SNG revenue in all study countries.

The importance of grants and the general lack of own resources at the SNG level in several of the six countries reflects the experiences from other parts of the World that economic and political problems at the central government level sometimes result in the delegation of responsibility without the delegation of sufficient tax powers. This 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 central government are often seen as appropriate instruments for the control of sub-national governments. They give incentives for SNGs to improve their tax effort and their efficiency in the delivery of local services¹⁰. However, large vertical imbalances in favour of central government easily result in uncontrolled deficit financing and accumulation of local debt. These deficits tend at some later stage to be replaced by grants to the SNGs to cover the vertical imbalance “*ex post*”. At this later stage, decisions on excessive SNG expenditure may be difficult to reverse. This study has revealed that vertical imbalances are significant in most of the six countries. Even in a country like **Zambia**, where there is a high level of own financing, the strong reduction in the central government transfers from 1995-1998 combined with the lack of assignment of new revenue sources and restricted autonomy to adjust the present sources has caused severe financial problems for the SNGs (hidden vertical imbalances).

The table below gives some indications of the choice between grants (vertical imbalance) and taxes in various countries. The table shows that the proportion of SNG taxes varies greatly from country to country.

Table 3.12: Relationship between taxes and grants for SNGs in various countries (%)

Per cent	Grants/Donor Contribution (%)	Local taxes ¹¹ (%)
Uganda (1997/98)	76.9	23.1
Swaziland (1998)	17.7	82.3
Ghana	63.8	36.2
Senegal (1997)	22.0	78.0
Zimbabwe (1997)	33.3	67.7
Zambia 1997)	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

¹⁰ In Brazil, Colombia, and Venezuela, revenues have preceded delegation of responsibilities, and such imbalances in favour of local government tend to promote excessive spending: Kiichiro Fukasaka and Ricardo Hausmann (eds.s): "Democracy, decentralisation and deficits in Latin America, OECD Development Center 1998.

¹¹ Including tax-sharing revenues and, for the African countries, also "other revenues"

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/most figures from 1995. The data from Sub-Saharan countries are from the Study on Fiscal Decentralisation and Sub-National Government Finance, 1999-2000. Zambia: based on data from Ministry of Finance (1997 figures: user charges are included in local taxes)

Uganda: 1997/98 figures. Swaziland: 1998 figures (excl. loans). Ghana: Based on figures from the 6 sample local authorities.

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

Uganda and Ghana are the countries with the largest share of central government grants among the six countries. Among the OECD countries, the English speaking countries - Canada, Ireland, UK and the US – also have a high share of grants. In these countries, SNGs have been left with insufficient tax capacity to cover the costs of the delegated functions. Most of the English speaking OECD countries have access only to property taxation, and the property tax has rather limited revenue potential. Economist regards the property tax as a perfect local (SNG) tax, but politically it is very unpopular and typically yields no more than 5% of the GDP in any OECD country. The study has also revealed that property tax cannot stand alone as the sole SNG revenue source.

In contrast to a country like Germany, where the importance of grants vs. local taxes ranks average, most of the six African countries involved in the study have systems based either on nearly full financing by grants or on a system with no grants whatsoever.

The size of the vertical imbalance in different countries is closely related to the SNG tax structure. The dependency on grants in the OECD countries that rely on property taxes is generally higher than the reliance on grants in the countries that have more buoyant taxes, like a local income tax. In the Sub-Saharan Region, some of the countries depend heavily on property tax, which at least in the short- and medium-term seems to be more buoyant than the income tax. However, this research has shown that the property tax alone cannot finance the present SNG expenditure assignments and cannot alone avoid vertical imbalances. The conclusion is, therefore, that this type of taxation has to be combined with other buoyant revenue sources as well.

3.1.6 Various types of SNG revenue sources

There is considerable variation in the national priorities for different types of local taxes, as can be seen from the table below. The table shows a comparison of the six Sub-Saharan countries with some of the OECD countries.

Table 3.13: SNG taxes - per cent of total SNG tax revenue

	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/most country figures are from 1997. Data from the African countries is from the Study on Fiscal Decentralisation and Sub-National Government 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 shown as an example as aggregated figures are lacking. Zimbabwe 1997 figures, Swaziland 1998 figures. Ghana: Figures are not available..

Reforms or changes from one major tax source to another are not frequent, despite the generally accepted economic advantages and the buoyancy of the local income tax. Introduction of local taxes is politically sensitive, making new taxes difficult to introduce. Once introduced, they are difficult to replace with other local tax sources.

The findings in the six African research countries have been that the property tax is the most important SNG tax type. An increasing potential for other types of taxes and revenues might be expected, especially in the medium- and long-term future, but many countries have hesitated to introduce these at the local level. Uganda is the only country that has assigned a significant kind of income tax revenue source (graduated tax) to the SNG level; this type of tax is expected to have a greater potential in the future¹². It is important in selection of these future taxes to look at the tax base, both in terms of the size and the distribution across the SNGs.¹³

3.1.7 Intergovernmental relationship and transfers from central government

In virtually all countries, the central government pays grants to the SNGs, cf. the previous tables. In terms of autonomy, grants may vary from general grants, designed and distributed by objective criteria (high autonomy), to specific grants made on a discretionary basis and with lack of objective criteria for calculation and distribution (low).

In the analysis of the six countries' SNG finance, grants have been divided in three main types:

- specific grants;
- general grants; and
- capital grants.

Specific grants

One way to ensure SNG compliance with national objectives and control is to use specific grants. These grants are often conditioned on certain activities, e.g. the funds may only be used for teachers' salaries or health care centres. The grants may also be transferred to specific capital investments, which can be conditioned so that the SNGs 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 also often earmarked for operational expenditure in order to promote new kinds of SNG services. To compensate for the central lack of information and to test the strength of local priorities, some local co-financing is often required. These grants are widespread in most of the six countries, e.g. in Uganda, where central government seeks to retain certain influence on the use of central government transfers in an intermediate stage.

General grants

General grants are often transferred as unconditional block grants, and the SNGs determine the distribution of resources according to their own priorities. These grants are comparably smaller in the six Sub-Saharan countries.

Capital grants

Capital grants (often specific capital grants) are earmarked for capital purposes, but may be more or less specific (i.e. earmarked to specific projects). These grants are used primarily by countries that

¹² In the Eastern European countries in transition, the local tax systems are only in the early stages of development. The "own" revenue consists typically of a small revenue from property taxes, often with central government restrictions on the local rate but with an increase in importance on income tax. The German model of income tax sharing is widely used. These revenues have left the SNGs with little own revenue. In Japan and Korea, the major tax revenue is the property tax, which is also supplemented with tax sharing receipts.

¹³ The problem is often that property tax gives a limited yield and that income tax is unequally distributed across SNGs. Therefore other local taxes have to be considered.

have decentralised the development budgets to SNGs. In most of the six countries, these grants are still modest, but they are increasing.

Grants and equalisation

The need for grants varies between SNGs because their expenditure needs differ. 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 SNGs are allowed some tax powers it must be taken into account also that the tax capacity varies between SNGs. Therefore, the method of grant distribution also must compensate for less than average local tax powers. Grants may be paid as general grants or conditional grants.

The compensation for low tax capacity and high expenditure needs is called SNG equalisation. Systems that consider one or both elements are developed in many countries around the world¹⁴. The Study has shown that the grants and equalisation systems are still in their incipient stages in the six African countries, with **Uganda** and **Ghana** as the forerunners.

Procedures for distribution

Besides the above-mentioned conditions, it is equally important for the SNGs to have a clear knowledge and understanding of the applicable principles, timing and organisation of the grant distribution process. This varies across countries, from systems where SNGs know of the grants six months before the budget year and the distribution process is 100% transparent, to systems where the grants are insecure, non-transparent, transferred very late in the budget year and paid in irregular instalments.

Tax capacity and tax effort and links to transfers

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

If not properly designed, grants and equalisation systems may have a negative impact on the SNGs' tax efforts. For example, in **Ghana**¹⁵, one of the most pressing problems is the question of how to control that the apparently 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 ensure 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. In Ghana, tax effort has been introduced in the grant system, although without great success in terms of strengthening the SNGs' tax revenues.

The experiences from the six countries show a wide range of applied transfers from central to SNGs cf. Table 3.14 below:

¹⁴ 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.

¹⁵ This is also a question in other countries, e.g. in China.

Table: 3.14: Characteristics of the Central Government Grants in the Six Countries

	Share of grants of total SNG revenues	General grants share of total grants	Specific grants share of total grants	Capital grants share of total grants	Characteristics of the transfers
Zambia (1997)	3	49	44	8	Lack of objective system of distribution; decreased during the period 94-97; Mostly discretionary grants; The grants have been reduced significantly in recent years.
Senegal (1997) **	22	33	44	23	A meeting between CG and SNGs every year where these are discussed; non-stable; various types of grants, some based on calculations of the costs of the new tasks.
Uganda * 1997/98	66	25	75	0	The grants are comparably stable, announced in good time before the budget process, and based on objective criteria; equalisation grants were introduced from 1999/2000. Meetings are conducted between central and SNGs to discuss the grants in good time in advance of the budget approvals; a tendency to change the balance of the various types of grants in favour of the special grants (sector specific)
Swaziland, 1998 ***	16	30	70	0	Vary much over years; the grants are mostly transferred to the smaller SNGs, which are entirely financed by grants; larger SNGs mostly receive specific grants or grants in lieu of property rates on CG property
Ghana, 1996	64	N/A, estimate: 20	N/A: Estimate: 42	38% ****	Most of the grants are capital grants from the Common Fund, distributed according to objective criteria (tax effort and expenditure needs); these are partly earmarked but for broad sector purposes.
Zimbabwe *****	33	20	80	0	Most of the specific grants are for health care and education; the grants are based on CG discretionary decisions, not as a result of prior negotiations or regulations in law.
Total	34	30	60	10	

*Equalisation grants to support the SNGs with a high expenditure needs and low tax bases have been introduced in Uganda from the FY 1999/2000. The grants will be gradually increased, but are still limited. It is discussed whether these grants should be specific or general, but certain conditions will be attached to the use of these funds.

** Figures from Senegal in 1997 included the 10 new regions. ****Ghana: 1997 figures are based on 4 sample SNGs.

*** The data from Swaziland are calculated with the point of departure in the country report. The figures in this report are slightly higher, as the total revenues in the annexes to the report exclude borrowing.

**** *Based on estimates from the local experts on the Study on Fiscal Decentralisation and Sub-national Finance

It appears from the study that three different models for grants are chosen in the six Sub-Saharan African countries:

- a model in which grants have a rather limited role (**Zambia, Swaziland and Senegal**);

- a model in which general, specific and equalisation grants are used to fill the financial gap, to direct the activities to high priority areas and to ensure horizontal financial equity (**Uganda**); and
- a model that relies very much on capital grants to finance capital investments at the local level (**Ghana**).

Central government control of the use of grants and the conditions that are applied to their use vary across the countries, but all six countries have introduced certain conditions on most of the grants, including the use of the general grants. In **Uganda**, for instance, general grants must be spent within the broad framework of the national priority areas. Specific grants to cover recurrent costs are the most significant grants, contributing on average 60% of the total revenue from grants.

The criteria for the distribution of the general and specific grants vary greatly. **Ghana** and **Uganda** have introduced objective criteria to determine expenditure needs (such as the number of citizens or km² area) and laid these procedures down in a legislative framework; however, this is not the general rule for most of the countries, cf. the box below. Only Ghana has included *tax effort* in the distribution of the Common Fund in order to stimulate the local tax collection.

The overall picture for the six countries shows that the calculation and distribution of the general grants is not based on objective criteria. Few of the countries have developed procedures that determine and distribute the transfers in a transparent, objective, predictable, clear, fair, efficient and timely way, cf. also **Annex No 3**.

None of the countries has established formal fora for co-operation and clearance of the interest between the central and sub-national governments, but Senegal and Uganda have established regular meeting(s) on the coming year's budget, until now mostly informative in nature but gradually developing.

Some countries have established regulations and guidelines (some within the legal framework) for financial compensation in cases where tasks that are transferred between levels of government have an economic impact on the SNG level. **Senegal** and **Uganda** are examples of this, although the SNGs complain that the real transfers do not cover the full costs. The procedures in the various countries are compared in **Annex No. 3: Indicators**.

<p>Box. 3.1: Ghana: In Ghana, the revenue transfer scheme has been developed to address primarily the development (capital) projects. The system, the District Assemblies' Common Fund (DACF), under the 1992 Constitution directs that not less than 5 percent of the total revenues of Ghana shall be shared among the DAs on the basis of a formula approved by Parliament annually. The DACF can essentially only be used for capital expenditure. Apart from casual labourers, the salaries of all staff of DA are paid by MIGRD. The formula for DACF 1998 is based on four factors:</p> <p>1) The needs factor (that seeks to redress the imbalance in the various levels of development among the districts) – 35%;</p> <p>2) The equalising factor (that seeks to ensure that each district, irrespective of size, natural endowment and population is given an equal specified minimum for development) – 35%;</p> <p>3) The responsive factor (which motivates the DAs to mobilise more resources locally for development instead of relying solely on the DACF) – 20%; and</p> <p>4) The service pressure factor (which is determined by population density and a “responsiveness” factor) – 10%.</p> <p>These factors have been the subject of controversy because of the unreliable statistical data used in their calculation by the District Assemblies' Common</p>	<p>Uganda:</p> <p>As one of the first countries in Africa, Uganda has introduced equalisation grants from the budget year 1998/99.</p> <p>Clause 4 of Article 193 of the 1995 Constitution (elaborated on in Section 84 of the Local government Act of 1997) defines the Equalization Grant as:</p> <p><i>“..money to be paid to sub-national governments for giving subsidies or making special provisions for the least developed districts; and shall be based on the degree to which a sub-national government is lagging behind the national average standard for a particular service”.</i></p> <p>In fulfilment of its Constitutional function specified in Article 194 Clause 4 (b), the Local Government Finance Commission (LGFC) commissioned a study in August of last year (1998) which was meant to design a formula for the distribution of the</p>
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<p>Fund Administrator (DACFA). Consequently, Members of Parliament (MPs) and others have complained about the modalities used in their calculation, which to some are inequitable. In addition, 10% of the total allocation has been set aside as Reserved Fund (formerly called contingency). One half of the Reserved Fund is to be allocated to the 200 Members of Parliament (MPs) for the development of their constituencies. The DACF is administered by a District Assemblies' Common Fund Administrator (DACFA), who is appointed by the President with the prior approval of Parliament.</p> <p>The new guidelines (1996-2000) stipulate that:</p> <ul style="list-style-type: none"> • The existing guidelines issued in 1994, 1995, 1996 are still relevant; • Allocations should be made to pay all outstanding debts; • Allocations should be made to complete and pay for on-going contracted, direct labour and community labour projects; • Contracts which cannot be paid for out of the 1997 DACF should be terminated; • DAs may allocate not less than 20% of their shares of the DACF to promote and support productivity improvement, employment and income generation in the district; • DAs may set aside not less than 10% of their allocation of the DACF to support and sustain self-help development initiatives of communities in the district; • DAs may set aside not less than 5% of their shares of the DACF for a special poverty reduction programme aimed at rural housing improvement; • DAs that do not have community and District Tribunals are to make allocations in their Supplementary Estimates for the construction of facilities to house Community/District Tribunals (Ashanti Regional Coordinating Council, 1997). <p>These directives have been seen by the DAs as undermining their autonomy. The government, however, has explained that the directive is not meant to control the DAs, but rather to serve as an interim measure designed to manage the interface between the period of centralised project funding and a decentralised one. The administration of these funds has not been without problems. One of the key problems has been the delayed transfer of funds from the system. Although the proceeds from the DACF are regular and reliable, evidence from the six sample districts show that they are nonetheless late. For instance, disbursement of the last quarter of 1997 was received only in the second week of February 1998.</p>	<p>Equalisation grant. The study covered all the 45 districts. A similar study for urban councils will be done after the introduction of the grant for districts. After the study, the Commission found that in Uganda wide disparities exist in revenue potentials and expenditure needs of sub-national governments and thus in abilities of local governments in ISP. The table below specifies the criteria recommended by the Commission to be used in the equalization formula.</p> <p>Total population: 0.03885 % Population 5-14 years: 0.3978% Population: 15-19 years: 0.1305% Population: 0-4 years: 0.0385% Km of district roads per inh. 0.0219% District area: 0.0122 Crop areage: 0.0025 Livestock population: 0.0025 Number of land sites: 0.0020</p> <p>For taxbase equalisation, only graduated tax was used as the basis for equalisation. This was because graduated tax contributes about 80% of all locally collected revenue and calculating the potential revenue collectable from the other sources was problematic. The study revealed that about half of the districts qualified for the equalisation grant. The amount of the grant payable to each beneficiary would range between 12 million and 850 million. A total of 10.5 billion would be needed to fund the equalisation scheme.</p> <p>In the discussions that the LGFC has had with Ministry of Finance, Planning and Economic Development; it has been agreed to introduce the system from the budget year 1998/99 in a gradual way. It has agreed to set aside only 2 billion for the equalisation of the first year. This is considered to be grossly inadequate, but is a first step towards the objective, and it is expected that this system will be further elaborated in the near future.</p>
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3.1.8 Revenue Potential

Efficient utilisation of the revenue potential is another important prerequisite for a well-functioning system of SNG finance. The tax regulations can be changed and the transfer system reformed, but without a strong and efficient system of SNG own revenue generation, it is not possible to develop an optimal system of local government finance to improve ISP.

Annex No. 3 and Table 3.15 show the estimated extra revenue potential in a situation with an efficient administration of the presently assigned taxes and user charges/fees. The picture shows that a great potential exists even in the poorest countries. Generally, the potential for revenue increases from taxes and user charges/fees is more than 50% of the present yield.

The table below gives estimated revenue potential, based on interviews and analyses within the 6-10 sample SNGs in each country.

Table: 3.15 SNG Revenue Potential in the Six Countries

	% Potential increase with same tax/fee rate/regulations
Zambia	100
Ghana	70
Senegal	50
Uganda	50
Swaziland	30
Zimbabwe	28

Based on evidence from the six country reports

Revenue potential is defined as the potential for increase in tax and user fee revenues with application of the same tax and user fee rates but with better revenue administration (valuation, registers, accounting and budgeting systems and stronger collection of revenues, control of defaulters, etc.). Section 3.2 reviews the reasons for this great potential.

3.1.9 Level of Autonomy in SNG Finance

The autonomy of SNGs has been analysed in terms of autonomy for revenue, expenditure, budgeting and borrowing by SNGs. The last two components will be treated in more detail under the regulatory framework, cf. Chapter 5.

3.1.9.1 Autonomy for expenditure

Local priority setting, in terms of expenditure areas, is highly constrained in most of the countries, especially in Swaziland and Zambia. The autonomy is stronger in **Senegal** and **Uganda**, cf. **Annex No. 3**.

Central oversight of SNG expenditures, while varying widely among the study countries, follows two basic patterns:

- General control of expenditures at the local level is exercised to ensure compliance with national priorities (e.g. areas such as education, water supply, agriculture, etc.). This approach is used in **Uganda**.
- Specific control of all major expenditure items of all sub-national governments is applied by central government. This approach is adopted in **Zambia and Swaziland**.

Between these extremes, the study has revealed a variety of central control measures in all six countries.

3.1.9.2 SNG financial autonomy/Control of revenue

A complex interrelationship exists between the SNGs' share of total government revenue (the importance of the SNG economy), the size of the SNGs' "own revenue" sources compared to total SNG revenues and the SNGs' autonomy over "own revenue" sources. In **Uganda**, the SNGs have a significant share of the total revenues, a small share of own revenue (most of the revenues derive from central government) and considerable control over their own revenue sources. On the other hand, Senegal has a moderate share of the total public revenues and a high share of own revenue sources (especially from own taxes), but the central government strongly controls these local revenues.

The study has also revealed that there are various approaches to control the size of the local tax revenues, e.g. by introduction of fixed ceilings laid down in the regulatory framework, as in Uganda, or by specific approval on a case-to-case basis, as in **Swaziland**.

These variations make it difficult to compare the degree of SNG autonomy among the six countries. However, all other factors being equal, a combination of high general revenue share, a high share of own revenue sources and considerable discretionary power to adjust these revenues without central approval enhances the autonomy and accountability of SNGs.

The table below indicates the various models chosen.

Table 3.16 SNG Autonomy for SNG Revenue in the Six Countries

	Share of the SNG revenues of the general government revenues (%)	Share of the "own revenue sources" of the total SNG revenues (%) *	Total own source SNG revenue per inhabitant (USD)	Estimation of the discretionary power of the SNGs on these "own revenue sources" (low, medium, high)(1999)
Zambia (1997)	4	97	3.1	Low
Senegal, 1997	8	78	5.8	Medium
Uganda, 1997/98 **	28	23	3.0	Medium/high
Swaziland, 1998	2	82	45.8	Low
Ghana, 1996	6	36	2.2	Low
Zimbabwe	8	68	12.8	Medium/high
Total (unweighted average)	9			Low

* Own revenue sources are defined as: tax revenues, user charges and fees, non-tax revenues and revenues from single sources. Grants cover shared taxes, central government transfers (general, specific and capital grants) and donor contributions. This is a broad definition of "own revenues", as the SNGs might have limited influence on the level of revenues (base, rate and administration). The table indicates the vertical imbalances, i.e. differences in assignment of revenues and expenditure. Senegal: 1997, includes the new 10 regions established in 1997.

** Drawn from the reports on Fiscal Decentralisation and Sub-national Finance in relation to ISP; the figures in the country report for Uganda measure the share of SNG of central government expenditure not total expenditure, as in the table above.

Own source revenue: (Senegal, 1996, Zambia, 1997, Uganda: 1997/98, Ghana: 1996 (based on six sample SNGs), Zimbabwe 1997)

The table shows that most of the six countries generate a very low share of the total public revenues. Four of the countries, Zambia, Senegal, Swaziland and Zimbabwe have a high share of own revenue sources to total SNG revenue, whereas Uganda and Ghana rely very much on transfers from the central government. The last column shows that SNGs in most of the countries have a rather low level of discretionary power to adjust local revenue because the central governments impose a number of control procedures, ceilings, etc. Based on the resources in USD per capita, the SNGs in Swaziland and Zimbabwe are the countries with the highest amount of own revenue at their disposal.

Annex No. 3 shows that SNG autonomy is considerably restricted in most of the six countries by various control procedures, cf. also the following section. *Annex No. 4* shows the development of local autonomy over time. The share of own revenue sources, on average for the six countries, decreased between 1994 and 1997.

3.1.10 Sub-national Borrowing

None of the six countries has significant SNG borrowing, cf. the table below. Only SNGs in Zimbabwe and a few of the SNGs in Swaziland have undertaken limited borrowing. SNG borrowings in no case exceeds 5% of the central government borrowing and represents less than 5% of the total revenues in all countries. Beyond long term registered borrowing, the SNGs in most of

the countries have bank overdraft fund arrangements available in the banks; however, these are all short-term borrowings, and the funds have to be paid back within the budget year. Furthermore, these overdrafts are not registered in the budgeting and accounting systems. The table below indicates the significance of SNG borrowing. Chapter 5 deals with the regulatory framework of SNG borrowing.

Table 3.17 SNG Borrowing

Country	General assess to capital markets	Borrowing as share of SNG total revenue (%)	Share of the SNG borrowing of the total general government borrowing (%)
Zambia (1997)	Nearly impossible	0	0
Senegal (1997)	Special loans in connection to concrete donor funded projects, private: Almost impossible	0.5	0
Uganda (1997/98)	Almost impossible	0	0
Swaziland (1998)	World Bank loans, private: Almost impossible	5	1
Ghana (1996)	Bank overdrafts (short term: possible) Long term: Almost impossible	0	0
Zimbabwe (1997)	With approval from Ministry – in practise limited to the larger SNGs	4	4
Total (average)	Almost impossible	1.5	1

Figures from the Study on Fiscal Decentralisation and Sub-national Government Finance in Relation to ISP, six country studies.

3.1.11 Summarised key findings and road map

The table below summarises the key findings within the field of SNG finance (cf. *Annex No.3* for a more detailed comparison of the countries). The table shows the road forward towards the advanced stage of decentralisation. Some countries have reached this stage for some of the indicators, but none of the countries has launched all of the reform initiatives in unison, cf. Section 3.3. Four out of the six countries have a large share of own revenues compared to the OECD countries, but these revenues are inefficiently collected and utilisation is constrained by various strong control measures from central government. Most countries are in the initial stages of decentralisation concerning the relative financial share of the SNGs, the composition of SNG expenditure (large share on general administration and salary costs), the development of grants systems and the establishment of proper financial relationships between central governments and SNGs.

Table 3.18 Comparative Matrix and Road Map on Fiscal Decentralisation in the Six Countries – various indicators – various indicators Grey areas indicate common important challenges

	Share of SNG exp. % of total public exp.	Share of SNG rev. % of public revenues	% of local exp financed by own revenues	Share of general administrative costs	Composition of wage-non-wages	The efficiency and fairness of the grants and equalisation system	Mechanism to regulate parallel transfers of tasks and finance	Central – SNG cooperation on finance	Revenue autonomy on tax/ user fee base/rate/ Collection	Efficiency in revenue collection –revenue potential
Countries	Uga. >20%	Uga. >20%	Sen., Swa, Zam., Zim >50%	Uga., Zim. General public exp. <30%	Salary share <30% of total recurrent expenditure	Stable, well known criteria for distribution, transparent, predictable, incorporate needs and capacity of SNGs	Compensation system when new tasks are transferred, calculation of costs of new legislation, well-dev. Procedures	Strong systems of clearance of the interests between CG and SNGs, high level of information	SNG have good possibilities to adjust the major revenue sources	The revenue potential is utilised optimal way, less than 30% potential
Advanced Stage										
Countries		Sen.		Zam., Swa., Sen.	Sen., Gha., Uga.	Sen., Uga.	Sen., Uga.	Uga., Sen.	Sen., Uga., Gha., Zim.	Swa., Sen., Uga., Zim.
In a process of development	10-20%	10-20	30-50%	30-50%	On the way to the above mentioned objectives	The compensation is in its initial stages, not directly related to the costs of the tasks	The clearance of interest has started, few informative meetings	The SNGs have certain autonomy to adjust revenues	The SNGs have certain autonomy to adjust revenues	The potential is 30-50%
Middle Stage										
Countries	Swa., Zam., Gha., Sen., Zim.	Swa., Zam., Gha., Zim.	Uga., Gha.	Gha.	Zam., Swa., Gha., Zim.	Zam., Swa., Gha., Zim.	Zam., Swa., Gha., Zim.	Zam., Gha., Swa., Zim.	Zam., Swa.	Zam., Gha.
Initial stage	<10%	<10%	<30%	>50%	Salary share >50%	Non-objective criteria for distribution, non-transparent, non-stable	The system of calculation of costs and compensation is not developed	The cooperation is still in its very early stages	The SNGs have weak possibilities to adjust the revenues	The potential is >50% (high level of defaulters/ weak adm.

3.2 Common Challenges and Lessons from the Six Countries

3.2.1 Introduction

The review of the experiences from the six countries allows a comparison of the lessons from the process of fiscal decentralisation and identification of common best practices and challenges. A number of problems are regional in character, and others are country-specific. This section identifies the major challenges and reviews the various ways specific countries have attempted to address them. An examination of common lessons and ways forward concludes this chapter. *Table 3.18* above indicates some of the actual challenges.

3.2.2 Common Challenges in the Six Countries on SNG Finance

3.2.2.1. Introduction

The following challenges have been identified in all (or at least four) of six countries:

SNG Revenue

- 1) Weak SNG revenue base: The SNG revenue base is weak relative to central government and the tasks assigned to SNGs.
- 2) Lack of own revenue sources: The composition of revenues is inappropriate, especially concerning the balance between grants and own revenue sources and the way these sources interact. Most of the own revenue sources have been shown to be unstable.
- 3) Autonomy for revenues: Strong central control is imposed on SNG revenues; the control is irregular and not transparent; and there is a general lack of flexibility to adjust local revenues to meet expenditure needs.
- 4) Central government transfers: The transfers are not stable or transparent; criteria for their distribution are not objectively defined; and there is a lack of a legislative basis to guide and ensure equitable distribution of transfers.
- 5) Less than full use of the existing local revenue potential: The potential for increases is often more than 30-50%.

SNG Expenditure

- 6) Autonomy on expenditure: Autonomy to set local priorities is generally lacking.
- 7) Expenditure: A large share of expenditure is directed to general public services (administration) and salary.

Relationship between Central Government and SNGs

- 8) Budget procedures: Approval procedures are cumbersome, lengthy and often not based on any formally defined procedural guidelines.

- 9) Poor budget co-operation: Co-ordination between central and sub-national governments is inadequate and there is a lack of formal fora for discussions.

Credit and borrowing

- 10) Access to credit is generally lacking.

3.2.2.2 Size of Revenues and Weak Revenue Base

Unfunded mandates

All six countries started their process of decentralisation by focusing on transfers of tasks and responsibilities from the central to SNG level and then, in a later phase, by initiating a gradual reform of the system of finance. This has caused great vertical imbalances and a severe lack of SNG revenues at the local level. In most of the countries, the SNGs complained that responsibilities for new ISP have been transferred without sufficient compensation (or no compensation at all) from central government (i.e. in Senegal, Uganda, Zambia, Zimbabwe and Swaziland).

Few countries have an appropriate system for adjustment of the financial relationship between the governmental levels in situations where tasks are transferred between levels of governments. Cost calculations of new tasks, the responsibilities accompanying them and their impact on the SNG economy are seldom done or are done insufficiently.

Procedures to address vertical imbalances (imbalances between the assignment of tasks and the revenue sources) have been addressed legislatively in some of the countries, e.g. in Senegal and Uganda, but have still to be fully implemented. Initiatives are underway in *Uganda* to address these problems by launching a revenue sharing study to review whether the present assignment and distribution of tasks and finance is balanced, fair and efficient. In *Swaziland*, it has been agreed to initiate an analysis and later a reform of the present revenue/cost-sharing mechanism, i.e. to reform the fiscal relationship between the levels of governments. Meetings to address this severe problem have also been held in a number of countries between central and SNGs, but formal detailed regulations on how to tackle the problem in the future are still to be designed.

3.2.2.3 Problems on the SNG Revenues - Taxes and User Charges/Fees

Local Taxes

Own local taxes are those where the SNG has some influence over taxation (tax level, tax base or collection, i.e. indirectly the level). This means that the local population must suffer higher taxation if they want better services or if the SNG 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 and facilitates accountability. A high level of own taxation also deprives the local councils of the ability to attribute inadequate local service delivery to the lack of financial support from the central government. Own taxes ensure a proper relationship between assignment of tasks and the financing of these tasks. Own taxes constitute an important part of the SNG finance in some of the studied countries, but, as mentioned, these taxes are heavily controlled by the central government. Therefore, these "own tax revenues" tend to have the same impact on the autonomy as shared taxes defined by central government.

The ability to influence the tax base, the tax rate or the collected revenues is a very important condition for the SNGs to be able to adapt their service levels to their financial possibilities. The arguments for the introduction of own local taxes are also the stated objectives of the Victoria Falls

Declaration, cf. above. However, there are a number of conditions to be met for a tax to be considered a good “own” local tax:

- First, 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.
- Second, local taxes should not be too sensitive to cyclical fluctuations, as the local services normally are not suitable as instruments for demand management.
- Third, a good local tax should be distributed relatively equally among SNGs. Equalisation of the taxes among the local authorities may reduce this problem but not eliminate it
- Fourth, the size of the potential revenue is important. If the SNGs are allowed only relatively small yielding taxes, vertical imbalances result that will have to be otherwise covered.
- Fifth, a close relationship should exist between the citizens who pay and the citizens who receive the benefits from services.
- Sixth, the tax administration (assessment, tax setting and collection) should be without major problems, and the tax yield should be much higher than the administrative costs.

The analysis revealed that the central government and the SNGs in most of the six countries have problems in fulfilling these conditions and that the SNGs rely heavily on very few revenue sources: primarily property tax in, for instance, **Zambia** and **Swaziland**. **Senegal** has a broader range of revenue sources, although transfers from central government generally finance the smaller SNGs.

Theoretically, the property tax should also be the most straightforward tax to administer at the local level, as the property is immovable and rather easier to control than other types of taxes. On the other hand, a focus on this single tax resource, which in most other parts of the World generally yields the SNGs a rather small portion of the total revenue sources in the countries and restricts the revenue potential in the future. The experiences from the six countries show that there are several typical problems with property tax:

- difficulties with the valuation of property;
- lack of registers and information on property;
- political resistance at the local level due to the general unpopularity of property tax; and
- lack of capacity in the local tax administration and lack of support from the central government.

Experiences from the use of other types of local income tax sources are limited, although the graduated tax (a kind of income tax) gives a considerable yield in **Uganda**. The problem is highly related to the institutional framework, which will be treated in details in Chapter 6.

A vicious circle may appear. A system designed with insufficient own taxes may lead to too heavy reliance on grants. This creates other problems, as this reliance tends to make the SNGs less aware of and willing to generate own revenue at the local level, a problem observed by many stakeholders in Uganda and **Ghana**. The central grants have generally increased, but the local tax revenues have decreased in importance during the investigated period from 1994-97. This is not a special problem in this region, but also generally applicable in other parts of the world. Grants may cause negative incentives at the SNG level. Attempts to introduce own tax effort as a criterion in the grants system

has only been tried in Ghana, with limited success, and the tax revenue has not increased considerably over the period.

Shared Taxes

The six countries also have very few shared taxes and have had little experience with shared tax administration. The advantage of shared taxes is that through this approach all levels of government seek to enhance their tax bases, tax collection efficiency and inter-governmental co-operation, as they all receive a share of the revenues generated. The various levels can also support each other in the collection and administration of these taxes, e.g. by sharing information and knowledge on the tax base, valuation of property, etc. Shared taxes might also strengthen the general financial co-operation across the tiers of government.

The SNGs in many countries prefer tax sharing to grants, as they believe that they receive a fixed proportion of the taxes the central government collects in their jurisdiction¹⁶. SNGs believe that this is a guarantee against cuts in revenue in the case that the central government needs to save. From the point of view of the central government, tax sharing may weaken its instruments of financial management. It might be difficult, for political reasons, to change the tax sharing formula, and this lack of flexibility may be viewed as a disadvantage for central government in financial crises.

In Germany, tax sharing of the income tax is the traditional way of filling the vertical imbalance, and the German tradition has been adopted in several other European countries. In OECD, the Nordic countries (Denmark, Sweden, Norway, Iceland and Finland) have traditionally had the highest proportion of taxes (especially 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. The findings from this Study revealed that **Zambia, Senegal and Swaziland** have a similar reliance on own tax revenues to finance their SNG tasks, although the reliance on property tax (combined with low tax administration efficiency and autonomy) provides a relatively limited tax yield. In **Uganda**, a system where the taxes are shared in fixed statutory percentages between the various tiers of SNGs (districts, sub-counties, parishes and villages) has had both positive and negative implications; a full evaluation of this system is not yet possible, as it is only few years old.

3.2.2.4: Lack of autonomy on the revenue side

As discussed in section 3.1, the sample countries have adopted different approaches to SNG revenue composition and level of SNG autonomy, and, therefore, their problems also vary. In **Uganda** and **Ghana**, the main difficulties are the low share of “own revenue” sources and the great dependency on central government transfers. This leads to:

- lack of accountability, as there is limited relationship between the responsibility for and the financing of SNG tasks;
- lack of incentives to generate own revenues; and
- strong reliance on the central government priorities (especially concerning special grants) and economy.

Over time, the SNGs in Uganda and Ghana should be able to enhance the own revenues sources, as the SNGs are assigned a broad range of types of revenues; however, this will demand central

¹⁶ Jørgen Lotz, ”Proceedings of the Regional FDI Conference”, November 24-25, 1997 Copenhagen, p. 113.

government support in the tax administration and strengthening of the tax generation initiatives and strong political commitment at the local level.

Zambia, Senegal, Swaziland and Zimbabwe have other problems, especially:

- control of the revenues by the central governments, which reduces the potential to adjust to the needs for ISP;
- troublesome approval procedures for any adjustment of the revenues (tax and user charges), which undermines the SNG economy and the possibilities for ISP;
- problems in the efficiency of the tax administration due to inappropriate cooperation between central and SNGs, especially in the field of valuation and collection (e.g. lack of support from the central government to enhance administrative capacity; and
- inadequate support for the assessment of real property, including lack of administrative capacity and valuers.

Own revenue sources and SNG control over these resources are necessary if the SNGs are to:

- vary the quality and quantity of the IPS according to the local needs and wishes;
- spend the money efficiently and not blame the poor services on the lack of funds and on central government control;
- manage local expenditures carefully; and
- exercise effective responsibility for raising the money that they spend; if SNGs spend their own money, they are more likely to focus on control and efficiency.

The Study has revealed that the strong central government control of the SNG revenue generation activities in most of the six countries has been one of the most counterproductive factors on the ISP and for successful decentralization in general.

3.2.2.5: The Systems of Central Government Transfers

The primary reason for central government transfers in the six countries is that the central government has not allowed SNGs sufficient tax powers to finance the expenditure assignments.

There is a delicate balance between the objective of having small imbalances to introduce good incentives for local efficiency and tax collection, and the problem of having imbalances so large that the institution of SNGs becomes discredited.

Once SNG provision of services is decided, the major financing choice is between grants and local taxes. The combination of non-financed small vertical imbalances with the existence of own local taxes and great autonomy is a strong recipe for better efficiency in a decentralised public sector.

Nevertheless, there are a number of other good reasons for a certain amount of state grants/transfers to lower levels of governments, cf. below.

- 1) Grants may offer a good instrument for central governments to bring local authorities into the general macroeconomic management of the economy. Local services like schools and social services should not bear the full weight of adjustments in stabilisation policies. However, in periods of severe imbalances, adjustments of such services cannot be avoided, as witnessed by the recent experiences of economic crisis in welfare states. The study has revealed that this

instrument has only been used in one direction in the six study countries, i.e. to reduce the grants in situations when crises have appeared.

- 2) Grants may also be instruments to influence priorities in expenditure decisions at the local level. First, it must be ensured that the grants are transformed into local services and not into private wealth of local citizens (economists have given this the derogatory name of “the flypaper effect”: the money sticks where it hits). Second, 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, as opposed to *general* grants, which are for the unrestricted use of SNGs. The Study has shown that this has been the trend in several of the six countries: Uganda (education and health care), **Swaziland** (refuse collection) and **Ghana** (capital investments and poverty reduction).
- 3) Grants may be used for equalisation purposes, i.e. to level out the differences between the “rich” and the “poor” SNGs and to stabilise the development across the different regions of a country. **Uganda** is a good example of this. In Swaziland, discussion is focusing on whether central grants can compensate for the fact that some informal settlement residents use the services within certain local authorities, i.e. a form of cost sharing. Generally, this instrument is only in its early preparatory stage in most countries, and the lack of objective criteria for distribution of grants is a general problem.
- 4) Finally, grants may be used for adjustment of the economy in situations when tasks are transferred between the levels of governments (as a kind of compensation). This approach has been used in countries such as **Senegal** (especially from 1996-1997), Uganda and Zimbabwe in the mid-1990s. In all countries, the SNGs have complained that the compensation has been insufficient. In **Zimbabwe**, this has been particularly true with regard to unfunded central mandates requiring urban councils to provide health care at uneconomic rates requiring subsidies for own revenues and resulting in large operating deficits.

The study has shown that grants are the most important revenue source in two of the six countries, **Uganda** and **Ghana**. The Study has also shown that *specific grants* dominate the design of grants in most of the six countries.

There are strong theoretical and practical reasons to discourage over-reliance on specific grants; some of these have become obvious during the study. Experiences from other parts of the World, e.g. Chile (grants for schools and primary health care) and Colombia (matching grants for rural roads), show that high reimbursement rates encourage spending and become a drain on central government finances. When reimbursement rates were reduced, the result was that the richest authorities with the highest fiscal capacities also received the major proportion of the grants. In Chile and Colombia, this resulted in inequalities in spending¹⁷.

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’s Charter of Local Self-government, which has now been ratified by a great number of countries, states that specific grants should be exchanged for general grants. In the most recent decades, there have been a number of reforms in many countries (e.g. in OECD) to replace specific grants with general grants. This has also been the objective in **Uganda**, but it is not yet fulfilled, as the specific grants now constitute the lion’s share of the grants. Nevertheless, there has been a tendency to

¹⁷ Kiitichiro Fukasaka and Ricardo Hausmann (eds.): “Democracy, decentralisation and deficits in Latin America.” OECD Development Center, 1998.

increase the proportion of specific grants in countries such as **Swaziland, Ghana and Uganda** during the investigated period 1994-97. There are several reasons for this shift. One of the important reasons is mistrust in the SNGs' local priority setting and a central government desire to assure that funds are spend in accordance with the national priorities. This, again, has caused systems of uncoordinated budgeting, strong and costly control measures, attempts to avoid regulations from the SNG side, unintended incentives for SNGs to spend funds within certain areas, reduction in local democracy and inefficient spending at the local level.

Trust between the central governments and SNGs needs to be gradually established, and the strict central regulations eased in order to strengthen local priority setting and accountability.

Equalisation grants:

Equalisation grants are rare within the six countries, but they are developed to a certain extent in countries such as **Ghana and Uganda**. In these countries, objective criteria for expenditure needs have been developed and are used as distribution formulae for parts of the grants. The need for these grants is urgent, as the tax base and the expenditure needs vary greatly among the SNGs within each country and equalisation is necessary for ISP to cover all parts of the countries. Especially great differences exist among the larger cities and the smaller rural SNGs with limited tax potential at least in the short-term future.

In almost all countries where there is political criticism of equalisation grants, particularly from those that who claim that the system of local government equalisation is too complicated. There are several reasons why this situation occurs. Equalisation deals with the politically difficult questions of redistribution; some have to give to others without getting anything in return. The result is that compromises have to be made and that very often there is a political need to compensate for concerns 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, which has been applied in some countries, is adopted. The idea is that the funds needed to support the poor authorities are taken from the rich authorities. The method results in a more complete equalisation than usual when grants are used because the richest authorities are drawn into the system. The disadvantages of the system are political. It has resulted in internal tensions between groups of SNGs. In this respect, grant financed equalisation seems to benefit all SNGs 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. None of the six countries has experimented with this type of equalisation.

Changing from specific grants to general grants complicates measuring equalisation of differences in local expenditure needs¹⁸. The idea of the general grants is to leave the SNGs 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.¹⁹ The problems of finding accept-

¹⁸ This is especially a problem in developing countries where data are limited.

¹⁹ An example is the system inherited by a number of countries in Eastern Europe from the communist regime. In some countries, criteria for needs, for example, are a set of "normatives", a number of which measure the population and its age groups, but most of which measure the number of services being supplied. Each client has been assigned a norm cost, depending on the kind of institution, all somewhat below the average costs. The equalisation is implemented by paying these amounts to the local authority producing the service. Some elements of this still exists, and in some countries, the measure of local expenditure need for old age care is based on the number of elderly staying at an old age home. This is quite different from the methods used in most of Northern European countries, where the measures of expenditure needs do not include the *number of services* but have been replaced by "objective" measures of needs,

able objective criteria for measuring expenditure needs to guide grant distribution tend to be complicated. Furthermore, SNG needs may be so different that a comparison may not be possible, e.g. how to compare the needs of small, thinly populated rural authorities with those of large urban authorities. These challenges should not preclude these analyses, and the experiences from Uganda have been promising, cf. the box in Section 3.1.17 and Table 3.14.

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; this approach also leaves more discretion to the SNGs. Ideally, the design of grants should at the same time support the poorer areas and encourage revenue mobilisation and cost efficiency.

The main problem in the countries that have introduced these grants has been to evaluate the tax base or to find good proxies for that in the SNGs and to find the right and fair expenditure need criteria, which have an impact on the SNG expenditure level. The lack of basic statistics, such as number of population, demographic data, geographic data etc., has caused severe problems in the development of these systems.

The administration of general government transfers:

In all six countries, the SNGs have complained that the grants from central governments are not transparent, predictable, fair, stable or distributed in an objective way. The Study has revealed that these problems exist in all countries, but that some countries have launched activities to address these problems in a concerted manner. The problem is that unstable and delayed transfers from central government destroy SNG budgeting and priority setting and discredit local politicians, as they are not able to deliver planned ISP in a way that meets the expectations of their citizens. In many of the countries, the grants are only released from the middle of the budget year and with no prior information on the size and the procedures for grant distribution. Very few of the countries have real dialogues and negotiations between central and SNGs in order to find the most appropriate and efficient size of the grants and methods for the distribution of these grants. This problem has been addressed recently in **Uganda**, where the so-called Budget Framework Procedure has demanded that central government discuss the grants and the budget framework for the coming year in due time in November the year before the budget year (which starts in July). Working groups have been established to discuss the situation and coming challenges. The dialogue has started, although the SNGs still feel that this is happening between unequal parties.

To *summarise*, it is a great challenge, but a crucially important task, to establish a system of grants and equalisation that is based on the following principles:

- a clear revenue sharing model with objective criteria for distribution;
- a system that deals with the discrepancies in the expenditure need and revenue capacity and that supports local tax effort and revenue generation incentives; and
- a system that is timely, transparent, stable and based on a dialogue between the various stakeholders regarding future design and implementation.

understood as the cost of the number of clients to be expected. 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.

3.2.2.6 Lack of utilisation of the large revenue potential

The country studies show a very significant potential for increasing revenues without changing tax base or tax rates. SNGs in a number of countries have gradually been assigned new revenue sources, which have a considerable yield potential. This potential has not yet been fully utilised in many cases, particularly due to four main factors:

- 1) cumbersome control procedures from central government on the autonomy to adjust (increase) the revenue yield (tax base or tax rate);
- 2) lack of administrative capacity to strengthen revenue generation, especially tax collection, at the SNG level;
- 3) insufficient administrative support from the central government; and
- 4) lack of incentives and local political commitment to enhance SNG tax revenues, as other revenue sources are more easily available, at least in the short run.

All six countries studied show that there is a considerable revenue potential in all countries if the SNG tax administration - including tax valuation, tax registration, initiatives to deal with defaulters, tax assessment, tax collection, etc. - is strengthened. This potential is often approximately 50% of the present own generated revenues.

In some of the countries, it is also reported that the SNGs have limited incentives to enhance the own revenue sources, such as taxes and fees, as it is more popular to try to increase the transfers from the central government. Few initiatives have been launched to introduce better incentives to strengthen the tax administration.

This is a genuine challenge in the future, if the double pressure – a reduction in the state transfers and a reduction of own revenue sources - is to be avoided.

3.2.2.7 Autonomy for SNG expenditure

Lack of autonomy to set local priorities is seen as a problem in all six countries, although great variation exists across the countries.

The problems can be summarised as follows:

- cumbersome approval procedures of the budgets (delayed and time consuming);
- lack of general regulations for budget approval and priorities;
- detailed control of the budgets and interference in the local priorities even in smaller and non-strategic budget areas;
- lack of co-ordination between the key ministries in the approval process;
- lack of fixed budget deadlines; and
- unpredictable interference.

Central government legitimately wishes to guide the local spending to certain key national priority areas. The problem is the design and the methods of control used in most of the six countries. Central influence is often based on discretionary decisions, specific and troublesome approval procedures, unpredictable initiatives and lack of regulatory frameworks to guide this relationship.

Few general and formally adopted regulations on budget restrictions are elaborated, cf. also Chapter 5. Some countries have experimented with this, e.g. setting maximum level of expenditure share on

general public services and on ceilings on the expenditure on politicians (in Uganda) and on the share of the salary costs (in **Zimbabwe**). These initiatives are not particularly adjusted to the local needs for variations within these areas, e.g. various tasks, various needs for political boards, size of the SNGs, etc.

3.2.2.8 Problems on the SNG expenditures – the composition of expenditures

The composition of expenditures is one of the major problems in this area. In all six countries, the expenditure for general public services (especially administration) and the salary shares constitutes a significant share of the total SNG expenditure. This means that fewer resources can be allocated to real ISP directed towards the citizens. In some countries, the SNGs spend more than half of their total resources on general public services (administration) and more than half of this on salaries. The expenditure on SNG politicians also constitutes a major burden on the SNG budget.

The analyses have revealed various reasons for this situation with different importance in the six countries, among them:

- bureaucracy and lack of possibilities in the civil servant regulations to adjust the number of employees with the needs for ISP; lack of retrenchment possibilities;
- Few real ISP responsibilities at the SNG level, as the central government or parastatals are still in charge of many functions; this leaves SNG mainly with the major task of administration;
- lack of funding, which, again, precludes significant SNG investments; this means that SNGs are only able to keep the administration running at a minimum level, on a day-to-day basis;
- large numbers of SNGs and many different levels or tiers of government; this increases the administrative costs and makes real investments in ISP problematic;
- excessive focus on sitting and meeting allowances for various activities; and
- the poor budget and accounting registration systems that may overestimate the problem, as some ISP activities are wrongly registered under general public services.

Solutions to these problems have not been easy to track. Some countries, including **Ghana** and **Senegal**, have sought to establish rules on the maximum share that the SNGs are allowed to spend on administration. Although these rules are not fully complied with, they have brought the problem onto the agenda.

The real challenges for the future are:

- to adjust the number of civil servants and the types of the staff to the needed service provision;
- to direct more and more of the staff from administration to ISP functions; and
- to strengthen the balance of expenditure to salaries, investments and modern technology.

The establishment of a great number of SNGs in some countries, especially in Uganda and Ghana, has added to the problem by increasing the administrative pressure of having several political and administrative levels (tiers of local governments). The large numbers of SNGs have been established to ensure local democracy and citizen participation. The challenge is to find the optimal balance between the potential for citizen participation in local decision-making and efficient administrative capacity. In a system with many smaller units, the citizens will have easier access to the decisions, but the decisions may have more importance and relevance in the larger units where the SNG have capacity to deliver real ISP. This matter will be treated in more detail in Chapter 7.

3.2.2.9 Budget procedures

Two major problems related to central control on local budgets have been identified in the country studies:

- 1) cumbersome and delayed central procedures for approval of local budgets and
- 2) lack of conditions for central approval of the local budgets and transparency in approval processes.

Central budget approval has been used as an instrument in most countries to control the SNG economy, ensure that things are not getting out of control, ensure that funds are spent according to purpose, etc. This objective is legitimate, but the way the control has been carried out in practice has caused severe problems for the SNGs.

The budgets have been approved too late, due to lack of inter-government co-ordination, lack of principles for the approval, lack of administrative capacity at the central government level or other reasons. In some countries like **Swaziland** and **Zambia**, the budgets were often approved several months into the financial year. This has severe consequences for priority setting and financial management. In Swaziland, the late approval causes extra expenditure due to unequal distribution in the activities over the year, as most activities require an approved budget. In **Zimbabwe**, the SNGs have problems with the delayed approval of the level of the user charges and rates in the high-density areas.

The budgets should be approved in good time before the budget year. There is a special need to receive information on the size and structure of SNG revenues well in advance in order to make efficient priority of the limited resources.

The approval procedures lack clear guidelines for the SNGs on the requirements that should be fulfilled before the approval can be made. Very few official, objective conditions are made, e.g. that the budgets should be in balance and that the expenditures to public general administration must only account for a certain percentage, that borrowing is allowed to constitute a certain share of the own revenue sources, etc. It is often up to a Ministry (often the Ministry of Local Government or Ministry of Finance, or both) to decide which criteria to use from year to year. This approach causes the process to be non-transparent, contentious, time-consuming and delayed.

Development of a few guidelines for the budgets, focusing on the key priorities and needs for financial management, e.g. rules on maximum borrowing, classifications of revenue and expenditure, deadlines for budget approval, SNG budget procedures, rules on hearing and access of the citizens, etc., would provide strong support to the SNGs' budget development. Senegal has developed an interesting system cf. the box below.

Thus, clear guidelines for the approval procedures, when approval procedures are found necessary, are urgently needed in most of the study countries.

Box 3.2: SENEGAL – approval procedures

In Senegal, tacit approval is sufficient for certain types of expenditures and investments. This means that if the central government has not raised any concerns before a certain deadline, the decisions are automatically approved. Prior approval is only needed for certain key types of expenditures, such as the budget.

3.2.2.10 Relationship between central and SNGs - Poor budget co-operation and co-ordination between central and SNGs

This question will be treated in detail in Chapter 6 on the institutional framework, but the main problems in the area of SNG finance, as revealed in the studies in six countries are listed below:

- lack of co-ordination between central and SNGs on the budget of the coming year(s);
- insufficient exchange of information on financial data from central government: late information and/or no information on the basic conditions for the coming years budget, e.g. transfers from central government, possible tax revenue sources, revenue sharing mechanisms, etc.;
- lack of a financial compensation system in situations where tasks are transferred between levels of governments (unfunded mandates at the SNG level);
- lack of a formal forum for discussions of SNG finance; and
- a need for strong, viable, representative associations of local authorities to mediate the links to the central government.

These problems have been revealed in all the six countries, but some of the countries have made progress in these areas. Starting with the FY 1999/2000, **Uganda** has yearly meetings between the central and SNGs to discuss SNG finances and the grants for the coming year. These meetings are conducted in well before (half a year) the start of the budget year and are very useful for the SNG budgeting process. In Senegal, there is also a yearly discussion on the transfers for the coming year in a special forum.²⁰

Nevertheless, there is still a way to go before all the above-mentioned problems are fully addressed, and the parties can meet on equal terms to discuss the conditions for the future economy at the SNG level. None of the countries has yearly, formal and binding agreements between central and SNGs covering budgets and grants for the coming year – a high priority of the SNG stakeholders. The workshops conducted in extension of the country reports in all six countries identified the need for a closer dialogue on these matters as one of top short-term priorities.

3.2.2.11 Lack of creditworthiness and borrowing

Table 3.17 shows that the SNGs in all six countries have very limited borrowing, even to finance investments projects with a long time-span. A medium- or long-term loan is justified for the financing of investments that will yield benefits in the future, especially for services to the citizens or revenues (user payment/charges) to the SNGs. On the other hand, too many and significant loans might cause insolvent SNGs and unstable financial situations. The challenge is to find the right balance.

The problem in the six countries has first been lack of creditworthiness and secondly, but to a minor extent, strict regulations and cumbersome procedures on SNG borrowing, cf. Chapter 5.

None of the countries has established an inter-sub-national government credit institution, which can mutually guarantee the SNG borrowing. Some countries use pension funds as credit facilities for the SNGs, e.g. **Zambia** and **Zimbabwe**, but generally this source is also limited. The countries differ in the way the central government controls the SNGs to ensure that they are acting in conformity with the national objectives. Some countries have developed ceilings and clear and transparent general

²⁰ The interests of the SNGs are here supported by the fact that many of the members of Parliament are members of the SNG councils at the same time.

rules on borrowing, e.g. Senegal and Ghana, but all countries need more developed and detailed regulation of the purpose of the borrowing, the amount and the conditions, the timing, the procedures for handling borrowing, the sources of borrowing and other technicalities.

The approval procedure by Ministry of Local Government or Ministry of Finance in some countries is assumed a guarantee of the SNG borrowing and payment of debt services, but often these guidelines and guarantees are not officially stated or 100% ensured.

The problems can be summarised and rank-ordered, as follows:

- 1) lack of creditworthiness due to lack of stable revenue sources and financial management and lack of autonomy on the revenue and expenditure, cf. the figures below;
- 2) problems in the approval procedures;
- 3) lack of borrowing sources, e.g. inter-municipal credit institutions; and
- 4) lack of co-operation between central and SNGs in the field of SNG borrowing, e.g. concerning guarantees and negotiations.

SNG Creditworthiness

Creditworthiness in the six countries is influenced negatively by the following factors, which also summarise some of the key problems identified in the field of SNG finance:

- small revenue bases within most of the SNGs →
- lack of own revenue sources and instability of these sources →
- reliance on single revenue sources →
- lack of autonomy over the revenue sources →
- lack of stable, transparent and timely central government grants → **CREDITWORTHINESS**
- weak cost recovery of the key ISP (user fees and charges) →
- lack of assets, ownership of building, land, etc. →
- lack expenditure autonomy →
- inappropriate composition of expenditure (share of administrative costs) →
- Weak financial management, budgeting, accounting and auditing →
- delayed and inappropriate budget approval procedures →
- poor financial relations between central and SNGs →
- lack of guarantees by central governments →
- lack of financial “back stop” institutions like inter-municipal credit institutions →

Box 3.3.: Zimbabwe:

Zimbabwe is the only country where SNGs have undertaken credit-rating by private sector operators. The experience of Zimbabwe shows that the development toward creditworthiness and the ISP finance through loans is only in an incipient stage, as only few of the strongest SNGs have obtained reasonable rating scores.

3.3. Ways of addressing the present and future challenges

Table 3.18 in Section 3.1 summarised the key findings on SNG finance and the key problems that should be addressed in future reform initiatives.

The six countries apply various models in their attempts to address these challenges, but there are also many common lessons from the studies. Below are listed some of the initiatives that, based on the experiences from the six countries, seem to facilitate the development of a financially sustainable system of ISP at the SNG level:

Table 3.19 Recommendations on SNG Finance

<i>Recommendations</i>	<i>Relation between revenue-expenditure</i>	<i>Revenue</i>	<i>Expenditure</i>	<i>Budget co-operation</i>	<i>Financial monitoring</i>	<i>Information and administrative systems</i>
Central government obligations	<p>Apportion the new tasks with parallel transfer of finance</p> <p>Avoid unfunded mandates</p> <p>Review the existing revenue sharing model</p> <p>1)Develop methodology for cost calculation, starting on a pilot basis in selected SNGs and with selected key activities</p>	<p>Establish strong SNG incentive to improve SNG revenue sources</p> <p>SNG shall have strong tax sources of their own (stable, predictable, high yielding, easy to administer)</p> <p>System of grants and equalisation based on principles such as fairness, objectivity, stability, timely predictability and legal foundation</p> <p>Support SNG borrowing to capital investments within overall ceilings</p> <p>Establish an enabling environment of user charge setting on basis of principles of cost recovery</p> <p>CG should pay the full costs of the property tax of CG buildings (or similar amount)</p> <p>1)Review the grant system (establish incentives to enhance revenue collection)</p> <p>1) Support the SNG in tax administration</p>	<p>Allow the SNG to have considerable autonomy in the local priority setting, combined with overall targets for the ISP</p> <p>Focus on the key national priority areas and use general framework (ceilings and performance targets)</p> <p>1) Ease the detailed control of the budgets (set limits for the CG discretionary power)</p>	<p>Ensure involvement of SNG in the key decisions:</p> <p>1). Establish a forum for budget dialogue and co-operation</p> <p>2). Involve the SNGs in the key decisions on the future economic situation (tax level, setting of service levels, grants and equalisation systems, etc.)</p> <p>3) Discuss all major laws and their financial impact with the SNG level before adoption and implementation</p>	<p>Support in development of objective independent audit of SNG accounts</p> <p>Combine high SNG autonomy with overall ceilings to control the overall national economy</p> <p>Developed key figures on SNG finance in order to compare results and share best practises</p> <p>1) Change from CG control to guidance, support and mentoring</p>	<p>Establish strong budget and accounting systems, suitable for SNG financial control and public information requirement</p> <p>Ensure strong co-ordination of the CG information flow</p> <p>Establish data bases open for assess for all SNGs on finance</p> <p>Support development of registers for use of taxation purposes, e.g. valuation rolls and personal registers/ property registers</p> <p>Currently update all budget and account collections in an open and transparent manner</p>

Recommendations	<i>Relation between revenue expenditure</i>	<i>Revenue</i>	<i>Expenditure</i>	<i>Budget co-operation</i>	<i>Financial monitoring</i>	<i>Information and administrative systems</i>
SNG obligations	<p>Support the analysis of the present revenue sharing</p> <p>Seek improvement of the costs recovery principles in key areas such as amenities (water, electricity, solid waste) combined with support schemes for the poor citizens</p> <p>1) Improve cost and user fee calculation at the SNG level</p>	<p>Enhance the SNG own revenues by strengthening of the tax administration</p> <p>Be prepared to take unpopular decisions on taxation</p> <p>1) Focus on the defaulters of tax payment (reasons and possible improvement in the collection)</p>	<p>Seek to minimise the expenditure to general administration and salary shares by right sizing the adm. and focus on efficiency and incentives</p> <p>1) Focus on structural adjustment of the administration to ensure more citizen oriented ISP</p>	<p>Participate actively and non-biased in the discussions on the future SNG finance</p> <p>1) Establish expertise in budget framework</p>	<p>Support development of strong financial management – capacity building of the SNG financial administration</p> <p>1) Review all administrative routines in order to enhance financial control/monitoring</p>	<p>Contribute with the required information on timely basis</p> <p>Co-ordinate the local information flow</p> <p>Be open for exchange of information and transparent economy</p> <p>1) All revenues and expenditures should be included in the budgets and accounts, also the donor funding (no extra-budgetary funds and hidden revenues)</p>
Other stakeholders	<p>Technical assistance to improve the balance between revenue and expenditure and develop optimal systems of SNG finance</p>	<p>Rate payer associations should consider the overall need for ISP and enter into constructive dialogue with the SNGs</p> <p>1) Support from CG and donors to strengthen tax administration.</p>	<p>Donor support to structural adjustment, e.g. retrenchment schemes</p>	<p>Independent institutions, e.g. finance commission might facilitate this</p>	<p>Citizens should actively support the control of spending and priority setting</p>	<p>Institutions under the umbrella of the SNGs should actively contribute with budget and account relevant data in a timely manner</p>

(1)= first step to be taken

Recommendations (continuation of the recommendations from the road map- tables 3.18 and 3.19)

As shown in the table above, there is not a single "golden" reform strategy that will solve all problems within the short-term future. Instead, the analysis shows that there are a large number of initiatives that are mutually reinforcing, inter-linked, and which have to be launched more or less in parallel. In other words, the organisation and sequencing of the reforms is very important.

The organisation of the reforms on fiscal decentralisation has to involve both sides: the central and the SNG level in an improved and real dialogue on how best to achieve the common objectives for fiscal decentralisation.

The cornerstone in this system is that the SNGs should have significant discretion to set their own levels of local taxes and user charges within overall national macroeconomic limits and autonomy to make local priorities for ISP.

A formal *budget forum for negotiations*, information exchange and common agreements should be the first step in this direction, combined with further analysis of the present assignment of tasks and revenues to address the question of the optimal balance – "how to divide the cake" and ways to improve the SNG revenue collection - "how to increase the size of the cake". This should be done without distortion of the local economy and business environment, and this should include social considerations. A strong dialogue has been lacking in all six study countries, but it is one of the key challenges for future success and sustainability of the present reform processes.

The existence of viable *SNG associations of local authorities* to represent and mediate the interests of local authorities, to ensure that local interests are taken care of in a coordinated manner, that all expertise is gathered, that information exchange both ways is improved vis-à-vis the central government is an advantage for both the central and local government level and may support the budget dialogue and common future focus.

CHAPTER 4 - INFRASTRUCTURE AND SERVICE PROVISION (ISP) BY THE SUB-NATIONAL GOVERNMENTS

4.1 Findings from the country studies

This chapter reviews the provision of infrastructure and services (ISP) by the different levels of governments with special focus on the contribution to ISP by the sub-national governments (SNGs).

The different types of infrastructure and services provided by SNGs comprise: education, health, social security and welfare, housing, community amenities, culture and recreational services, economic services (including roads, transportation, electricity production and telecommunications) as well as other tasks.

There are many different issues related to the promotion and support of sustainable and financially sound ISP for the benefits of the local citizens. Improved and enhanced ISP is one of the most important objectives of decentralisation.

4.1.1 Main findings

In the majority of the case study countries, it is the central government's objective to:

- assign a large number of ISP functions and responsibilities to the SNGs;
- involve the private sector in ISP;
- support a stable environment for provision of services and development of ISP;
- support proper strategies and implementation policies for the maintenance of existing ISP; and
- secure and implement measures enhancing financial sustainability, including cost recovery and a liberalisation of the setting of user fees, tariffs and charges as well as types of revenues related to infrastructure and service provision.

In most of the countries, the major part of the basic infrastructure (roads, transportation networks, buildings, health facilities, etc.) has been established over a long period. Many of the case study countries have experienced severe constraints related to the overall economic development of the Sub-Saharan Region as well as specific constraints of the public sector finance in recent years. During this period, only a small improvement in the capacity for provision of ISP in the countries has occurred.

The central governments have largely withdrawn from direct involvement in the further development of essential parts of ISP. In recent years in all countries, the donor communities have played a major role in the development of and investment in ISP, and accordingly the co-ordination issue related to ISP constitutes a very substantial challenge. Another important concern in almost all the study countries has been that, despite declared policies of decentralisation and support to the SNGs, there are deviations between the ministries responsible for decentralisation and the actual activity plans and implementation strategies of the line ministries responsible for the different components of ISP, such as health, education, water, environment, land, issues related to staffing etc. These different approaches to the carrying through of the decentralisation policies create many barriers and obstacles to a streamlined involvement of the SNGs in the decentralisation process itself.

Table 4.1 Status of the ISP enhancing framework

	Ghana	Senegal	Swaziland	Uganda	Zambia	Zimbabwe
Legislation delegating ISP responsibility and autonomy to SNG	In place	Implemented for selected ISP components (cf. 1. Stage)	The Urban Government Bill is pending	In place	In place	In place
Organisational structure(s) for ISP-co-ordination	Not at the SNG level- only at the CG level (donor coordination)	N.A.	Not for SNGs as all major decisions has to be approved	Donor driven	No coordination fora –no SNG involvement in ISP activities	N.A.
Transfers promoting ISP delivery	Yes	Yes, even with built in ISP promoting initiatives	Very limited	Yes	Yes	Yes
Cost-recovery policy framework adopted	Yes	Substantial parts in place	In principle only	In principle only	Implemented for some ISP components	N.A.
SNG autonomy related to tariff and user charges	High	High	Rely greatly on CG approval	High	Rely greatly on CG approval	High
Targeted support system for poor and disadvantaged citizens	Yes for health services	No.	No	Yes for health services	No	Experimental for health services
Measures to enhance participatory ISP decision making	N.A.	N.A.	Major achievements within the UDP project	Major achievements within the DDP project	No systematic approach	N.A.
Legal and regulatory framework for private sector ISP-involvement	In place	In place	In place	In place	In place, but hampered by the CG tariff approval	N.A.
Framework in support of sovereignty of SNG in ISP-development	Medium/high	Pending. – rely on the implementation of the second stage	Only in operation in the 2 major cities	In place – but hampered by financial constraints	No- donor driven	N.A.

4.1.2 The Division of Responsibilities for ISP among Different Levels of Government

A clear indication of the decentralisation policy commitment of the countries is found in the extent to which responsibilities are devolved to SNGs. The responsibility for provision of ISP to households and enterprises is to a varying degree transferred to SNGs; the distribution of responsibilities varies greatly from country to country.

When analysing the distribution of responsibilities among different levels of government it is important to make a distinction between powers and duties. Thus, in the majority of the case study countries, there is much more transfer of responsibilities to SNG from a formal perspective than in reality due to the financial, management and operational capacity constraints of SNGs.

Moreover, it is important to distinguish the extent to which responsibilities are:

- mandatory or optional,
- clearly established or defined only in broad terms, and
- whether they are exclusive or shared with another level of government.

For some components such as water supply, the SNGs typically are obliged to carry out the task, whereas in the case of sanitation the responsibility in the analysed SNGs is of a more formal than real nature. In some countries such as Zambia and Senegal, the notion of delegation of responsibility to SNGs is not outlined precisely and clearly. Accordingly, in these countries central, regional and local governments operate in the same sectors, and there is a considerable amount of duplication and overlap of responsibilities at the local level.

In the case of **Uganda**, the government since 1986 has been pursuing a decentralisation strategy whereby administrative and financial responsibility is devolved to the SNGs, while the government is responsible for policy formulation, planning inspection and management of national programmes. The provision of most infrastructure services is the mandate of SNGs. The government has also expressed a strong commitment to rehabilitate and maintain the existing infrastructure. Finally, the government has been pursuing a privatisation strategy, whereby the role of government in running state enterprises is diminishing. Government is concentrating on the creation of an enabling environment for the private sector to provide services when this can be done more effectively and efficiently.

Senegal has decided to fully devolve and decentralise ISP, but to do so in two stages. The first stage is limited (e.g. not comprising water supply and sewerage) and the intention is gradually to build competence and operational capacity at the local level before entering into the second stage, where additional responsibilities will be transferred, e.g. education, environmental protection and regional planning. The field of town planning has been entirely transferred to SNGs. Before the reform, elaboration of master town plans was the task of town planning services of the central government. These tasks also include handling of the town planning master plans, development plans, operational town planning on parcels of land and other renewal projects and, finally, the town planning acts (building permits, certificates of conformity, town planning certificates and demolition certificates).

The table below shows that in the study countries there are quite different patterns of distribution of responsibilities for the various components of ISP. In the case of *education* the responsibilities are most often shared among central and SNGs. Moreover, the private sector contributes very considerably to educational services. The way education responsibilities are distributed is in most cases that the central government pays salaries and decides upon curriculum for education, whereas the SNGs have responsibility for maintenance and development of school buildings, sanitary installations and related school infrastructure. The hiring and firing of school leaders and teachers is the critical factor to adapt education to local preferences and priorities.

Table 4.2 Division of responsibilities among different levels of government

Sector	Ghana	Senegal	Swaziland	Uganda	Zambia	Zimbabwe	Comparative sample countries (1) % share of countries		
							CG	S	SNG
Education					CG		0	0.88	0.12
Pre-school		SNG		O		SNG			
Primary	CG	SNG	CG (P)	S		S			
Secondary	CG	RG/CG	CG (P)	SNG		CG (P)			
Tertiary	CG	CG		CG		O/CG			
Health	CG			S	S		0.06	0.71	0.23
Health-centres		SNG				SNG (P)			
Clinics		S	CG (P)			SNG			
Hospitals		RG/CG	CG (P)			CG			
Community amenities							0	0.18	0.82
Water supply	CG	SNG	CG	S	S	SNG			
Sewerage	S	CG	CG	SNG	SNG	S			
Sanitation	NA	SNG	SNG	S	S	S			
Solid waste	SNG	SNG	SNG	S	SNG	SNG			
Electricity distribution	CG	CG		P	CG	O			
Economic services							0	0.94	0.06
Roads	S	S	S	S	S	S			
Local transport	P	SNG	P	SNG	SNG/P	P			
Electricity production	CG	CG	CG	P	CG	O			

CG: Central Government, S: Shared, SNG: Sub-National Government, P: Private, O: Others

1) Percentage share of responsibilities in 17 sample countries

The last column of the table shows the distribution pattern of ISP responsibilities, for comparative purposes, of a sample of 17 (mainly OECD) countries. The percentages show the degree to which responsibilities are assigned to central government (CG), SNGs or shared (S) among different levels of government, as indicated.

Education comprises the following components: pre-school education, primary education, secondary and tertiary education. In most countries, the SNGs are responsible for pre-school activities. In **Zambia and Senegal**, the central government has responsibility for provision of primary, secondary and tertiary education. In the other countries, primary education is the responsibility of the SNGs, secondary education is the responsibility of the regional authorities and tertiary education (vocational training, universities, etc.) is the responsibility of the central government. There is no clear trend. In **Zambia**, responsibility for primary education used to be with the SNGs, but the central government has now taken over this responsibility. To a varying degree, the private sector, especially religious groups, is involved in the provision of pre-school and primary education. In **Uganda**, responsibility is shared, and education has been given top-priority; this has resulted in an 80% increase in primary school enrolment over the last five years.

Concerning *health*, the responsibility is typically shared among different levels of government. The central government provides guidelines and minimum standards and has responsibility for major hospitals. Typically, regional governments have responsibility for local hospitals and health centres, whereas the lowest level of government has responsibility for local clinics and health centres at the local level.

For *social security and welfare*, the responsibility is typically shared among different levels of government. Social security is generally under-developed in the six countries, especially in the case of **Zambia and Uganda**. However, the government in **Uganda** has given top-priority to the provision of health for citizens with low income; health services provided free of charge are defined in other countries as social security and welfare.

The responsibility for *housing* is typically shared among different levels of government. In **Zambia and Uganda**, very little government attention in terms of financial resources has been devoted to fulfilment of the housing needs. The central government has forced the SNGs to sell most of their houses in Zambia. The responsibility in these countries is more formal in nature, involving, for example, building codes and land use restrictions.

One of the major fields of ISP comprises *community amenities including water, sewerage, sanitation, street lighting, sweeping, markets, etc.* This component of ISP is the most extensive area of devolution of responsibilities to SNGs. (It could be argued that in countries where there has been a limited devolution of responsibility for community amenities, the SNGs have no real influence and role as service providers and that the level of decentralisation is very limited. All the different sub-components of community amenities may be shared. This is especially the case for the *provision of water*. In **Swaziland and Senegal**, water supply is managed by deconcentrated central government institutions or co-operatives. (Although in almost all countries, SNGs are responsible for *solid waste management, sewerage and sanitation*, this responsibility is heavily influenced by the severe financial and administrative capacity constraints. Accordingly, the outcome is that very low priority is given to these important aspects, which heavily influences the quality of life of the citizens in the relevant countries.

In the case of *economic services*, the responsibilities are typically shared. The four major components of economic services comprise *roads, transportation, electricity production and communication*. The responsibilities are shared in all countries. Thus, the central government is responsible for highways and the main and basic *road network* including trans-frontier roads. The regional or local governments are responsible for the remaining roads, but in **Zambia and Senegal**, this responsibility is for road maintenance only. *Transportation* is the only sector that to a very substantial degree has developed with heavy private sector involvement in the provision of services. Thus in **four out of six countries** local transport is organised and tendered out or directly licensed to the private sector. Buses are in all countries much more important for transportation services than the railroad. The remaining component of economic services concerns *communication, including telephone communication*. The case study countries are in very different stages of promoting communication by involving the private sector in this field. In the case of **Uganda**, the fixed telephone network comprises 55.000 lines only, and in the area of mobile and cellular phones, the private sector is the driving force and operator.

Apart from the description of the distribution of responsibility among different levels of government, the contribution and involvement of the *donor communities* is very decisive for the development and provision of services for the benefit of the life conditions of the citizens. Due to the overall economic and financial constraints, the financial resources provided by the donor communities dominate the capital-investment in infrastructure and services. A rough estimate made for **Zambia** shows that the donor community contributes ten times as much as the central government in ISP capital investment. This is, to a somewhat lesser degree, the case for the other case study countries.

4.1.3 The ISP co-ordination issue concerning different levels of government and the different modes of decentralisation

An important consideration concerns whether there is any "best model" of organising ISP responsibilities among the different levels of government. It is the experience of many countries that in order to balance efficiency and accountability and provide a high level of services to the local population, the allocation of responsibilities should balance the extent and nature of the tasks and requirements of efficiency and economy. In some periods, there is a strong trend to decentralise and delegate powers and duties to the SNGs, and in other periods in the same countries, there is a move backwards for specific components of ISP to centralise service provision again. A case is **Zambia** for education, where primary education was delegated to SNGs, but recently it has been centralised again in order to improve overall efficiency and performance.

In some of the case study countries, it is observed that decentralisation is deployed in one sector of the ISP and parallel deconcentration occurs in other fields of ISP. This reflects the fact that there is no uniform and single sovereign best concept and mode of organising ISP with the aim to achieve the best quantity and quality of ISP for the benefit of the quality of the life of the citizens.

Yet another guiding principle for organising responsibilities for ISP among different levels of government is that of subsidiarity. The basis of this principle - focused in the Treaty of The European Union - is that tasks should be carried out at the lowest level of government able to perform them in an efficient way. A broader analysis of the principle of subsidiarity is given in Chapter 7.

The general pattern of distribution of ISP responsibilities among different levels of government is:

- a great variety of patterns of responsibility;
- an increase in the number of primary stakeholders in providing ISP;
- a trend to involve specifically the private sector in ISP; and
- the empowerment of local citizens in the design and implementation of ISP.

The increasing number of primary stakeholders providing ISP calls for new modes of co-operation, especially between central government and SNGs. There are many ways to organise such co-operation. In **Senegal**, the central government keeps a great influence in the carrying out of the responsibilities by the *prefect system and deconcentrated services/staff*. The devolution of responsibilities to SNGs in **Senegal** has moreover been designed to be a two-step process: first, to delegate core responsibilities for community amenities and roads, and a second phase to increase the number of tasks and responsibilities of SNGs.

Table 4.3 Initiative and Dynamic Forces Concerning ISP

Main driving stake-holder of ISP-development	Ghana	Senegal	Swaziland	Uganda	Zambia	Zimbabwe
CG Line-ministries	X			X		
SNGs		X				X
Donor community	X	X	X	X		
NGOs or the beneficiaries themselves			X			

The modes of co-ordination among different levels of government also vary among the case study countries as well as within countries between different types of infrastructure and services. The modes of co-operation and co-ordination between the primary stakeholders could be negotiation,

collaboration or deconcentrated agencies involved in decision-making. It appears that there has been some progress towards greater regulatory co-ordination and elimination of regulatory duplication between levels of government.

Table 4.4 Extent and mode of ISP-co-ordination among major stakeholders related to ISP

	Ghana	Senegal	Swaziland	Uganda	Zambia	Zimbabwe
SNGs involved in ISP-development in their own jurisdiction	Partially	Yes	Yes, but only 2 major cities	Yes	No	Yes
Organisational frame-work for co-ordination in place	No fora	Municipal Development Agency	N.A.	N.A.	NO.	N.A.
SNGs or their association involved in design and development of regulatory framework	No.	Partially	No	Partially	No	N.A.
ISP-enhancing organisation-structure	No	Strong	No	N.A.	No	N.A.
Donor co-ordination framework in place	Yes	Partially	No	Partially	No. Only exchange of information	N.A.

A very interesting and convincing new organisational set-up focuses on co-ordination among donors and SNGs and is in operation in **Senegal**. Here the resource allocation mechanisms are associated with the various borrowing arrangements (for further details see box):

BOX 4.1: The promotion of co-ordination by setting-up of a Municipal Development Agency (SENEGAL)

The government of Senegal supports the SNGs through specialised authorities such as AGETIP (phases I, II and III), Municipal Development Agency (MDA) and PAC, with various borrowing arrangements for the urban and rural SNGs. Today, considerable funding is provided through these facilities for investments in ISP. The attempt is to create closer contact between the SNG borrowing and the focus on accountability, creditworthiness, efficiency and capacity building.

Considering the success of the first phase of AGETIP, a 2nd phase was implemented in 1993. The second phase was based on renovation and maintenance of public facilities and infrastructures; the application of AGETIP procedures to the development and management of the municipal infrastructure generating revenues, which thus makes the communes the main beneficiaries of the project; and the training to the benefit of municipalities and enterprises.

Phase II of the AGETIP programme was dedicated to the Local Authorities and mobilised about US\$ 81 mill. To benefit from the agency's assistance, the communes should satisfy a number of conditions, among which should be mentioned a contribution from the own resources of the commune representing at least 10% of the cost of the project to be financed. This municipal contribution could be made up of contribution funds granted by the State in support of the communes' investment policies. The share borne by AGETIP (90%) is considered as a subsidy and therefore is not refundable by the commune concerned. The commune may be eligible, provided it agrees to sign a convention under which it will be the delegate project owner. Through this system, AGETIP could finance important infrastructures in the communes such as communal roads (DAKAR), health facilities, building of schools, cultural and socio-educational facilities but also commercial facilities (stadiums, coach stations, markets, etc) in almost all the communes of Senegal and in nearly 1/3 of the rural communities.

The programme of assistance to communes (PAC) initiated by the State of Senegal in close partnership with the World Bank aims to enable the communes to achieve the sustainable development of their urban infrastructures within an internal context of good local governance. The project includes improvement of the municipal management through a support to the management of its financial and budgetary accounts; Assistance to the mobilisation of resources; Assistance to management; Management of urban infrastructures, renovation and maintenance of roads, sanitation, financing of infrastructures for the communes which have undertaken to implement measures to improve their management and mobilisation of resources.

In its current phase, the MDA, which is the execution organ of the PAC, has initiated in cooperation with local experts

organisational and financial urban audits in the communes, and it has signed with them town contracts for the execution of the municipal adjustment programme and priority investment and priority maintenance, , resulting respectively from organisational and financial audits as well as urban audits.

The prospect for the signing of a town contract with the MDA will open up new possibilities of financing investment of ISP/equipment and highly prioritised services. The attempt is to create a close contact between the SNG borrowing and the focus on accountability, creditworthiness, efficiency and capacity building. Contracts are developed between the borrowing institutions and the SNGs on the specific conditions for the loans. An enabling environment has been developed in the co-operation between the central government (and connected institutions), the SNGs and the donors in setting up these programmes and conditions for borrowing.

In **Uganda**, the national case study describes the need for co-ordination among stakeholders concerning ISP. While the demarcation of responsibility is clearly defined within the government system, considerable overlap persists at the level of control/management and actual delivery between the various stakeholders. Adequate harmonisation and co-ordination of the activities of various stakeholders in the provision of ISP is not undertaken, little integration exists and there is duplication and fragmentation of the contributions by donors and other NGOs. This has significantly compromised efficient delivery of services to consumers (donor funding is in some instances not yet sufficiently coordinated and integrated into the district recurrent and development budgets).

4.1.4 Level of infrastructure and services provided

4.1.4.1 Indicators on performance related to ISP

As an integrated and important part of the country studies, information was collected and organised with the aim to establish performance indicators for the main components of ISP.

Estimates were made concerning the need for key infrastructure and services. The estimates are based on the number of potential consumers multiplied by normal consumption coefficients or based on estimation of the percentage share of households with access to the key infrastructure and service components. The indicators permit comparison of the actual provision of infrastructure and services as a percent of the needed ISP in the sample SNGs. Naturally, the estimates below are approximate, but they can be taken as a qualified systematic estimate to compare magnitudes of service provided by the sample SNGs.

Table 4.5 Estimated performance indicators concerning ISP

	Ghana		Senegal		Swaziland		Uganda		Zambia		Zimbabwe	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Education	5(2) 4(1)	5(3)	4(1) 3(1) 2(1)	2(3)	5(2) 2(2) 1(1)	3(2)	5(2) 4(1)	5(3)			4(2)	4(5)
Health	N.A.	N.A.	3(2) 2(1)	3(1) 2(2)	3(2)	2(3) 1(2)	3(2)	2(2)	3(1) 2(2)	3(2) 2(1)	4(1) 3(1)	4(5)
Community amenities												
Water supply	3(2) 2(1)	1(3)	4(1) 3(1) 2(1)	2(3)	3(2) 4(1) 3(2) 1(1)	4(1)	3(2) 2(1)	1(3)	3(2) 2(1)	3(1) 2(1)	4(1) 3(1)	4(1) 3(3) 1(1)
Sewerage	N.A.	N.A.	3(1) 2(1) 1(1)	2(1) 1(2)	4(2)	4(1) 2(2) 1(1)	4(1) 2(2)	2(3)	3(1) 2(2)	3(2) 2(1)	3(2)	3(2) 2(2)
Sanitation	N.A.	N.A.	N.A.	N.A.	NA	NA	3(1) 2(2)	2(3)			NA	NA
Solid waste management	4(1) 2(1) 1(1)	1(3)	3(1) 1(2)	2(2) 1(1)	5(1) 3(1)	5(1) 4(2) 3(1) 1(1)	4(1) 2(1) 1(1)	2(2) 1(1)	2(1) 1(2)	3(1) 2(2)	3(2)	4(1) 3(1) 2(3)
Electricity supply	1(3)	1(3)	4(1) 3(1) 2(1)	2(3)	3(1) 2(1)	5(2) 4(2) 3(1)	NA	NA				

Economic services												
Local roads	3(2)	3(1)	3(2)	2(1)	5(2)	5(1)	4(1)	1(3)	2(3)	2(2)	3(2)	3(2)
	2(1)	2(1)	2(1)	1(2)		4(1)						2(3)
		1(1)				3(3)						

Definition of figures: The quotation is “Scale of Performance” (number of SNG estimated at this scale). The scale of assessed magnitudes of performance (the indicator of needs satisfaction) has been estimated using a scale of 5 to 1, the best service being 5 and the worst service provision being 1: thus 5=excellent (81-100 percent); 4=very good (61-80 percent); 3=good (51-60 percent); 3= fair (41-50 percent) and 1=poor (40 percent and less).

The performance indicators are important to create awareness of the need to set up targets and performance-based management (refer to the analysis in Chapter 6). The performance indicators provide an overview of the overall efficiency and level of satisfaction of local citizens' demands and can in the future serve:

- as a platform for making inter-SNG comparisons (taking into account also differences in size, type and location of SNGs);
- to enable the monitoring of development; and
- to enable the central government to have a sound basis for the setting of minimum standards related to ISP.

Generally, an absence of sufficient financial resources and administrative capacity for ISP is reflected in the SNGs’ actual performance in delivering services to their residents. The study of the sample SNGs indicates some improvements in service delivery performance, but the data and information collected indicate a medium or poor level of SNG performance.

4.1.4.2 Provision of Education

It has been a great challenge to measure real performance indicators for *education* which focus on not only the share of students that actually completed their education, but also the relevance of the education measured by the number of pupils who find jobs after graduation. This type of information is supplied by indicators concerning the availability of appropriate classrooms (measured by the max. size of classes) as well as lessons delivered measured by the number of teachers per pupil.

The lack of establishment and development of an enabling environment for the SNGs in the field of ISP is fully reflected in the actual performance of the services in all the studied SNGs. . Although the information does not give a very detailed picture of all ISP components, the information shown in table above is a good first attempt to establish performance indicators allowing for national as well as international comparisons. Education shows a medium level of performance in the greater urban areas in **Senegal, Zimbabwe and Swaziland**. The common pattern is that the urban centres have a better performance than the medium-sized or the rural SNGs.

In the table, the share of the respective types of SNG allows comparison between the case study countries. In the field of education in **Uganda**, the majority of the nursery schools are concentrated in towns and trading centres or around higher educational institutions. Although pre-primary schools are privately owned, the government provides the curriculum. Enrolment is quite low: 30% in Kampala, 11% in Kukono and below 5% in the rest of the SNGs. The government implemented Universal Primary Education (UPE) in 1997. This programme provides free education for four children per family. The parents, community and government are responsible for construction of classrooms and other school infrastructure. Because of UPE, primary school enrolment increased to the point that there is now an acute shortage of classrooms, scholastic materials and teachers in all the local governments sampled.

4.1.4.3 Provision of Health services

With respect to *health* facilities, the performance indicators show a similar picture in which access and proximity to health facilities is substantially higher in the urban areas than in the rural SNGs. **Uganda** has a higher level of performance concerning health than **Zambia and Ghana**.

In **Uganda**, the central government, SNGs, NGOs and private sector are all active in *health facilities and service* provision. The SNGs are responsible for some hospitals, clinics and health centres, while the central government is responsible for referral hospitals and training. Many rural health services are run on grants provided by the centre with assistance from donors. One of the leading problems facing the health centres and hospitals is the lack of qualified health workers to man them and provide services. Geographical access to health care is limited to about 50% of the population, i.e. those living within five kilometres of a health service unit. Rural communities are particularly affected, mainly because health facilities are located mostly in towns along main roads. Among the health facilities, many do not provide the full range of essential primary health care services. More than 60% of mothers are not assisted by trained health personnel during childbirth. The estimated performance indicators concerning health facilities for the sample SNGs show one SNG with a good level of facilities (Kampala District: performance level 3 corresponding to 51-60% coverage), one SNG with a poor level of facilities Kotido District: performance level 1 (corresponding to less than 40% coverage) and the remaining eight SNGs with a fair level (performance level 2 corresponding to 41-50% coverage).

4.1.4.4 Provision of Water

Performance indicators for water supply show a rather depressing picture for the rural areas. For the urban areas, the performance indicator level is typically more than two-thirds of the needs. However, a substantial number of the involved SNGs provide water supply to less than 40% of their citizens.

Taking **Zambia** as a typical case, the collection and organisation of the information hitherto has focused on more traditional production oriented type of indicators as, for example, the design capacity of *water* production plans. In addition, more efforts should be made in order to generate purpose-performance indicators, which instead intend to measure the actual consumption of (healthy) water for citizens and enterprises.

Access to certain services is determined both by comprehensiveness of service and ability to pay. The Living Conditions Monitoring survey in Zambia showed that in urban areas, 83 percent of high cost houses had own tap water, while 72 and 38 percent of the medium cost and low cost houses had own tap water, respectively. The trend of public water tap usage is a complete reversal of the own tap usage, with 34 percent of the low cost areas and 12 and 9 percent of the medium and high cost areas using such sources for water, respectively.

In **Uganda**, *water supply* has been identified as a priority program area by central government and SNGs. The National Water and Sewerage Corporation provides water in a few urban centres, and local governments are responsible for provision of water in the rural districts. Sewerage service coverage in the sampled urban councils is quite low relative to the demand for the service. Sanitation and water improvement have been supported mainly by donors. Two of the sample SNGs (Mbale and Lira) are estimated to have a very good water supply performance (level 4: corresponding to a coverage of 61-80%), four sample SNGs are estimated to have a good water

supply performance (level 3) and the remaining three SNGs have respectively, level 2 (fair), level 1 (poor) or no estimation is given.

4.1.4.5 Provision of Sewage and Sanitation

In the case of *sewage* it is important to compare the generated polluted water with the amount of water actually purified combined with the actual regeneration of waste by the purifying activity. For *sanitation*, there appear to be many problems, as the sanitation activity requires some basic equipment and chemicals as well as protection clothes for the staff involved. Sanitation has created many problems in assembling the performance indicators. In the case of **Zambia** 84 percent of urban high-cost areas had access to flush toilet facilities, while 75 and 35 percent of the medium- and low-cost areas had access to such facilities. Expectedly, the usage of pit latrines is highest in low-cost areas.

The performance concerning *sanitation/sewerage/latrines* reveals a quite depressing picture. In **Uganda**, environmental sanitation has traditionally been accorded insufficient resource allocation . The sector has suffered because of poor application of sanitation practices and insufficient community mobilisation and sensitisation. Inadequate legislative and policy guidelines, low staffing and inadequate resource allocation have exacerbated this situation. Worse still, there has been insufficient research on appropriate technology options and inadequate integration of all stakeholders. The predictable effect has been high mortality and morbidity. Four of the sampled SNGs in Uganda have performance level 2 (fair), two SNGs have performance level 1 (poor) whereas the remaining SNGs have performance level 3 (good).

4.1.4.6 Collection and handling of Solid Waste

In the assessment of *solid waste management*, it is possible to collect data concerning the production and magnitude of waste and to estimate the amount and percentage collected. The real performance indicator should focus on the share of solid waste actually disposed of in a controlled way or even better by the measurement of recycled resources or renewed energy by destroying the solid waste.

In the case of **Zambia**, the method of garbage disposal indicates a rather low incidence of service provision. Over 50 percent of all urban households dispose of their garbage using a pit. Dumping is a common method of disposal especially in low-cost areas, with 42 percent using this method. Only 7 percent of the households in these areas have their garbage collected. About 20 and 26 percent of the households in medium- and high-cost areas have their garbage collected.

For **Uganda** with respect to *waste management*, the performance level is also depressingly low. Informal dumping of refuse within the urban areas is common, which has created a serious health hazard and in some cases has impeded access. Secondly, collection points are not conveniently located to the households, and removal from secondary collection points is infrequent because the municipal council lacks both physical and financial resources. Disposal sites are poorly designed and managed. Solid waste disposal is a serious problem in urban areas, with often only 40% of generated waste being collected. Municipal waste is a potential source of water, land and air pollution especially since there is no sorting out hazardous from non-hazardous wastes or any kind of treatment. Households in rural areas dump refuse around the house or in open dumping sites. Contrary to popular belief that waste generated from rural households poses no problems, the situation resembles those of small or medium-sized towns, with tendencies toward source contamination where the population is dense and the water table near the ground surface. Rural areas also

consume plastics, dry cell batteries, synthetic fibres and fabric, all of which are non-biodegradable, and the traditional composting disposal method is no longer effective.

4.1.4.7 Provision of roads

For *roads*, the performance indicators should be related to the availability of roads and the maintenance standard including the appearance of potholes, which increase transport time. Concerning the *road network* the typical picture in the case study countries is that half of the studied SNGs have a performance level of slightly more than 50% of the needs, and the rest have a performance level substantially below 50% coverage. It should also be mentioned that the performance of fire protection (in the countries where this information could be collected and organised) is very poor in urban areas, with coverage than less of 40%.

In **Uganda**, as an example, the provision of feeder roads is one of the means of fighting against poverty. There, trunk, feeder and community roads are managed, respectively, by the central government, the district and the community. The central government has a conditional grant for maintenance of feeder roads. Under this grant, local governments are to involve the private sector. This grant is inadequate to address the maintenance needs of local governments. Government has divested itself from provision of transport services. Generally, the transport network is very poor, especially in the rural areas where roads become impassable during the rainy season. Road maintenance performance in the sample SNGs comprises one SNG with level 3 (good) in performance (Kampala), one SNG with level 1 (poor) in performance (Kotido) and the remaining SNGs with level 2 (fair).

4.1.5 Status and Sustainability of ISP

SNG capacity to provide infrastructure and services must be adapted to the needs of the population as well as the requirements of economic activity in the jurisdictions of the SNGs.

Diversification away from subsistence farming to urban economic activities requires efficient and prompt delivery of services including water, electricity, transportation and communication. The rapid population growth in almost all sample SNGs analysed also requires development and maintenance of support services (health centres, hospitals, school buildings, roads, sewerage and water pipelines). The experience, however, in all six case study countries is that the status of ISP production compared to needs is deteriorating due to national economic constraints, particularly the balance of payments.

An inventory of infrastructure responsibilities of central and SNGs has been conducted in all case study countries. The picture is varying across countries and within countries as well. The development and maintenance of the production capacity (school and other education buildings) have received attention. Great efforts are being made to catch up with the high population growth and to reduce the illiteracy. All primary stakeholders - central government, SNGs and the donor communities have put very much attention on this sector, and fine achievements have been made.

Time and resources have not allowed a full-scale assessment of machinery enabling the total provision of ISP in the sample SNGs for the most recent years, and data availability varies from council to council. However, it seems clear from the analysis that the biggest challenge lies in the maintenance of existing infrastructure.

Table 4.6 Estimated adaptation of ISP production machinery to the present and future need of population and enterprises

	Ghana	Senegal	Swaziland	Uganda	Zambia	Zimbabwe
Level of ISP-maintenance standard	Low medium	Medium	Medium	Not sustainable	Not sustainable	N.A:
Estimated annual growth rate of ISP (capital investment)	Low	Medium	A few percent growth	N.A.	Extremely low (4 out of 6 SNGs have no growth)	Low
Likelihood of ISP coverage to improve by present policy and financial set-up	Quite unlikely	Slightly improving	Some prosperity	Quite unlikely	Quite unlikely	Modest improvement likely

There is a range of experiences concerning the production capacity for community amenities. For water supply, great effort is made to catch up with the need generated by population growth, especially for the informal settlements and rural areas. The overall picture is that water supply in the formal sector in major urban areas is keeping pace with demand. In rural areas, the production capacity of "organised water supply" (excluding use of surface water from rivers, streams, lakes and uncontrolled wells) has improved slightly under special programmes and development projects in informal settlements. Innovative approaches to the difficult problem of informal settlement water supply could be highlighted by the great efforts in Swaziland, where the so-called "peri-urban settlements" have been the subject of combined central and SNG support.

The production capacity concerning sewerage is, overall, extremely low. The networks of sewerage pipelines and channels are deteriorating, and only in exceptional cases is adequate attention paid to purifying systems. Sewerage appears to be a sector with strong delegation of responsibilities, but very little on the duties of SNGs. Improved development of the sewerage network for the benefit of the overall public health is a very serious requirement. In the case of sanitation, very limited attention is devoted to this sector. In Uganda, there is a limited effort to establish standards for sanitation, and in most SNGs, there is a lack of equipment and local knowledge of the consequences of the limited attention and financial resources for sanitation.

In the case of solid waste management, the real bottleneck is the lack of equipment. The number of lorries is extremely low compared to the waste generated in urban areas, and in rural areas there are uncontrolled waste dumpsites serviced by very limited and crude equipment.

In the case of electricity distribution, great strides have been made inter alia by involving the private sector in investment and management. The supply of electricity is in general confined to the major urban centres, but in these areas, service is generally widespread although not wholly adequate, particularly in informal settlements.

In the field of economic services, very much attention is placed on road capacity and maintenance. The central government is heavily involved in this field, and significant support has also been mobilised from the donor community. The information collected concerning the classification, status and maintenance standards of the road network generally shows that the primary road network is keeping pace with the requirements for maintenance, whereas the local road network is deteriorating very substantially. Very little investment is directed to constructing new local roads; and road classification and condition surveys are only made in **Zambia, Zimbabwe and Uganda**.

The energy sector (foremost electricity production) has received a very high national priority in all countries. Large investments have been made in major hydroelectric generation facilities; however, very little attention has been paid to other types of renewable energy including wind and solar cells.

In **Senegal**, it is realised that proper achievement of ISP requires the mobilisation of major financial resources, implying the sharing of responsibilities among the central government, the SNGs, the private sector and the users. Investments in ISP within a SNG depend on the SNG's financial and human resources, which may be mobilised through its local policy. The financial means available to SNGs in Senegal fall short of the numerous needs. This is aggravated by the very high population growth rate, which leads to an imbalance between the supply and demand for ISP. At the level of the SNG, this situation is characterised by a *deficit in basic facilities* and infrastructure. This is explained by the low level of investments before and after the 1996 reform on decentralisation. Indeed, most of the sampled SNGs earmark most of their budget revenues to operating expenditures (more than 75% of their budgets is intended for operating expenditures). Nevertheless, it should be observed that during the period under review, significant efforts have been made, and the proportion of investments is increasing. In addition, some of the sampled SNGs spend a very large proportion of their resources on investments. Obviously, the receipts generated by the commune cannot cover its operating costs and leave a sufficient margin for investment. This leaves the commune dependent on external funds, especially for roads, lighting, sanitation and other capital-intensive areas.

Over the last decade, **Uganda** has continued to register commendable gains in macro-economic stability and sustained economic growth. This has also enabled certain improvements in ISP. Uganda's population, 16.5 million in 1991, is currently estimated at 22 million, corresponding to an annual growth rate of 2.5%. More than 88% of the population lives in rural areas, with poor or under-developed infrastructure, poor health and sanitation. The life expectancy of 48 years is quite low compared to other least developed countries. ISP, comprising services like community amenities (water supply, sanitation, and solid waste management), education, health facilities, transport (road development) and energy is woefully inadequate to meet the demands of the rapidly growing urban and rural population and to stimulate appreciable productive investment and economic growth.

For an inventory of central government investments in **Zambian study areas**, it was necessary to go well beyond the council domains to government ministries and departments at both the headquarters and the province since records of investments are rarely centrally located. Even more demanding, there are a number of projects that are national in character (although located within the councils' jurisdictions) and that are managed by the more central portfolios of central government such as the Ministry of Finance and Economic Development and the Ministry of Works and Supply. In fact, almost all major capital investments/developments in the six sample councils were donor-funded and were controlled by the central government, even at the level of implementation within the sub-national authorities' jurisdiction. It is also noteworthy that where they were directly in charge, councils, in general, have poorly maintained inventories of their infrastructure services stock. A comprehensive assessment of the amounts invested during the last 10 years in the key infrastructure components at both the central and SNG levels, thus, would require a much wider time horizon and substantial resources

However, an indicative inventory of the physical volume of the key ISP components has been established. Even this was not easy to obtain. Only Lusaka was able to make available their fixed assets register. The general picture is that there have been few capital investments in ISP in all the sample councils studied. Consequently, the state of infrastructure is generally poor. The preventive

maintenance record of most of the councils examined is too weak to manage, in a sustainable manner, existing infrastructure.

The case of Chibombo District in **Zambia** illustrates the problem and some ways to address it. Notwithstanding the above poor record on infrastructure development in the past ten years, a large number of wells have been distributed to villages within the Chibombo district area. In order to secure the wells and keep them in good working order, all the constructed wells have been entrusted in the hands of water committees on behalf of the communities. It is the duty of water committees to ensure that the wells are safely kept and maintained at all times. This method of water system management involving the communities has proved quite successful. Unable to undertake new infrastructure investments, the SNGs depend on central government subventions for the funding of rehabilitation of both roads and water production and reticulation. The central government-sponsored investments are made on grant basis. Currently, roads are receiving assistance under a Road Sector Investment Plan to run for ten years. In addition, SNGs receive subventions from the Roads Board, which disburses allocations from the fuel levy. The current focus of these subventions is on rehabilitation activities.

Zambia the major city councils account for almost 100 percent of all SNGs' capital expenditure, meaning that the rest of the other 70 councils are spending almost nil at this level. The typical picture for non-urban councils is no new capital investments from their budgets in recent years.

In the case of health, primary stakeholders in local clinics, health points and hospitals make investments. However, despite the high priority given to this sector an overall deterioration in the production capacity of the health sector is experienced in **Senegal, Zambia and Uganda**.

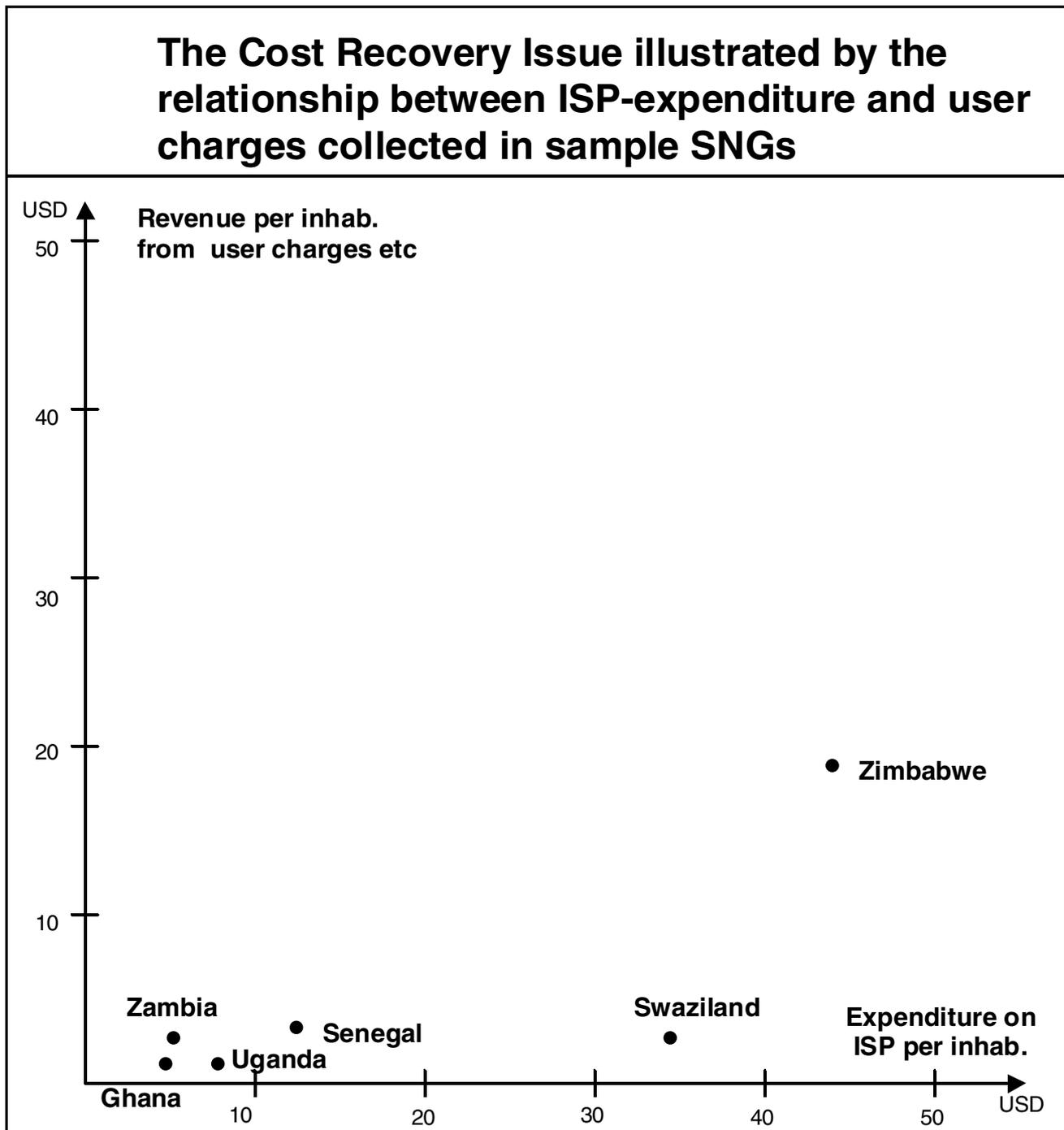
4.1.6 The Framework and Measures to Enhance Financial Sustainability of ISP Related to the Principle of Cost Recovery

The most challenging issue in relation to ISP concerns the degree of financial sustainability. Obviously from the paragraph above, there are many constraints to the provision of services due to lack of current revenue either from user fees and charges or from the centre. The issue of financial sustainability is of growing importance in most countries and for most components of ISP. The long period of inadequate funding has led to an overall deterioration in the physical assets on which services delivery is based, e.g. building, roads, equipment vehicles, etc.

In most case study countries, user fees are calculated and collected based on a normative approach, and the revenue covers only a very limited fraction of the actual costs of providing full-scale services. The normative approach implies that payments are not directly related to the actual consumption of services, but based on proxies like the type and size of household, the type of living quarter, etc. As the funding from the centre is deteriorating and the pressure caused by population growth is increasing it is of the utmost importance to tackle the problem of financial sustainability of ISP.

The extent to which the financial sustainability is carried through in the case study countries, as measured by the cost recovery (the sample SNG expenditure on ISP compared with the user charges and fees collected), is shown in the figure below. Measured in this way, in **Swaziland** user charges covers approx. 8 percent of ISP costs, in **Uganda** this percentage is almost 10 percent, in **Ghana** it is 25 percent, in **Senegal** it is 27 percent, in **Zimbabwe** it is almost 45 percent and in **Zambia** it is 52 percent (refer also to the figures in *Annex 4, Table 4.B.2*).

Figure 4.1 Cost Recovery



The costs associated with ISP can be divided into:

- operating costs (including payment for raw materials, staff, etc., as well as maintenance costs and costs of administration);
- costs associated with major repair and rehabilitation; and
- adequate funding for investment to adapt the level of provided services to the needs of the population and enterprises.

The normative approach to the establishment and collection of user charges is, considering the capacity and lack of information system in many cases, the most suitable approach in the very short run. However, the normative approach means that the consumers are not paying in accordance with actual consumption. Thus, there are no incentives to economise with regard to consumption of services, e.g. for health services, where it could be more profitable for the consumer to visit the local clinic or hospital instead of paying for medicine himself.

Moreover, as the case study countries face heavy inflation pressures, it is important to regularly adjust the level of user fees to cope with increase in prices of raw materials, staff, etc. Another issue concerns the limited efficiency in the collection of user fees and charges. No systematic reminders are brought to the customers and the consequences of not paying for ISP, e.g. disconnection to water, electricity and telephone, are not carried through effectively. In addition, there is no system to address the fact that customers have various levels of affordability and, therefore, ability to pay.

There are also many imperfections the management of ISP. Quite frequently, there are no accounting systems and lack of current audited accounts.

Unfortunately, the consequences of all the deficiencies mentioned above are a threat to the sound delivery of services. Continued use of the present policy and financial set-up will lead to a further deterioration in the level of services provided. Furthermore, and not least important, without cost recovery, it is very difficult to involve the private sector and in general to ensure that the service system in place is competitive from an economic point of view.

Table 4.7 Cost recovery in the different fields of ISP

	Ghana	Senegal	Swaziland	Uganda	Zambia	Zimbabwe
Pct. share of SNG revenues for user-charges (1)	18%	23%	6%	5%	23%	35%
Capital expenditure as pct. of total SNG expenditure (1)	69%	21%	5%	16%	6%	20
General cost recovery policy adopted	Policy in place	Policy in place	Only principles discussed	Policy generally not implemented in SNGs	Policy in place and implemented for water, sewerage, electricity	Policy in place and partially implemented
Legal and organisational framework in place	In place	In place	N.A.	In place	In place	In place
Implementation measures in place	In place	In place	N.A.	In place	In place	In place
User charges based on actual consumption	Based mainly on norms	Partially	Based mainly on norms	Based mainly on norms	Partially	Partially
Degree of costs recovered (CR) by user charge in force	Transparent formula in place	Partially	Mainly in principle	Partially formula	No general agreed formula	No general agreed formula
Education	Partially CR	Nil	Partially CR	Limited CR	Minimal CR	N.A.
Health	Minimal CR	Nil	Nil	NA	Partially CR	NA
Water supply	Partially CR	Experimental CR in some SNGs	Medium CR	Experimental CR in some SNGs	Experimental CR in some SNGs	Partially CR
Sewerage	Minimal CR	High level CR	Minimal CR	Partially CR	Minimal CR	High level of CR

Solid waste management	Partially CR	High level CR	Experimental CR in some of the SNGs	Experimental CR in some of the SNGs	Experimental CR in some of the SNGs	High level CR
Electricity	High level CR	High level CR	High level CR	High level CR	High level CR	High level CR
Local transport	High level CR	N.A.	High level of CR	High level of CR	High level of CR	High level of CR
Roads	Minimal CR	Minimal CR	Minimal CR	Minimal CR	Minimal CR	Minimal CR
Telecommunication	High level CR	High level CR	High level CR	High level CR	High level CR	High level CR

(1) Zambia: 1997, Swaziland: 1998, Zimbabwe: 1997, Uganda: 1997/98, Ghana: 1996, Senegal: 1997

In the case study reports for **Zambia, Senegal, Uganda and Zimbabwe**, there is in general recognition of the necessity to introduce and implement cost recovery in principle. However, as it is politically sensitive to increase the level of user fees in practise, the result is that only a few areas like electricity are generally covered by user fees based on full cost recovery.

Box. 4.2: The water tariffs in Lusaka, Zambia

In the case of **Zambia**, the government objective is to decentralise and commercialise ISP, particularly water. In urban areas, there are broadly two competing policy initiatives: privatisation and cross-subsidisation. Illustrations from the water sector would make clearer government policy in ISP. In larger metropolitan areas, including Lusaka and the Copperbelt cities, the target is privatisation of the water providers. In practice, water and sewerage tariffs revealed above in the sample councils neither reflect cost nor true value of the commodity and, therefore, do not provide the right signals to consumers in accordance to the burden that they impose on the delivery system. They do not provide a real return on the investment. In short, they do not provide for machinery and equipment replacement costs or for operational costs and efficiency. They do not provide for reliability and environmental standards or a fair return on investment as required by the national water policy.

It was, however, evident that water and sewerage tariffs were fixed for all types of consumers in all the councils studied except to a third of Lusaka consumers. In most cases, charges were not based on assessed water consumption for the different categories of consumers. Even where consumers had meters, these were not used for billing, regularly read or serviced. There was an attempt to set charges by administration for each category of consumers based on historical cost of capital, operation and maintenance and inflation adjustment. However, these tariffs were invariably revised downwards by Councils ostensibly to reflect civic and political considerations without regard to cost of providing the service.

The cost recovery principle is being implemented in a number of SNGs on an experimental basis.

Moreover, the cost-recovery policy for major components of ISP is influenced by norms, habits and opinions of what is reasonable to pay for the various goods and services. Focus group discussions with opinion leaders and political leaders undertaken in this study indicate that people in urban and semi-urban areas are willing to pay and are in fact already paying for water and sanitation facilities. People in rural areas, however, regard water as free and will only contribute to maintenance of water points when there is a breakdown. Solid waste, roads and drainage are seen as a function of the municipality and councils. Solid waste management was also mentioned as a problem in urban areas, as the facilities are inadequate.

The table above gives the status of cost recovery in the case study countries. From this overview, it is seen that some of the major urban areas in the case study countries like Lusaka, Endola, Harare, Kampala, Accra and Dakar have made great effort to begin setting user fees and charges in accordance the cost recovery principle. Chapter 4.2 provides a more detailed treatment of the principles of cost recovery.

In **Uganda**, the issue of ISP cost-recovery is much influenced by the very modest means of the vast majority of the population. Alternative mobilisation of financial resources by user charges is currently under discussion. The Local Government Act of 1997 states that local revenue shall consist of user charges, where applicable, and any other revenue that may be prescribed by the local government and approved by the minister.

There is a strong economic case for subsidising *health care* and *education* in Uganda. However, public resources are extremely constrained. Hence, for health, the decentralisation of the decision about user charges to the local level is appropriate. Major improvements should not be expected; user fees are still limited and cannot replace public support. In education, government is already sponsoring 4 children per family under UPE. *Primary education* in government-aided schools is free of user charges except in urban areas where they are supposed to pay a maximum of ten thousand shillings (approx. 7-8 USD) to cover security, lighting, water and supplementary benefits for teachers since the cost of living is relatively higher in urban areas. The parents are responsible for buying exercise books, uniforms and feeding children. Cost sharing has been introduced in all tertiary institutions effective 1999/2000 academic year. *Solid waste management* is still a free service offered by concerned urban councils almost exclusively from their local budgets. Kampala City Council is considering introducing a charge for garbage collection. The introduction of user charges and a 'dedicated Road fund', where all funds for *road development and maintenance* can be pooled, is still a subject of discussion. In the past, attempts were made at cost recovery via road tolls but have since been abolished for both central government and SNGs.

Box 4.3: Major findings on cost recovery, tariff policy and affordability in Swaziland

- There is a clear lack of an enforcement strategy, both at the central and local government levels.
- Tariffs tend to be a political tool, and are adjusted at election times.
- Although there is a general wish to adopt cost-recovery at the central level, there is no clear strategy at the central and local government levels regarding the future principles for implementation of cost recovery.
- The usage of the market: user fees in all local authorities do not appear to be reflective of expenditure on the different forms of infrastructure.
- In all SNGs, toilet fees, parks and bus ranks yield very low income.
- Street cleaning and maintenance have no income item, while they generally comprise more than 70% of total expenditure by municipalities.
- Abattoir fees generally account for only 6.3% of total expenditure on abattoirs, mainly in the form of expenditure on electric power supply, tools and other supplies.
- Income from burial fees, in most municipalities, covers total expenditure on the cemeteries and comprises mainly expenditure on water and tools/materials.
- Refuse collection is also an important activity undertaken by local authorities. However, these charges relatively do cover expenditure on this service, which includes plant maintenance, drivers' salaries, insurance, contributions to the Swaziland National Provident Fund, bins and garbage collection points.
- The Pound is also an important activity provided by the city councils. However, it is not rewarding to the local authorities, since maintenance costs are relatively high.

Due to the existing affordability and economic levels, the Swazi Ministry of Health and Social Welfare presently provides health services at highly subsidised levels. In view of the present policy and drive for "health for all" it is doubtful whether a revised approach to health tariffs would be implemented without prejudicing the population's access to health services. The infant mortality rate, at 71 per 1000, remains high. It would appear that access to primary health care remains vital for the country's development needs. The total recurrent expenditure in 1996/97 for sustaining health services supply was equivalent to E29/person/month (= approx. 4 USD).

The Ministry of Education administers and controls the supply of educational facilities in the country. However, each facility (school, college) administers its own user tariff. The majority of schools

are government-aided. Each school has a tariff charge for building funds, school and boarding fees, etc. These tariffs vary from facility to facility and, in most instances, do not cover the cost of running the schools in terms of paying for teacher remuneration and other expenses. A greater part of the educational service is therefore heavily subsidised by the taxpayer.

In **Zambia**, user fees and charges are an important - and growing - source for local authorities revenue. For most councils, water supply charges are the largest item, contributing over 80 percent for Ndola City Council, for example. The local authorities are empowered through the Local Government Act to set these fees and charges, which cannot take effect prior to their approval by the Minister of Local Government and Housing. The same Act empowers the central government to amend or revoke such fees and charges or indeed any by-law set by a council. This means that councils are unable to effectively set fees and charges due to interference from (a) the central government and (b) within the local authorities themselves by councillors. This has also been a problem in **Zimbabwe**, where the control of the fees and charges in the high-density areas is very strong.

Historically, the fees and charges for all the components of ISP have not been determined/calculated based on any known rational formula, let alone considerations of the concept of cost recovery. The setting up of tariff policies in relation to ISP, thus, has proved to be a very difficult task for all the SNGs examined. Though all sample SNGs recognise the notion of cost recovery in relation to previous expenditure, they are unable to implement such a policy because of intervention by the central government or the councillors. The problem is compounded by the fact that the cost base for the calculation does not reflect the actual costs, nor are adjustments made to reflect movements in macroeconomic aggregates like the high inflation levels. Hence, tariffs/rates/charges are not determined or calculated on cost recovery basis; furthermore, user-payments are not related to actual consumption or based on norms. Consequently, fiscal administration in the structure of local government fees and charges by the central government has continued to create many uncertainties in maintaining the revenue base. Without exception, *all* the sample councils in this Study lamented over what is perceived as undue influence of political considerations in the determination of tariff levels for ISP. Therefore, the charges are 'political tariffs'.

The problem is two-fold, political interference from the central government and lack of commitment in the SNGs councils themselves to adjust the tariffs to a sustainable level.

4.1.7 Affordability and willingness to pay for ISP

4.1.7.1 Affordability

The issue of affordability for infrastructure and public services must be analysed within a broader framework. Key factors include the overall development in purchasing power in recent years and the proportion of their income the population devotes to goods and services related to infrastructure and public services compared to other goods and services e.g. food and clothing.

For example, in Zambia in recent years, the income measured by the Gross National Income (in the statistics of the National Accounts) records growth in nominal terms in the years 1996-1997. However, inflation has increased even faster, and the result is a continued reduction in real purchasing power.

Inflation does not affect all types of goods equally. Housing (which includes rent and electricity), education and medical care, for instance, show different development patterns. The combination of

the development in nominal income and the different price components influences the consumption pattern of households through the relative prices of the various goods in combination with consumers' basic preferences. These preferences are again influenced by norms, habits and opinions of what is reasonable to pay for the various goods and services. An analysis of the results of this rather complex process can be based on the statistics on household expenditures and the development in households' allocation of their income to various goods and services, confer for the case study countries the information shown in the figure below.

Table 4.8 Estimated consumer budget allocations related to major components of ISP (as percent of their income (paying capacity))

	Ghana Total	Senegal Urban Rural	Swaziland Total	Uganda Total	Zambia Urban Rural	Zimbabwe Capital/Total Rural
Education	4.8	3.2 1.3	6.1	6		7.8 5.2
Health	4.1	9.6 14.2	1.7	3		3.8 2.7
Water supply		N.A/ N.A	N.A.		0.9 0.0	N.A. /N.A
Collection of solid waste	8.9	N.A/N.A	N.A.	14	N.A/N.A	N.A/ N.A
Housing		N.A/N.A	15.9		3.4 0.16	19 21
Local transport	6.3 (incl. communication)	N.A.	8.2 (incl. communication)	4	N.A. / N.A.	10.9 7.6
Electricity	N.A.	N.A.	5.9 (fuel and power)	N.A.	1.7 0.8	N.A./N.A.

As households are constrained by the size of their income (both actual and potential), a sharp increase in relative prices for basic goods as food, water and clothing may affect the composition of consumption in an opposite direction as the norm to be expected. If prices increase more for one good compared with other goods, its relative share of consumption is reduced. This opposite reaction appears at least in some years to have been prevailing in Zambia based on the very severe economic situation of many households, where price increases, particularly of food, exhaust the possibilities to purchase other goods. This might be the explanation for the very high and increasing share of food in the total consumption that can be observed over time.

Generally, few countries, e.g. **Zimbabwe**, have schemes to address the problem of non-affordability, but in all cases, these schemes are too general and related to whole areas of the territory and not the consumption and the affordability of specific population groups.

4.1.7.2 Affordability and willingness to pay for ISP

Willingness to pay can be defined as a measure of consumers' assessment of the monetary value they attach to a service that is provided, which, in turn, serves as a benchmark for the service provider. The concept of affordability is closely related to willingness to pay. Many studies regress willingness to pay measures with affordability indicators such as incomes. These concepts are closely linked. Furthermore, respondents use criteria such as the overall importance of a service or item in comparison to other household budget items, the amounts used to pay for it, its quality and its availability. Hence, willingness and ability to pay more are not objective facts but are also respondent-defined concepts..

National statistics on household utilisation of certain facilities such as water taps, toilet facilities and on methods of solid waste management illustrate this issue. Willingness to pay and ability to pay as well as issues pertaining to tariff structures focus on water as a typical case. All the sub-national governments studied generally provide this service; for this reason, it is being used here to

illustrate the issue of ability and willingness to pay for ISP. It is equally noteworthy that where sewerage charges are levied, they are usually incorporated in water bills.

It is worth highlighting a number of inconsistencies in the water tariff structure that were found by previous studies. The tariff structure in these studies reveals little association between amounts paid and the income levels of the respondents. This has an implication on the measurement of ability to pay for services, as correlating income levels to tariff structure does not reveal what is expected. In a more subtle sense, this inconsistency affects willingness to pay, as respondents, who receive an adequate service and are fully aware of the deficiency of the tariff system, have incentives to indicate in their response that they are not willing to pay more for improved services.

This research presents, in a general manner and using national data, proxy measures for the ability and willingness to pay, using water and sanitation as the basis of calculations and generalisations.

In **Zambia**, as an example, households spent about 0.56 percent of their income on water payments in 1996. Urban households, in particular, spent about 0.9 percent of their income on water charges. Household surveys indicate a steady increase in proportions allocated to water charges by urban households between the years 1991 to 1996. After segregating urban households into low, medium and high cost areas, a trend emerges where the proportion of household expenditure allocated to water charges increases by these areas of residence, respectively.

Box 4.4.: Experiences from Zambia on willingness to pay:

The National Inventory and Rehabilitation Study, 1997 in Zambia²¹ compiled statistics on factors that influence consumers' ability to pay. The most significant factor affecting households' ability to pay was other budgetary priorities. A considerable proportion of households in Luapula, North-western and Southern provinces cited disagreement with the bill as a factor influencing their willingness to pay. Mistakes in bills were a reason cited as a factor affecting willingness to pay in Central province. The survey found that a broad majority of respondents expressed displeasure with their present water supply system. Many complained of the inadequate supplies and dry taps. Hence willingness to pay for an improved service is related to addressing these expressed dissatisfactions. Furthermore, the form of willingness to pay is related to household income. It was generally observed, that the proportion of households willing to pay more for improved service was much higher than those without willingness.

Disconnections could serve as a rough indicator of default levels regarding the settlement of bills for ISP. The most common reason cited for disconnections were household budgetary constraints. Households that use a public water tap suffered from the free rider problem that consequently led to failure to pay the required bills and, hence, to disconnection. A broad majority of respondents expressed displeasure with their present water supply system. Many complained of inadequate supplies and dry taps. Hence, willingness to pay for an improved service is related to addressing these expressed dissatisfactions. In the data given below, this form of willingness was correlated to the household income. It was generally observed that the proportion of households willing to pay more for improved services was much higher than the proportion not willing to do so.

A third category of responses represented respondents who may be willing to pay more, conditional upon improved service. This perhaps represents the degree of scepticism among respondents about the services provided by SNGs. It is worth noting that for the majority of provinces, conditional willingness to pay more for improved service is positively correlated to income level, meaning that

²¹ Study of Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision, Zambia, June 1999 pp 130-133.

the higher income groups can afford and are willing to pay more for the services, if they can be convinced that the service delivery is stable and if the payment is necessary. In close connection with the issue of performance and cost recovery concerning the ISP provided by SNGs is the issue of attitude of the population to payments for food, shelter, primary goods and payment of infrastructure and services provided by SNGs. The overall picture of household expenditure related to infrastructure and services from 1991 – 1996 in Zambia shows deterioration in the share of expenditure related to payment for housing and (amenities). From 1991 to 1993, the share of household expenditure allocated to housing was reduced from 17% to 8% and remained at that low level from 1993 to 1996. In the same period, the share allocated to food increased from 58% to 65% and this left less for ISP.

In 1996 for all households, the percentage of total expenditure allocated to rent was 2.16%, to water 0.56%, to electricity 1.12% and to household maintenance 0.72%. The expenditure allocated to water increased a little from 1991-96. In urban high cost areas, the share of income allocated to water was almost the double the share of income allocated to water in the urban low cost areas. The conclusion from the inventory was that a still lower share of the household revenues can be used for payment for infrastructure and service provision.

In the research in **Uganda**, a close connection was also found between ISP performance of the SNGs and the population's affordability and attitude towards payment for infrastructure and services. A substantial part of the population is in abject poverty and faces problems in relation to payment for ISP. There is a glaring inequality between urban and rural areas – 43% of the rural population is poor compared to just 20% of urban residents. 55% of the population live on less than US\$ 1 per day. Poverty is particularly pervasive and on the increase among rural women. More than 75% of Uganda's rural households depend on subsistence farming as their main source of livelihood, and only about 1.4% are engaged in commerce. The finding of a recent study showed that between 1992 and 1996, absolute poverty declined from 56% to 46%. However, poverty reduction was taking place more in urban areas than in rural areas, and, furthermore, the poorest 20% became poorer.

At present, households spend the largest share of their disposable income on food, beverages and tobacco. Urban households spend 19% on rent, fuel and power, whereas the corresponding figure for rural households is 10%. On average, 3-4% is spent on health and medical care. Despite the crucial importance of safe water for quality of life, expenditure for water in urban areas comprised less than 1% of total expenditures. There is no clear picture of the relationship between affordability and willingness to pay for ISP. The research found that households living in low-income urban areas actually pay more than households living in high or medium cost residential areas. An indication of the lack of means or willingness for payment is the substantial share (30%) of registered disconnections to water supply.

In **Swaziland**, the overall picture of household expenditure related to infrastructure and services from 1996 – 1998 shows that, in general, low-income households spend a high proportion of their income mainly on food (46%). Transport and communications feature with a high weight of 8.5% in the 'middle and high' income bracket compared to 3.5% in the low-income bracket. Low-income earners use public transport or, if they do not live far from their places of work, they simply walk. Middle- and high-income earners use both public and private means of transportation, and they use the latest methods of communication such as telephone, fax machines and computers. The data also indicates an important differential with regard to education expenditures, whereby the weight for middle- and high-income groups is 6.5% compared to that of 0.5-1% for low-income earners. Since primary and secondary schools cannot be used free of charge, low-income earners have difficulty in

sending their children to school. Middle and high-income earners can afford tuition in both public and private schools; hence, it is not surprising that education appears to be important to them compared to the other income groups.

There is a lack of balance between the payment capacity and the actual user fees and charges. An informative approach to the question of affordability of ISP would be to calculate the water demand of households according to income type. For sewer services, on average, each household pays E47 (US\$1 = + E6-7) per month. Average monthly payments for water services amount to approximately E108 per month per household. This rate is relatively high for low-income households, defined as those earning less than E 2,400 p.a. (mostly situated in the rural and peri-urban areas). It is, therefore, not surprising that the Swaziland Water Services Corporation is confronted with problems of illegal connections in a number of residential areas. The relatively high water tariffs have also given rise to a number of cases of vandalised meters.

4.1.8 The Special Circumstances related to ISP in the Informal Settlements

In all case study countries, there has been in-migration to the major urban areas and settlement in informal areas. Many of these informal areas no longer represent “frontier” settlements. There are a substantial number of cases that could be used to identify some best practices on how to tackle the special circumstances of the informal settlements related to the ownership or lack of ownership of land and real assets.

The information for **Swaziland** shows that the living environment and the ISP situation are of very modest standard in the informal settlements. In the informal settlements, people live in very crowded conditions (the mean number of household members being almost 6 per dwelling, of which 75% have only one room), their education is very limited (17% of household heads have no education, and only 7% have gone beyond high school) and their paying capacity is very low.

For *sewerage*, there is a quite poor performance in all studied case countries. Typically between one-third and half of the household wastewater is treated by the sewerage system in the SNGs, with a very heavy impact on the living standards, health risks and increased levels of child's diseases. This is especially the case for the informal settlements in the urban areas. Here very detailed information is generated for Swaziland. For the two major SNGs of Swaziland, the frequency of ISP is: water (in-house), 6 %; sewerage (in-house), 6 %; water (from tap), 14 %; solid waste management and removal, 16 %; electricity, 15 %; paved roads, 13 %; street lightning, 11 %; drainage channels, 6%; and telephones, 6 %.

The biggest challenge in ISP, therefore, appears to be associated with the poor ISP situation in informal settlements. The very substantial migration of people to the urban and peri-urban areas is on the one hand a potentially a very dynamic factor; on the other hand, continued lack of services in informal settlements will pose public health risks and lead almost certainly to social unrest. Continuation of this situation may generate severe obstacles to national economic and social development.

As an integrated part of the Swazi Urban Development Project (UDP) a Land and Housing Market Study was carried out. The study identifies some of the driving factors of migration to urban and peri-urban areas, of which “proximity to work” is the most important and the second is “lack of any other option”. The study further highlights major aspects of the people living in the urban and informal settlement areas covered by the UDP.

Table 4.9 Special Measures Implemented for ISP to Informal Settlements

	Ghana	Senegal	Swaziland	Uganda	Zambia	Zimbabwe
Policy for ISP in place for informal settlements	No comprehensive policy in place	No comprehensive policy in place	No comprehensive policy in place	No comprehensive policy in place	No comprehensive policy in place	No comprehensive policy in place
Large scale projects implemented for major urban areas	Some experiments	Some experiments	Major efforts in two largest cities	Some experiments	Some experiments	Some experiments
The extent to which basic amenities are provided	Limited	Some achievements	Remarkable achievements	Limited	Limited	Limited
Citizens involved in design, priority setting and financial sustainability of ISP	No systematic involvement	N.A.	Systematic involvement in ISP processes	No systematic involvement	No systematic involvement	No systematic involvement
Measures implemented to enhance ownership to ISP sustainability	Only Ad hoc	Only Ad hoc	Measures developed and in process of impl.	Only Ad hoc	Only Ad hoc	Only Ad hoc

The limited co-ordination concerning development of ISP, the obstacles associated with management and planning of land, the modest affordability and the fragmented responsibilities among different levels of authorities create severe barriers for the SNGs to take leading initiatives to address the described situation. These barriers are crucial to the future of SNGs, which rests, to a significant extent, on establishing effective co-ordination between the activities the urban/peri-urban/and traditional (often) rural areas.

4.1.9 The private sector involvement in ISP

Involvement of the private sector in ISP can be a major driving force to improve the living conditions of the citizens.

The reasons for this are manifold. Typically, SNGs and central government agencies or parastatals in the six countries have a tendency to provide ISP in a rigid way. Lack of flexibility in ISP is also caused by the strong focus on establishing rigid regulatory frameworks. Water supply, electricity and telecommunications monopolies have not always been service and consumer oriented. This is not true in all cases, but there seems to be severe problems in important areas of monopoly service provision.

Involving the private sector is, in several of the case study countries, a delicate matter. In principle, there is political consensus that the private sector should be involved in ISP. In reality, however, private sector involvement in ISP has been limited, often because non-economic tariffs and fee structures will not allow private providers to operate profitably. Involving the private sector is not a question of "either - or". Private sector involvement covers a full range of possibilities that focus on improving responsiveness to the consumers' needs, more efficient decision-making and improved cost control and service provision. The private sector involvement in the form of privatisation and private ownership to the production equipment may lead to the emergence of private monopolies, instead of hitherto public monopolies in the service provision if not properly managed. It is important that the responsibility for the quantity and quality remain as a domain of the SNGs.

Private sector participation in ISP (PP-ISP) can occur through a whole range of different institutional arrangements such as:

- management contracts;
- lease contracts and franchises;
- concessions (including more recent concepts, such as build - operate - transfer (BOT) as well as BOOT);
- handing over of hitherto publicly owned production machinery (equipment etc.) to constitute private ownership; and
- joint venture arrangements.

In some of the case study countries, private sector involvement in ISP is already developed, and policy reform is on its way to implementation in certain sectors. Thus, the legal framework and regulatory framework has been changed and adapted; this includes the removal of practical and statutory barriers to private sector involvement. Moreover, preparation for substantial involvement of the private sector requires measures to change the competitive re-structuring of sub-sectors in order to make the system function on a commercial basis.

In the process of involving the private sector where the final delivery responsibilities remain in the public sector domain, it is important to develop procedures and contracting out practices that secure a good and sound organisational and economic framework for private sector involvement.

(In many of the case study countries, there are carried through not only the legal and regulatory framework but also the organisational structure in form of the establishment of local tender boards as well as general tender boards. This is the case in Uganda, in Zambia and Ghana. The local tender boards have started to work, but also this process requires support and organisation effort of the central government. However, experiences with local tender boards so far has not been as successful as expected.

If not properly specified, the contracting out or tendering of ISP can fail with respect to the volume or to the quality of services provided by the private sector. It is the experience that documents constituting the contracting or tendering out of ISP should be developed carefully, eventually in the form of a model contract addressing inter alia the following issues in the contracting process:

- The ISP delivery requirements should be specified unambiguously.
- There should be several potential producers allowed, and a competitive climate should be established.
- The contracting out should be backed up by performance monitoring and enforcing terms of the contract.
- The contract should include specific performance targets that can be monitored, and it should provide for periodic formal review.
- The framework for awarding contracts should be a transparent selection process and based on competitive bidding.

The legal framework should include the enactment of a contract law, and it should include proper enforcement mechanisms.

Still even if careful work has been done to ensure sound contracting out and a comprehensive legal and regulatory framework, there are many impediments to good and large-scale involvement of the private sector. In several of the case study countries, such as **Uganda and Zambia**, the *basic*

barriers are the lack of appropriate and capable private sector firms. Encouragement is required for the establishment of joint ventures among private service providers in order to secure economies of scale that normally would be the case with monopolies of public service providers. A viable economic climate and regulatory law should be put in place to promote and enhance the development of the private sector firms that take over, partially or fully, ISP operations.

Table 4.10 Enhancing measures for private sector participation in ISP (PP-ISP)

	Ghana	Senegal	Swaziland	Uganda	Zambia	Zimbabwe
Legal and regulatory framework in place	Yes	Yes	Yes	Yes	Yes	Yes
Contract law enacted incl. credible enforcement mechanisms	In place	N.A.	NA	In place	NA	In place
Local (and general) tender boards in place	NA	NA	NA	In place	NA	NA
Level of SNG involvement in PP-ISP	A few experiments	Some experiments	Some experiments	A few experiments	Some experiments	Some experiments
<i>Sector-experience of PP-ISP</i>						
Education	Some PP-ISP	Some PP – ISP	Some PP-ISP	Some PP-ISP	N.A.	Some PP-ISP
Health	Some PP-ISP	NA	Some PP-ISP	Some PP-ISP	N.A.	Some PP-ISP
Housing	Some PP-ISP	N.A:	Some PP-ISP	Some PP-ISP	Some PP-ISP	Some PP-ISP
Water supply	SNG experiments					
Sewerage	Low activity	Low activity		SNG experiments	Low activity	Substantial PP-ISP
Solid waste handling	Substantial PP-ISP	Substantial PP-ISP	Parastatals	Low activity	Low activity	Substantial PP-ISP
Road maintenance	NA	NA	SNG experiments	SNG experiments	NA	SNG experiments
Markets	SNG experiments	SNG experiments	SNG experiments	NA	NA	SNG experiments
Ponds, abattoirs	NA	NA	SNG experiments	NA	NA	NA
Local transport	High level of ISP-PP	NA	High level of PP ISP	High level of PP-ISP	High level of PP-ISP	High level of PP-ISP
Road maintenance	SNG experiments	NA	NA	NA	NA	SNG experiments
Electricity	High level of PP-ISP	NA	High level of PP-ISP			
Telecommunication	High level of PP-ISP					

Note: SNG “experiments” imply that more than one or more of the sample SNG experiments are actually taking place with the objective to PP-ISP by partnership building, contracting out or by licences (similar to licenses given to private local bus operators in the urban areas).

The main experiences with private participation in ISP in the six countries are related to:

- local transport (incl. minibuses etc. for urban transport);
- solid waste management;

- water and partially sewerage;
- telephone and telecommunications; and
- road maintenance.

However, there is still great reluctance among the SNGs in the case study countries to encourage private ISP. New campaigns and efforts should be made to promote the potential contribution by the private sector to the search for new solutions and innovations in the field of ISP for the benefit of the living conditions of the citizens in general.

Moreover, it is important that the private sector firms involved in ISP should be subject to the same type of preconditions that the public sector producers have to follow, including the fulfilment of environmental requirements, labour market codes and working safety regulations measures. Otherwise, the private sector will just skim off the most lucrative parts of the ISP delivery.

The Government of **Uganda** illustrates the problem. The Government promotes private sector growth and considers it as an engine of growth. It has divested itself of a number of activities, but there is no clear policy to involve the private sector in service provision at the local government level. Currently, there is little participation of the private sector in SNG service provision. The limited examples include running markets, schools, health centres and recently car parks and cleaning services in Kampala City.

There is a long way to go for a substantial participation of the private sector in the aforementioned basic components of ISP. The absence of a tariff and user charge policy based on the principles of cost recovery in at least some fields of ISP could form a quite considerable constraint for the involvement of the private sector. The private sector must operate on commercial principles or on a well-known economic framework related to cost recovery in order to meet the ISP demands of the community.

4.1.10 Summing up the ISP findings

The table below summarises the key findings within the field of ISP. The table shows the road forward towards the advanced stage of decentralisation. Some countries have reached this stage on some of the indicators, but it important that the reform initiatives are launched in parallel.

Table 4.11 Road Map for Infrastructure and Service Provision

Road Map on ISP Component:	Degree of SNG responsibility for local ISP	Degree of SNG autonomy for ISP performance.	ISP coverage of the citizens needs: Education	ISP coverage of the citizens needs health and social care	ISP coverage of the citizens needs Amenities (water, sanitation etc.)	ISP coverage of the citizens needs within economic services (electricity, roads etc.)	Degree of ISP sustainability	The extent to which cost-recovery is used for setting user charges and fees etc.	Type of mechanism to cope with ISP affordability e.g. by offering targeted support	Degree of participatory ISP decision-making locally	Degree of competitive environment for providing ISP	Degree of private sector involvement (PP-ISP) in major fields of ISP	Degree of SNG sovereignty in ISP-development within their jurisdiction
Advanced stage: Major initiatives in implementation	Ug, Clear demarcation of responsibilities	Zi, Guidelines on min. Standards + significant autonomy	Sw, Ug, Top priority in national policies – 80 % of needs covered	Zi, Decentralised approach adopted	Zi, More than 80 % of basic needs covered	Sw, More than 80% of basic needs covered	Resources generated to finance future needs	Well developed system of charges/fees	Sufficient charges + support schemes for poorest population	Widely introduced citizen part. E.g. boards, ass. Etc.	Systematic use of tender boards, competition	Strong actual involvement of Private sector	SNG autonomy on key investments and decisions
Middle stage: In a process of development	Gh, Se, Za, Zi, On the way	Se, Ug, Gh, On the way	Gh, Zi, 60-80%	Gh, Se, Sw, Ug, 60-80%	Gh, Ug, Sw, Zm, 60-80%	Gh, Se, Zi, 60-80%	Se, Sw, Zi, Major initiatives in urban development programs	Sw, Ug, Zi, Schools and health to low income groups - developing	Ug, Zi, Moderate – developing in certain areas	Ug, Zi, Developing in major ISP sectors (water road maintenance)	Za, Zi, Moderate	Gh, Se, Sw, Ug, Za, Zi, No systematic PP-ISP policy	Se, Ug, Zi, Moderate
Initial stage: Major barriers or lack of breaking-through initiatives	Sw, On the way	Sw, Za, Heavy financial and capacity constraints <60%	Se, Za, Heavy financial and capacity constraints <60%	Za, Heavy financial and capacity constraints <60%	Gh, Ug, Za, Limited awareness of impact from sanitation and sewerage financial and capacity constraints <60%	Ug, Za, <60%	Gh, Gh, Za, Ug, Limited degree and few sectors involved	Gh, Se, Za, Schools and health to low income groups - developing	Gh, Se, Sw, Ug, No systematic PP-ISP policy	Gh, Se, Sw, Ug, Za, Zi, Limited SNG ISP investment involvement	Gh, Se, Sw, Ug, Za, Zi, No systematic PP-ISP policy	Gh, Se, Sw, Ug, Za, Zi, Limited SNG ISP investment involvement	Za, Sw, Gh, Limited SNG ISP investment involvement

Cf. Annex No. 3 on the indicators for a more detailed treatment. SNG = sub-national governments, CG = Central government. Za= Zambia, Zi = Zimbabwe, Sw= Swaziland, Gh = Ghana, Ug = Uganda, Sw = Senegal, cf. Annex No. 3 for more details.

4.2 Common Challenges and Lessons to learn from the Six Countries

4.2.1 Common Challenges in the Six Countries concerning ISP

The following major issues in relation to ISP constitute major bottlenecks and impediments to an improvement of the overall level of service provision in the case study countries:

- The ISP production machinery (capital, equipment, vehicles and production methodologies and technologies as well as related administrative and pricing mechanisms) relates to prior periods when the countries' economies were performing better. The economic and financial conditions facing the public sector have had a serious impact on the ISP production systems. Especially noteworthy is that the maintenance of the machinery became unsustainable. Presently, the countries' infrastructure is costly to maintain and operate because the major part of infrastructure investments is run down. The infrastructure in many of the sample SNGs is in a serious state of disrepair due to prolonged lack of maintenance and rehabilitation. The biggest challenge in ISP, thus, appears to be the maintenance of what already exists.
- A number of factors have contributed to the slow pace of ISP and its maintenance. These include the following:
 - inadequate financial resources;
 - lack of a clear policy on infrastructure development, particularly with respect to the interface between central and sub-national governments, on the one hand, and the public versus the private sector, on the other;
 - lack of a comprehensive development and maintenance strategy;
 - inadequate technical expertise to fully utilise and maintain the existing equipment; and
 - lack of replacement programmes for tools, equipment, plant and machinery.
- ISP is or has until very recently been dominated by central government institutions, agencies and parastatals, but the central governments have now delegated much of this responsibility to the poorly-funded SNGs.
- The pricing of ISP – policies on tariffs, user charges and fees - have been to some extent decentralised to SNGs. Although most stakeholders describe themselves as supporters of tariff setting based on the principles of cost recovery, in practice, very limited revenues are collected, and typically, these revenues do not cover operational costs. Further, the tariff rates are not systematically adapted to the pace of inflation. Moreover, the management and revenue collection and procedures are not efficient. An important barrier is naturally the substantial number of ISP beneficiaries that are not able to pay the full cost recovery price.
- There are many attempts to enhance the private sector participation in ISP. SNGs in the case study countries have formed, are in the process of forming or are encouraging the establishment of utility companies that operate on commercial principles. Moreover, in some of the countries, local tender boards have started to operate, and more attempts are being made to contract or tender some of the

components of ISP – especially solid waste management, water supply and/or water distribution and road maintenance.

- The deterioration in infrastructure provision has had a seriously affected study countries' poor, a group that typically constitutes about 50-70 per cent of the population. Those that live in rural areas and the unplanned urban settlements are particularly affected. It is mainly poorer consumers who are currently paying their bills; non-payment is highest among the rich and, interestingly, central government departments and state-owned parastatals. It, thus, becomes difficult for the governments to meaningfully champion the need for cost-recovery among ISP providers, let alone advocate the culture of paying for services.

The central government policy for ISP has gradually assigned a larger number of functions to the SNGs. In order to create the framework for the involvement of the private sector in ISP and to support a stable environment of maintenance and development, a system of cost recovery within the key areas of ISP has to be developed. The objectives of the tariff policy (exemplified by water supply) are the following:

- to provide funds to cover running costs;
- to ensure repayment of loans contracted;
- to ensure funds intended for the financing of new facilities and renewal of existing facilities; and
- to provide for social connections and combat waste of water, energy and other resources.

4.2.2 Transparency and clear division of ISP responsibilities among different levels of government

For most of the case study countries, there is a need for improved transparency and a clear division of responsibilities among different levels of government.

The *division of responsibilities* concerning infrastructure and service provision by the central and the SNGs should be clarified. A co-ordinated approach should be adopted concerning priorities and allocations of new infrastructure investments, taking into special consideration the preferences of the SNGs with respect to donor contributions to ISP.

4.2.3 The co-ordination of ISP and a coherent system of ISP- decentralisation framework

It appears in several of the case study countries that investments are generally undertaken with very limited awareness of the decisions and priorities of the sub-national councils. Often, sub-national councils suddenly realise that an investment activity is being planned or even implemented within their jurisdictions without their prior notification or co-ordination. One of the major reasons for this development is the position of the central government ministries and the limited direct contact between donors and the SNGs. The Ministry of Finance is responsible for negotiations, allocations and priority setting of the financial means generated by the donor communities, and the involvement of the SNGs is weak.

The issue of the lack of co-ordination or involvement of the SNGs in relation to location, timing and priority for different types of infrastructure must be seen in relation to the magnitude of the investment in infrastructure activities carried out and influenced by the donor community.

Another important aspect of the distribution of responsibilities for ISP concerns the *mode of decentralisation*. The research has shown that frequently in the case study countries no generally accepted mode of decentralisation for the different types of infrastructure and service provision exists. The Ministries of Health, Local Government and Housing, Environment, Water and Natural Resources, Public Works, etc. appear to have different views regarding the appropriate ways to decentralise responsibilities to the sub-national governments. During the late 1980s and 1990s, moreover, there was an apparent preference for deconcentration of responsibilities and operations (central government institutions at local level) and to a smaller degree for actual decentralisation of responsibilities followed by a finance generating mechanism for SNG revenues.

4.2.4 Measures to ensure Financial Sustainability of ISP in the Foreseeable Future

Financial sustainability is the most important issue in ISP. The cost recovery principle is generally recognised at the central and SNG levels, ranging from metropolitan area to the rural areas, but may be politically difficult to implement.

First, the framework constituting cost recovery has to be recognised and concerted. The economics of financial sustainability require the following:

- The operating costs should be covered including the acquisition of raw materials, chemicals, electricity, operating staff and minimum maintenance requirements needed to ensure that the physical provision of services can be maintained over time.
- The costs of major repairs can be calculated based on general experiences, and the corresponding depreciation costs have to be included in the total costs.
- Allowance must be made for the investment costs associated with the expansion of the production capacity to meet the needs of a growing population base, changes in the composition of the population and the private sector.

All the named cost components constitute the total cost to be covered by the beneficiaries either in the local area in the region.

Mechanisms and measures should be established to address the impact of inflation on user fees and tariffs. A periodic updating in accordance with increases in inflation should be put into operation on a semi-automatic basis. Along with the gradual implementation of full cost recovery, a targeted financial subvention system, directed to the population groups most in need, should be developed and implemented. This will allow a shorter period for implementing full cost recovery and thus contribute considerably to the financial sustainability of the ISP.

From the perspective of managerial accountability of SNGs in relation to ISP, a proper information basis should be established including accounting systems, objectives and formal procedures for calculating user charges. Associated with this, measures should be introduced in order to improve efficiency in collecting user fees and charges. A policy should be formulated and implemented concerning the consequences of lack of payment, disconnection and re-connection.

Additionally it is important from a managerial accountability point of view to identify opportunities to increase efficiency in service delivery. Discounts on purchase of raw materials could be obtained by joint-venture arrangements between SNGs, either ad hoc or on contractual basis for a region.

The number of staff and management should be trimmed. Transparent monitoring of SNG staff costs per produced and distributed services should focus on a systematic approach to reduce losses (water losses, electricity losses, etc.). An information base could be established to exchange information concerning the level of necessary repair and maintenance across SNGs. Systematic development of re-establishment procedures for spare part inventories could increase the production capacity and reliability of equipment and vehicles.

From the political accountability point of view, it is important to increase the awareness of the ISP users regarding the necessity of financial sustainability through cost recovery. Information campaigns should be carried out covering also the necessity to adapt to inflation and to tackle the problem of non-payment for services. A strategy and implemented plan identifying the necessary steps and time frame for these should be discussed and published on a joint-venture basis also among sub-national governments. Relative to the production machinery for ISP, the very low possibilities of re-investment through SNG borrowing should be addressed. Public involvement is particularly important in the design of metering and conservation programmes and the creation of economic incentives to influence the behaviour of the users.

Although there is much understanding of the necessity to implement the above-mentioned measures, the full consequences of not implementing them is not well understood by local political leaders and administrators in the SNGs; thus, and the full commitment to these measures is lacking. It is very important to get the donor community involved in the cost recovery implementation process and to have experimental demonstration projects in selected SNGs that cover all the named ingredients. From a national and social point of view, the burning issue of cost recovery and tariff setting should be tackled.

In this connection, the exceptions to pay for ISP and free riders to central governments, ministries, agencies, parastatals and other groups should be abolished in order to make the financial flow of funds at the local level more transparent and sound.

The implementation of cost recovery is a precondition for private sector participation in ISP. Thus, a clear basis is required for commercialisation of management or contracting out of services to secure a long-term sustainability of service delivery.

4.2.5 The necessity to introduce a system of targeted social support in connection with ISP

At present, all the involved case study countries have established tariffs policies and user charge calculation systems based on cost subsidisation among different population groups nationwide. This implies that in general the users of ISP do not pay in accordance with their consumption or preferences related to their affordability and willingness to pay for ISP.

The systems in operation in reality have established tariffs based on consumption behaviour of the average consumer. Thus, those in real need with low paying capacity pay the same amount per unit of ISP as the wealthy part of the population. Through the user charges, this group pays for the majority of the costs of the consumption of the relative small but important groups of population that could afford to pay for the full price of ISP. This is a very unsustainable approach to create intensive motivation performance and efficiency in ISP. The full affordability of the total population is not reflected in this approach.

In order to highlight the economic mechanism behind the paying capacity of the ISP users, a considerable amount of data and information has been collected concerning affordability and willingness to pay from the national perspective. Through this analysis (refer to Section 4.1.5), it is ob-

vious that the dominant attitude of the population derives from the previous policies under which many goods were "free goods". Thus, typically for sufficient and high quality water, the population's willingness and ability to pay - measured as their allocation of disposable income on water - shows that only 0.5 to 1.5% is allocated for water consumption. Taking into consideration the very harsh impact on the living conditions, public health and on quality of life of the affected population, it is a great challenge to change this situation. The same concerns sewerage and sanitation. The attitudes of consumers need to change, given the real costs of water supply and sanitation, and their critical importance in maintaining public health. This should be seen in relation to the payments by consumers for telephone service or electricity. For these two services, typically the full cost is paid and if not paid there is a disconnection. The population in the sample countries generally accepts this.

Thus the real problem is to fully recover costs from all the people that can afford to pay for ISP services and to target assistance to the groups in real need or create incentives for those groups to improve their paying capacity. Among the case study countries there are few cases of social safety net programmes to assist poor or special groups very much in need.

In a few cases, systems have been put into place where low-income families can have health services free of charge. The system requires that the citizens go to their local councillors for approval of their non-payment capacity, and in this way, they receive some kind of a voucher for health services. This system is not adequately means tested in the six countries. Once the status of non-payment capacity is attached to a citizen, services can be consumed without payment. The experiences from the case study countries with the general system of vouchers has had some negative impacts including disproportional resource allocation in favour of health services which have suffered in recent years because of lack of financial resources and heavy demand pressures.

In the case of **Zimbabwe**, a general system of support to the poorest areas is in place. However, this is not applied to individual persons and their income in the focus areas of water supply, sewerage, sanitation, health and education. This system is not sufficiently target oriented towards consumption and the affordability to pay.

In principle, the targeted groups of beneficiaries should be means tested by a system taking into account the administrative costs and resources involved in means testing. In other countries, tax systems or means testing by field inspection is very common. Similar systems could and should be established on an experimental basis in a sample set of SNGs. It is so important to break the vicious cycle that the introduction of a targeted system is almost essential.

The next issue concerning the establishment of targeted support systems is to ensure some incentives for the beneficiaries to mobilise their own resources and not create disincentives to the earning of money. Thus, the support system has to be graduated. Categories of support either by voucher or by discount should be related to the actual degree of paying capacity. The point of departure could, for example, be taken in using the level of income or paying capacity associated with the lower quartile of income in the official surveys of the national bureau of statistics. If the beneficiary in question has more than that level of paying capacity, no subsidy should be given. If the paying capacity is only 2/3 of that level 75% of the full costs should be born by the beneficiary. If only half of the level is the reality, the beneficiary should pay 50% of the actual user costs. If the level is less than 25% of the lowest fraction income level, the beneficiary should pay only 25%.

Another approach could be to provide some kind of minimum level of ISP to be delivered to low income families, e.g. in the form of a voucher for obtaining a minimum standard of ISP free of

charge (within a maximum of XX units for the local currency in question) or at a discounted price as a “life-line” support.

In order to develop strategies, implementation plans and action plans for the introduction of targeted social support, a task force group should be established in each of the case study countries. The task force should set up simple and transparent components of means testing in practice, and a checklist and procedures should be developed. Transparency and public awareness of the necessity to develop such a system should be mobilised by information campaigns. The type of assistance and the relation between size of targeted aid subsidy and income level compared to minimum income standard or the fractals in the user's surveys should be carried through.

Considering the urgency of introducing targeted support systems, the time frame should be very short for implementing the strategies. This would require about one year for the work of the task forces and one year for implementation in the sample SNGs. The aim would be, within two to three years, to abolish in as many fields of ISP as possible the average payment principle and instead create economic incentives. The implementation of targeted support systems will allow a fast change to cost recovery and then facilitate the involvement of the private sector on a larger scale in the ISP.

4.2.6 Measures to address the special circumstances related to the provision of ISP for informal settlements

Where informal settlements are a problem (e.g. Swaziland), a strategy and an associated implementation plan should be developed addressing the improvement of the coverage of ISP. Obviously, these plans should comply with the most urgent needs with respect to water supply, sewerage, drainage and garbage collection, building upon the experiences of the ongoing Urban Development Project. As one part of the strategy, a concept should be developed to cope with the challenges related to the urban as well as the peri-urban territories from a holistic viewpoint in order to balance the access to the provided facilities with the economic burdens of all beneficiaries. As another part of the strategy, co-ordination and enabling fora for planning and development of land should be established that involving central and local authorities of urban and peri-urban areas.

Some donor support targets particular unplanned residential areas and addresses the poor living conditions of the urban poor. It is in the informal and unplanned areas where services are minimal and where the needs for improved water and sanitation are most acute. These are also areas where the collection of charges is most difficult and, thus, least effective. These factors render such areas less attractive in business terms and, therefore, a lower priority for a private company. Thus, the question that remains is how to ensure that, under this arrangement, the provision of services achieves a balance between the economic imperatives of the company to make money and the social needs of the whole population for adequate and clean water services.

4.2.7 Provision of the framework and measures for involving the private sector in management, operating and developing ISP

To enhance the private sector involvement it could prove essential to set up task forces by the central government or by the Association of Local Authorities in the respective countries. The aim of these task forces would be to set up an information base that could spread experiences of best practices, further development of model contracts and performance results among interested SNGs in the country. Also sharing of experiences across borders between countries in the Sub-Saharan Region could be very useful.

Competition under a liberalised regime holds much promise in the area of ISP. Liberalisation entails significant reductions in the government's direct involvement in and control of infrastructure. Competition allows consumers to have choices over who could better meet their demands among alternatives and allows for pressure on service agencies to be efficient, responsive and accountable to users. A competitive environment in service provision can be promoted directly through the removal of legal restrictions to enter into, say, water supply or indirectly by way of competitive private sector bidding for contracts.

Against the above state of affairs, it is increasingly being recognised that monopolistic public or private providers of infrastructure, social services and other goods and services (be it by central or sub-national government) are unlikely to succeed in their responsibilities. This means that carefully designed strategies for private sector entry hold promise to enhance the growth of markets. Closely associated with this realisation is the recognition that policy-making and implementation in the area of ISP should be embedded in processes that are inclusive and consultative in nature, as this leads to smoother implementation, improved programme/project sustainability and greater opportunities for feedback to policy-making agencies. The importance of community participation in service provision should also be addressed.

Against the above background, management processes are often most successful when *competitive principles* are employed in services delivery. This postulate is founded on the assumption that key sectors of ISP are service industries that should be responsive to consumer demands and undertaken against clearly defined targets and performance objectives. Consequently, management processes at this level should include well-defined budgets that significantly depend on the service provider's generated revenue, *inter-alia*, from the users of services. The water supply and sewerage sectors possess attributes that make them strong candidates for operating under competitive principles. Solid waste management is an example of an area that in many cases can be carried out more efficiently and effectively under appropriate contracts with the private sector. However, it must be emphasised that transparent, truly competitive contracting processes are critical to the success of private provision of public services. In the absence of transparency, contracts may be awarded based on personal and/or political connections, a situation, which rarely results in improvements in service delivery.

Competitive principles in some areas of service delivery have other advantages. Financial and management autonomy that holds service managers accountable for their actions and performance is important in improving service delivery. However, service managers must be insulated from political interference in their daily work

Equally important, stakeholder involvement in management processes enhances project sustainability and provides the service agencies with the requisite information to meet consumer demands.

Community participation in project formulation in ISP, as well as in actual maintenance of facilities, is crucial for the success of service provision. The development of this form of partnership involving the public and private sector; NGOs, community organisations, and ultimate users, is essential not only in terms of their material inputs. Equally important, the presence of these partnerships in councils can help to articulate *actual* community needs and demands and influence council decisions in the light of increased demand for the services as expressed by the users themselves. The community members' direct involvement in services provision also brings in another yardstick of programme success, that of the relative ease of mobilising material support

from the users (including the willingness to pay cost-recovering tariffs and rates) when the people see themselves as *owners* of the delivery system.

Some of the case study countries, like **Zambia**, have adopted the policy of decentralisation where a premium is being placed on the direct involvement of the private sector in the delivery of services. This policy comes against the background of several decades of state-dominated provision in almost all the main economic spheres. In Zambia presently, there exists adequate legal and institutional scope for the establishment of partnership in services provision. The entry of the private sector in the delivery of water resources and environmental infrastructure services is not restricted by legislation, particularly in the light of the country's policy of liberalisation. What appears to be the main obstacle is the general inability of the private sector, under the current economic adversity, to meaningfully diversify into these areas. Similarly, the interference of the central government in the councils' autonomy to set cost recovery charges and rates has continued to compromise the effectiveness of commercialisation principles and is, consequently, a partial explanation for the generally slow pace with which the private sector is entering ISP. Moreover, the dominance of state provision has made many potential partners unsure if these service areas are restricted only to state and local government service agents.

The experiences from the few attempts to involve the private sector in ISP should be shared among SNGs and among the involved countries in order to design the most appropriate regulatory and operational frameworks in key sector areas.

4.3 Ways and means of addressing the present and future challenges related to ISP

Table 4.11 (roadmap) in section 4.1.11 summarised the key findings on SNG finance and the key problems that should be addressed in future reform initiatives.

The study has clearly shown that financial resources available to SNGs are not adequate: 80-90% of available resources are devoted to recurrent expenditures in most of the countries, to the detriment of capital investments (basic infrastructure and community amenities. Hence, there is a lack of a dynamic mechanism to periodically review and update the inventory of infrastructure. This database would serve as the first step for the basis of planning and allocation of public funds for ISP.

The six countries apply various models in their attempts to address these challenges, but there are also many common lessons from the studies. Below are listed some of the initiatives that, based on the experiences from the six countries, seem to facilitate the development of a financially sustainable system of ISP at the SNG level:

The *division of responsibilities* concerning ISP among the levels of governments should be *clear*. A co-ordinated approach should be applied to priorities and allocations of new infrastructure investments, taking into special consideration the preferences of the SNGs with respect to donor contributions to ISP. The presently delegated and decentralised functions should be readjusted in order to avoid or limit the unclear and/or overlapping responsibilities between levels of governments, which to a varied degree exist in most countries.

ISP co-ordination should be strengthened by setting up fora for this purpose at the regional and local levels. Further special attention should be given to mechanisms to co-ordinate with donors in the field of ISP.

The *individual* SNGs should *duly consider*, through the use of a participatory approach to decision-making, *their citizens' preferences, affordability and willingness to pay* for infrastructure and services provision.

SNGs *should be more involved in the priorities, decision-making* and management of major infrastructure projects within their areas in order to serve local needs and achieve better maintenance and responsibility for facilities, including a better link between the donors, the ministries and the SNGs.

A framework for SNG decision-making, entailing a comprehensive national *strategy and implementation plan for ISP* development and maintenance, should be developed. The central government funding associated with the transfer of responsibilities to SNGs needs to be adjusted in order to allow for a step-by-step increase in the coverage of the basic needs for ISP of the population. A plan of action for improving ISP should be developed that covers all SNGs and delineates the methods and procedures for priority setting; investment and priority maintenance; and organisational, financial and urban audits. The impact of this strategy is dependent on a parallel establishment of an enabling financial and regulatory environment, cf. Chapters 3 and 5.

ISP concerning the water sector should pay increased attention to the need of the poor, especially in low income urban areas and in rural areas, where there are inadequate numbers of communal taps or bore holes, inadequate reticulation systems and a shortage of spare parts and purification chemicals. Both central and SNG institutions at all levels should develop and implement comprehensive infrastructure development and maintenance strategies, including a clear policy for tariff setting within the *framework of a cost recovery principle*. The cost recovery issue should address the following elements: 1) the adjustment for inflation effects, 2) the current costs (e.g. for water also covering the necessary purifying chemicals, etc.), 3) the necessity for preventive maintenance and repair costs and 4) the depreciation costs in order to allow for re-investment. In order to counteract the non-affordability of the full cost-recovery of the poor, systems of fee differentiation or special support to weak income groups should be introduced.

Subsidies should be in the form of targeted social support. This approach would maintain the best incentive to provide and use the services in the most efficient manner. A methodology for the calculation of costs, which takes the affordability and the attempt to obtain a higher level of costs recovery into consideration, should be developed

The systems for ISP should be changed to cater for actual consumption and innovative management in order to ensure overall efficiency in ISP.

SNGs should become awareness of and institute training in leadership and management using target performance approaches, and they should use benchmarking with neighbouring SNGs, e.g. through their associations.

Key stakeholder and *citizen involvement* in management and implementation processes should be pursued, as it enhances project sustainability and provides the service agencies with the required information that is useful in meeting consumer demands.

Infrastructure development *monitoring teams*, comprising stakeholders at various levels, should be established and, where they exist, should be strengthened to monitor developments by providing an adequate administrative and logistical support.

Various models for *organisation of service provision* at the SNG level, contracting out, public-private sector corporations, tender procedures, franchises, etc. should be reviewed and pilot tested in order to adjust the organisation in the most optimal way to new challenges. Best practises in service provision should be exchanged across SNGs, as supported by the central governments, through training and information material.

CHAPTER 5 – REGULATORY FRAMEWORK

5.1 Findings from the country studies on the regulatory framework

This chapter contains a review of the regulatory for the SNGs' infrastructure and service provision (ISP).²²

The design of the regulatory framework, especially the match between responsibility and competence within the jurisdiction of the SNGs, is a fundamental prerequisite for SNGs to deliver services and infrastructure in an effective and efficient way. *The regulatory framework is a strategic starting point* towards development of a strong system of SNG and improved service delivery at the local level. There are many constraints to be addressed in the laws, regulations, administrative procedures and the decision-making procedures and practices regulating the relationship between central governments and SNGs.

5.1.1 General findings

The regulatory framework forms the backbone of delegation of responsibilities to SNGs. The first and most important issue concerns *legislative support for the autonomy and governance of local government*.

In some of the case study countries, the role of SNGs is explicitly addressed in the constitution, as is the case most prominently in **Uganda**. In other countries, like **Zambia**, the basis for SNG autonomy is less reliable and stable, as SNG responsibilities and powers are regulated by ordinary pieces of legislation that can easily be changed or amended.

The second important issue involves the extent to which *the full scale of the legislative and regulatory frameworks is supportive in facilitating the SNGs* planning, decision-making and implementation activities. In this connection, the issue concerns whether the entire body of laws, decrees, circulars, guidelines and codes is harmonious and clear regarding modes of decentralisation and whether it facilitates the operative character of SNG service provision to the citizens within their jurisdictions.

The process of managing ISP is subject to a variety of both internal and external factors, and the regulatory framework is critically important as a starting point towards improved service delivery. It is the legal regime, for instance, that defines who should participate in the management and delivery of infrastructure services and under what institutional opportunities and limitations. Equally important, the institutional and legal framework provides for administrative and technical procedures to be taken into account by the organisations that provide the services; the level of service to be facilitated; and the system's expectations from the users of the services delivered. The nature of the institutional and legal processes has, therefore, a significant influence on the level, efficiency and development impact of ISP.

The development of the legislative framework to gradually provide increasing autonomy to the SNGs is illustrated by the case study of **Zambia**, cf. the box below:

²² The regulations and practices regarding human resource management will be treated under the Institutional Framework, cf. Chapter 6.

Box 5.1 - Experiences in Zambia:

When Zambia became independent in 1964, the Government inherited a local government system that did not allow full participation of the people in decision-making in local affairs and development activities. Before 1965, only ratepayers were allowed to elect their representatives. In order to abolish structures that were perceived to be undemocratic, the government enacted the Local Government Act in 1965, which facilitated the establishment of structures deemed appropriate for decision-making, resource mobilisation and resource utilisation at local level, namely: municipal, township and rural councils. The following features of the Act had important implications for government decision-making:

- the introduction of local government elections in which all residents above the age of 18 years were entitled to vote;
- the introduction of a unified local government personnel system to overcome the then severe shortage of local human resources in local government service; and
- the abolition of Native Authorities and their replacement with municipal and township. These were re-organised in 1968 into municipal, township and rural councils.

In 1971, the Government made further attempts to institutionalise structures and provide a link between activities at the community and the central government levels by enacting the 1971 Registration and Development of Villages Act. This Act introduced an institutional framework comprising Village Productivity Committees, District Development Committees and Provincial Development Committees for planning, implementation, monitoring and co-ordination of development at the local level.

The above state of affairs changed when the one-party system of government was introduced in 1972. Citizens were then restricted to elect Presidential and Parliamentary members from one party. The Act's primary goal was to secure the supremacy of the sole ruling political party, UNIP, at both the national and sub-national levels. This centralisation seriously undermined the councils' principal officers who were often appointed on the basis of their political loyalty to the ruling Party and 'its' government. Under such a centralised and partisan set-up, the management and control of infrastructure and services provision became difficult. The inefficiency of the SNGs became very evident, as increasingly they failed to meet the aspirations of the communities that they were mandated to serve.

With the introduction of the new Local Government Act in 1991, the legal and organisational structure of decision-making at local levels drastically changed, and new structures emerged that replaced the largely partisan arrangement presented above. The SNGs (councils) are established under the 1991 Local Government Act and are charged under the same Act with infrastructure and services provision. From this period, the Ministry of Local Government and Housing (MLGH) is responsible for, *inter-alia*, the facilitation of an enabling environment for the smooth functioning of councils in the country. The Ministry is also responsible for co-ordinating local government development planning. In this connection and as part of the on going reform of the public sector, the Ministry in 1994 announced the establishment of the Department of Housing and Infrastructure Services, which is responsible for the formulation of national housing policy and water, sewerage, and feeder roads rehabilitation programmes throughout the country.

Similar initiatives have taken place in other countries, where legislation on SNGs have been gradually developed from the 1980s to the 1990s, typically starting with the basic legislation and step-by-step development of supportive regulations within specific areas.

5.1.2 Constitutional rights of SNGs in relating to autonomy and responsibilities

Few countries around the World have strong and detailed constitutional guarantees for SNGs, to ensure the existence of local self-government, their tasks, responsibilities and finances. In many constitutions, there is only a rather weak reference to the SNGs or no reference to them whatsoever.

The six case study countries are rather advanced in this area. Most of the case study countries either have existing guarantees in the constitution or are presently working on the elaboration of these.

Uganda has developed very strong and detailed constitutional guarantees for SNGs (the Constitution of 1995), defining their main responsibilities and competencies (detailed list of functions), and

even the general system of SNG finance, including the right to receive own tax revenues, definition of the various types of state grants to SNGs and the right to employ local staff. This constitution probably contains the most detailed guarantees for the system of local self-government worldwide.

Senegal and **Ghana** have some general guarantees contained in the constitution. In Senegal, the Constitution stipulates the number of tiers of sub-national governments: the regions, the communes and the rural communities. The constitution also stipulates that, in the observance of the laws and regulations, elected councillors shall freely administer the local authorities.

In **Swaziland**, the system is dual in nature in the sense that it is characterised by two distinct and parallel, but interrelated, political and administrative structures: the traditional system, based on chiefs in the rural areas, and local governments in the urban areas. The present constitution contains no guarantees for the local authorities, but a review commission was established in 1996, and the work is still ongoing. Finally, **Zimbabwe** is currently working on a change of the constitution that will probably contain guarantees for the SNGs and will contain a framework for demarcation of the SNG autonomy (including tasks, responsibilities and competencies).

Even more important for the SNG regulatory framework is the existence of a clear and consistent Law on Local Government.

5.1.3 Legislation concerning Sub-National Governments

5.1.3.1 Overview of the legislation regulating SNGs

All the six countries have adopted a special Law on Sub-National Governments (or urban and rural district laws), which regulates the key responsibilities, functions and competencies of the SNGs. Most of these laws are rather detailed and advanced and have been developed in the middle of the 1990s.²³

The first step of the decentralisation process has often been to develop the basic regulatory framework in the form of a comprehensive and detailed Law on Local Government. Most of the present laws in the six countries are rather clear and transparent in terms of demarcation of the SNG functions, responsibilities and competencies, cf. *annex No. 3*.

The exception is **Swaziland**, where the present Act on Urban Government is clearly outdated. However, this Law is under review, and proposals for a revised law have been developed and are currently being debated.

Generally in all six countries, there is a need to distinguish more clearly in the legislation between the *powers* and the *duties* of local governments. Most local government Acts provide a huge list of activities that SNGs are allowed to undertake (the *powers*). This is the framework within which they are legally able to operate, e.g run bus services, but not run casinos. In other words, there is confusion in the minds of many that because education is listed as an activity that SNGs may

²³ Uganda: The Local Government Act, 1997, Zimbabwe: Urban Councils Act and Rural District Councils Act 1995, Chapter 29.15 (with later amendments 1996), 1993 (with later amendments), Ghana: Local Government Act 1993, Zambia: Local Government Act 1991 with later amendments (1995), Senegal: 1997, Swaziland: The Urban Government Act, No. 8. / 1969 (an Urban Government Act 1996 is currently under review, with the aim to revise the present Law of 1969) The traditional areas are governed by the Swazi Administration Order 1998 and the Regional Councils Order 1978. The Urban Government Act covers approx. 30% of the population. Senegal 1972: Law 72-25, of April on the establishment of the rural communities, Law 90-35 of October 1990 on the establishment of the communes and the most recent Law 1996, Law 96-09, where the regions were established.

perform under the Act, that they should do so. There is sometimes also a much smaller list of functions that they must perform, (the *duties*) such as holding regular council meetings, accounting for funds received, regulating land use within their boundaries, etc.

5.1.3.2 Degree of clarity of the legislative division of tasks

Most of the laws contain a description of the major SNG functions and responsibilities²⁴. Some laws also contain sections where the functions are not clearly defined, where they are overlapping or where it is hard to distinguish between central and SNG obligations. These problems will be dealt with in Section 5.2. Despite these problems, the first important milestones have been passed, and the laws on SNGs in the six countries, in comparison to other countries worldwide, are relatively advanced in terms of defining responsibilities, functions and competencies of SNGs. The acts on local government are all very comprehensive, covering the main elements of SNG definition, structure, functions and responsibilities.

5.1.3.3 Level of implementation of the regulatory framework concerning division of tasks and responsibilities

There are considerable differences between the laws and the practice in terms of the division of tasks and responsibilities in all six countries. Generally, the law assigns more tasks and responsibilities to the SNGs than the reality shows. The levels of implementation have been dependent on the availability of resources at the local level, the administrative capacity and the central government wish to release real responsibilities and to devolve power.

An example is the case of **Swaziland**, where the Study revealed that the SNGs do not provide most of the services stipulated in the Act. The same, although to a minor extent, has been seen in **Uganda**. There are many good reasons for this discrepancy, cf. section 5.2. It is sufficient to mention here the fact that the SNGs' limited capacity and level of autonomy in most countries are still real constraints on the implementation of ISP at the local level, although positive developments have taken place in the most recent years.

Typically, when laws stipulate that functions are carried out in co-operation between central and local government, the central government, in practical terms, has the main responsibility. The laws on local government in **Senegal** and **Ghana** are good examples of this pattern. But, there are also some examples of the opposite: in **Uganda**, and to a certain extent also **Zimbabwe**, the Study revealed that some of the SNGs are also conducting some tasks that are defined as central government tasks in the laws.

Table 5.1 below indicates the status in the development of the key legislation on SNGs.

²⁴ An example is the Local Government Act in Ghana, which define 86 SNG tasks.

Table 5.1 Development of Regulatory Framework in the Six Countries

	Incipient	Developing	Advanced
Appropriate laws on SNGs	Swaziland	Ghana, Zambia, Zimbabwe	Uganda
Existence of a constitution to protect the rights of the SNGs	Zambia, Swaziland, Zimbabwe (*)	Senegal	Ghana, Uganda
General clarity of the laws of SNGs	Swaziland	Zambia, Zimbabwe, Ghana, Uganda, Senegal	
Division of tasks and responsibilities clearly defined in the basic law	Zambia, Swaziland	Zimbabwe, Ghana, Senegal	Uganda
Decree of implementation of the Law on SNG	Ghana, Swaziland, Zimbabwe, Zambia	Uganda, Senegal	

Cf. Annex No. 3 for further details. (*) Is underway.

Table 5.1 clearly illustrates the discrepancy between the formal laws and the level of implementation.

5.1.4 General aspects and components of central government policies facilitating local self-governance

The case study countries have all carried through *administrative reform measures* also including the regulatory framework for the SNGs with respect to local self-governance. Among the components of a truly supportive regulatory framework would be the following:

1. a *handbook of best practices* in the SNGs concerning major fields of administration and especially ISP;
2. the appointment of one or a number of SNGs as *designated areas* for demonstration effects of support to the region or the SNGs;
3. *instructions and guidelines* from the ministry responsible for decentralisation to the line ministries, with the aim to focus in their regulatory framework on importance of supportive issues for local self-govern; and
4. use of support from donors *to put into practice different delegation approaches* in order to generate and collect experiences on the best models compatible with the norms and intentions of the country.

Among the country experiences related to the different named components, a genuine handbook of best practices is still not available in most of the case study countries. The second component is realised in **Uganda**, where the Ministry of Local Government and Housing has issued a number of small pamphlets and books that can also be used by the line ministries.

In this connection, mention should also be made of joint efforts between the ministry responsible for decentralisation and the national association(s) of local government. Their joint effort and coordination with line ministries may support improved understanding and streamlining of the regulatory set-up for the SNGs. Thus, if some common understanding on the various modes of establishing the regulatory framework could be achieved, this could facilitate the capacity building process and the SNG infrastructure and service provision operations, according to the principles of local self-governance.

5.1.5 Legislative and regulatory requirements of SNG infrastructure and service provision

Apart from the important description and demarcation of responsibilities contained in the constitution and the law on local governments, a major part of the legislative and regulatory framework consists in sector-specific legislation. The list of areas and laws is very long, and some of the main issues covered concern finance, education, health, water, sanitation, roads, land, environmental issues and urban and physical planning.

In those of the case study countries where decentralisation policies are in the very early stages of implementation, there are serious bottlenecks within the legislative and regulatory framework with respect to SNG assumption of responsibilities and operational autonomy. The background for this situation is that the relevant specific legislation is not in harmony with the intended decentralisation of the tasks. In addition, many obstacles and hindrances come from the line ministries that are somewhat in opposition to the delegation of the tasks to the SNGs. Accordingly, there are very many examples of SNGs taking over responsibilities in the absence of supportive legislative and regulatory frameworks.

Another issue concerns the ways and means to fulfil the responsibilities outlined in legislation. For that purpose, line ministers issue many circulars, guidelines and codes. Again, this regulatory framework has to be reorganised and streamlined in order to build up the capacity and make procedures and decision making at the SNG level easy and in compliance with the rules.

In general, all the case study countries have very detailed regulations concerning many of the ISP components. Thus, in the field of education in **Zambia, Uganda and Senegal**, there are very detailed regulations concerning minimum requirements for classrooms, school buildings and educational facilities. In the case of *health*, there are very detailed instructions and manuals concerning establishment of local health points in order to address issues concerning hygiene as well as other issues. Often, it is very difficult for SNGs administrators, who lack professional knowledge of health issues, to operate within this demanding regulatory framework.

In the case of *water*, **Zambia, Uganda and Senegal** operate under conflicting sets of regulations, the responsibility for water is divided among different line ministries. Typically, Ministries of Environment, of Water Supply and of Natural Resources, at minimum, are involved, but some aspects also are the responsibility of the Ministry of Health. This creates very many difficulties for the SNGs, as it is on their "desk" that all the regulations have to be fulfilled and carried out in accordance more with the "spirit" of the regulatory framework than with the non-homogenous, concretely described procedures, standards, etc.

The same is true in the case of *sanitation*. Here there are very many rules and regulations concerning purification of water, the establishment of land fills for disposition of solid waste, etc. Often, the standards are much too high, and accordingly the SNGs try to do their best to operate in accordance with international standards, which might be more operative than the national ones. (However, inordinately high standards involve excessive costs and threaten sustainable service delivery since the standard is not affordable by the majority).

In the field of *urban development*, there are many sector-specific laws, such as laws on construction, land-use, urban planning, housing as well as complicated legislation and regulations concerning land. The most prominent issue is that the regulatory framework prescribes very detailed controls to be carried through by the SNGs. This is particularly true for the preparation of land-use maps, urban plans, etc. and for the issuance of construction/building permits, both of

which are of crucial importance for the SNGs to operate smoothly and to be able to facilitate economic development.

5.1.6 Regulatory Framework on SNG Decision-making and Priority Setting

5.1.6.1 Supportive regulatory framework

It is important to develop supportive regulatory frameworks for the SNGs' relationship with the private sector, the central government and the citizens. Among these areas are *regulations on*:

- local government borrowing (few countries have issued these regulations with ceilings, procedures, requirements, etc.);
- involvement of the private sector in ISP and SNG involvement in the private sector – these decisions are often made on an ad hoc basis due to lack of a regulatory framework;
- land management and ownership; and
- budgeting, accounting and auditing procedures.

Few countries have introduced clear rules on local government borrowing. *Senegal* is one country that has done so. Above a certain limit, the approval by a state representative is needed, but this approval is considered tacit if the disapproval has not been issued within 1 month from the application. It should be stressed that SNG borrowing should mainly be regulated by lenders/the market, based on the creditworthiness of councils.

The private sector's involvement in SNGs' functions and SNG participation in private sector activities is weakly regulated in most countries (the last is especially important to avoid undue competition by the SNG in the business sector). **Senegal** has imposed a rule that SNG participation may not exceed 33% of the capital base of the corporations and that all involvement is subject to prior approval. The regulation and supporting legislation on the use of the private sector in ISP is also in its infancy. Some countries (**Uganda**, **Zimbabwe** and **Ghana**) have issued regulations on requirement to establish tender boards, where larger contracts on ISP have to be treated based on bids from private companies; but, a full scale development of transparent tendering procedures is still lacking.

Recently significant improvements have been made in development of standardised and uniform budget and accounting systems. In **Uganda**, such a system has been developed, and the SNGs report to the central government on special formats linked to the development plans. *Senegal* has done the same from 1996 (art. 243 to 254 of the Code of Local Authorities).

Reform of the land management systems is ongoing in a number of countries in order to expand the SNGs' potential for ISP, especially in the areas around the bigger cities. In **Zambia**, the Land Act of 1995 now involves the SNG councils in demarcating traditional land and provides for titling within a period of 12 years.

The table below gives a *general overview of the regulatory control/discretionary power* of the SNGs in the six countries ²⁵:

²⁵ The concept for this table is borrowed from the OECD draft report: The OECD 1999 Survey on Fiscal Design Across Levels of Government, Summary Note, OECD.

Table 5.2 General Overview of the Regulatory Control

	<i>SNG discretion</i>	<i>Central government control</i>
<i>Arranging the services – Policy formation</i>	<p>Admission to set level of and composition of services:</p> <p>Generally high in most countries. The autonomy is generally considerable</p>	<p>Mandated activities: Rules and standards setting for coverage and service levels (few regulations and few standards exist)</p> <p>Budget co-operation: Setting general budget framework or specific targets/sectors. Not used in the six countries, most discretionary power</p>
<i>Provision of services</i>	<p>Clearly delineated responsibilities is generally advanced, but implementation is incipient or moderate</p> <p>Ownership of enterprises (developing)</p> <p>Discretion in recruitment (Low autonomy/varies)</p> <p>Admission to negotiate agreements and settlements of wages and employment conditions (generally low autonomy)</p>	<p>Control of performance or input indicators (not used in the six countries)</p> <p>Design of expenditure competitions: mechanism for outsourcing (limited use in six countries)</p> <p>Rules of economic management: Standardisation of budget and accounting systems (developing and in progress but still incipient in some countries)</p>

5.1.6.2 Regulation based on approval requirements

Generally, most of the countries have based their regulatory frameworks on tight ministerial approval procedures concerning the most important SNG decisions.

Some of the key examples are approval of by-laws, SNG budgets and accounts, SNG borrowing and the involvement of the private sector in service provision and land management (e.g. ownership of land). A classical example is the Urban Government Act in **Swaziland**, which contains more than 15 requirements regarding approval of budgets, by-laws, borrowing, investments, land management, etc.

On the other hand, the regulatory frameworks often do not specify in detail the procedures that must be followed by the SNGs and the precise conditions that must be met to obtain central government approval. In other words, these approval procedures are based on the full discretionary power of the key ministries, often the Ministry of Local Government/and or Ministry of Finance. An example of this is the amendment to the Law on Local Government in **Zambia** (1995), stipulating the power of the Minister (of Local Government) to control fees and charges in respect of owner rates and personal levies. Another rule empowers the minister to suspend all councillors of a council from performing their functions, but the Law contains no details on when this can happen.

In addition, the procedures often involve a number of central governments ministries/agencies/parastatals etc. before the final decision can be approved by central government.

Table 5.3 below gives a general overview of the key approval procedures in the six countries.

Table 5.3 Approval Procedures in the Six Countries

	Approval procedures without defined and transparent procedures for how and when the approvals are given	Approval with defined requirements	No approval of these relationships. The relationship is based on broad performance/ output demands from central government
SNG by-laws	Zambia, Swaziland, Ghana	Senegal, Zimbabwe	Uganda
SNG borrowing	Swaziland, Zambia, Zimbabwe, Ghana	Uganda, Senegal,	
SNG involvement and contact to private sector	Swaziland, Zambia	Senegal Ghana Uganda	
Autonomy concerning land management	Senegal, Zambia, Zimbabwe	Ghana, Uganda, Swaziland	

5.1.6.3 Regulatory Budget Procedures

The design and implementation of the budget procedures is a strong indicator of SNG autonomy. The procedure varies across the six countries, although a number of common characteristics exist, cf. below:

Table 5.4 Budget Approval Procedures

	Central government has to approve the budgets beforehand	Fixed and well know procedures for the approval	The budget should be in compliance with broad national priorities (+) or specific demands mostly based on discretionary power of the CG (-)	Timely approval	Constraints on the local priorities or strong and detailed national priorities	Constraints on share of specific types of expenditure, e.g. salary
Zambia	Yes	NO	+	NO (severe problem)	Yes	Yes
Senegal	Yes	Yes	(+)	No problem	(NO)	Yes (40% on salaries)
Uganda	(NO)*	Yes	+	Is not a problem	NO	Yes* National priority areas and max. 15% on politicians/ boards
Swaziland	Yes	NO	-	NO (severe problem)	Yes	Yes ** (informal)
Ghana	Yes	Yes	(+)	NO	Yes	Yes ** (informal)
Zimbabwe	Partly***	Partly ***	(-)	NO (sometimes a problem)	NO	Yes *** Max 28% on salaries of recurrent costs

Results from the country reports on "Fiscal Decentralisation and Sub-national Government Finance in Relation to Infrastructure and Service Provision".

*The budget should be in accordance with the four broad national priority areas and the expenditure on politicians/councils/boards etc. may only constitute a max. of 15% of the total expenditure in the budgets.

** No detailed regulations exist, but the in practice the control is very detailed

*** The user fees and charges and the taxes in the high-density living areas have to be approved by the Ministry of Local Government. These approvals cause delays. The max limit of on 28% on expenditure to salaries is not complied with by the SNGs.

Table 5.4 shows that most of the countries have a system where the central government has to approve the budgets beforehand. A number of countries have introduced maximum limits on the share that can be spent on general administration, but generally these limits are not adhered to by the SNGs. Table 5.4 gives an overview of the financial approval procedures.

Table 5.5 Approval Procedures within the Field of SNG Finance

	Approval without defined and transparent procedures	Approval with defined requirements	No approval of this relationship. The relationship is based on broad performance/output demands from CG
Budget procedures	Swaziland, Ghana and Zambia	Senegal, Zimbabwe	Uganda
Tax and user charges/decisions on the revenue (key types of taxes/charges)	Zambia, Swaziland	Zimbabwe, Senegal, Ghana	Uganda
Decisions concerning expenditure – local priority setting	Zambia, Ghana, Swaziland	Senegal – so-called compulsory exp.	Uganda, Zimbabwe

Tables 5.2-5.5 illustrate strong and detailed control by the central government in most of the studied countries regarding the key SNG decisions and the financial set-up. In addition, the regulatory framework is less developed in areas where the SNG needs guidance and support, cf. section 5.2.

5.1.6.4 Sub-National Borrowing Regulations

Few of the countries have developed clear and transparent regulations on borrowing, but the general regulations are contained in the Local Government Act. **Table 5.6** below shows important elements of the SNG borrowing framework.

Table 5.6 Regulations on SNG Borrowing

	General assess to capital markets	Share of the SNG borrowing of the total general government borrowing (%)	Regulations on SNG borrowing	Control measures (approval and limits)
Zambia (1997)	Nearly impossible	0	Local Government Act, 1991 (domestic borrowing permitted according to the Law)	In practice approval of borrowing and interference from central government in the specific loans, no general guidelines. CG discretionary power
Senegal (1997)	Special loans in connection to concrete donor funded projects; private loans almost impossible	0	Local government Act, generally allowed to borrow, but a number of limits exist	. Subject to prior approval if more than 100 mill. CFA F by the prefect (ceiling)
Uganda (1997/98)	Almost impossible	0	Local Government Act, 1997	Max. Ceilings on the size of the loans
Swaziland (1998)	World Bank loans; private loans: almost impossible	1	No special regulations, Urban Government Act 1969	All loans subject to prior approval by the central government, case by case as part of the budget procedure CG discretionary power
Ghana (1996)	Bank overdrafts (short term: possible) Long term:	0	Local Government Act	Max. ceiling, i.e. loans above 20 mill. Cedis or approx. 10,000 USD should

	almost impossible			be approved (short term bank overdraft possible)
Zimbabwe (1997)	With approval from Ministry – in practice limited to the larger SNGs	4	Urban Government Act and Rural Government Act	All loans, except short term bank overdrafts, have to be approved (CG discretionary power)
Total (average)	Almost impossible	1	Generally: Few specific rules and regulations – CG discretionary power	Generally: All loans have to be approved or strict limits and restrictions Many countries allow short-term overdrafts in the banks.

Figures from the Study on Fiscal Decentralisation and Sub-national Government Finance in Relation to ISP – the six country studies.

5.1.7 Constraints in relation to land/real estate and urban development

For a multitude of reasons, delegation of responsibilities and authority for land to SNGs is not comprehensive. There are very many constraints concerning the operative autonomy of SNGs in all case study countries in relation to handling of land, real estate, land use and urban development.

The crucial issues related to SNGs' territorial development in respect of cities, urban areas and many components of ISP involve the extent to which 1) the SNGs can dispose of and influence the use of land and 2) land can be used to promote economic development by mortgaging. The issues related to land, land use and real property include the following:

- Within the jurisdictions of the sample SNGs, there is often a *lack of transparency and clear identification of who owns particular parcels of land, who is authorised to occupy the land and under what circumstances, who may change the land use, who may issue documents* (including collection of fees for issuing documents), bureaucratic procedures and overlapping responsibilities. In some of the case study countries, such as Swaziland, it is hard for the SNGs to possess land, and thus the SNGs are unable to influence decisively the forming of urban development companies, the way in which land developers influence the structure of the areas, etc. Moreover, the limited ability to own land makes it almost impossible for the SNGs to access the financial markets because they are *not able to provide a convincing security* based on mortgaging of the land.
- Another basic issue concerns the *operative autonomy of SNGs in relation to physical (urban) planning*, where SNG autonomy may be constrained by the requirement for central government confirmation of any changes/amendments and/or by time-consuming approval procedures. The result is that, with few exceptions, the sample SNGs have *quite outdated physical or land-use plans*. Even when new plans are elaborated, the procedures in the regulatory framework prevent timely approval.

Urban planning and land use instruments should play a positive role in economic and social development, but central controls generally inhibit this by delaying or preventing the SNGs' decision-making and strategic planning processes. An efficient use of urban planning instruments, supplemented by land and real property taxation measures, could spur productive uses of idle land within urban areas through financial pressure by increasing taxes and imposing constraints on land use. This requires relevant and updated judicially binding district plans, urban plans or land use plans.

The OECD has issued a publication "*Urban Land Markets*" (1993), which identifies the negative consequences for SNGs in cases where these urban planning instruments are lacking. The use of a comprehensive set of land-related instruments generates potential for SNGs to facilitate economic and social growth and development within their jurisdictions. Having in mind the important political implications comprised in the recommendations of OECD, most case study countries suffer very heavily from limited or lack of operative autonomy concerning urban and physical planning as well as the instruments associated with land and real property taxation.

In addition, there are the many *exemptions from physical planning and taxation* contained in the regulatory framework, especially for central government institutions and agencies. These exemptions cause additional financial problems for the SNGs.

A special field of concern is land issues associated with *informal settlements*. First, because of the strict building code provisions applicable to the construction of buildings and the high cost implications of complying with them, many cities have very high levels of illegal construction (frequently 1/3 - 1/2, of the building stock). In such cases, the SNGs have not issued building permits for the construction and the buildings have not been approved after completion. The impact of this phenomenon quite often means that it is not possible within the regulatory framework's content to tax the owners (because the construction is placed on public land or by an absentee landlord). Accordingly, the people living in these areas (either households or enterprises) contribute very little to tax revenues. Moreover, very poor and rudimentary land and real property taxation rolls are kept for the informal areas, which further impedes good collection of user charges, fees and real property taxation.

Furthermore, *issuance of permits for construction* is very heavily regulated in the building code or in the construction law. This makes investments involving construction of buildings for production or administration purposes very troublesome. It takes a very long time to complete construction works. This impedes the creation of new jobs and working places. Apart from the very detailed regulations contained in the building code are the lack of updated district plans and other land-use regulations that create serious bottlenecks. This is observed in very many cities and towns among the sample SNGs, including **Lusaka, Harare, Accra, Kampala, Dakar, Sangalkam, Manzini and Mbabane**.

The last issue concerning the regulatory framework involves the operative autonomy of SNGs to *issue concessions or permits*. This is an especially important issue in relation to the regulation of local traffic where there are disputes. In **Uganda**, disputes arise between central government, line ministries and SNGs concerning the issuing of permits/ concessions to taxi drivers, bus companies etc., which impedes well functioning local traffic operations.

5.1.8 The regulatory framework for the promotion of private sector participation in ISP

The participation of the private sector in providing services is a clear field of interest in all the case study countries. However, there is a long way to go from the declared policy of private sector participation in ISP to the implementation of private initiatives and realisation of improvements to the level and quality of services provided.

One very important issue concerns the development of a supportive regulatory framework for private sector participation in ISP. This consists in numerous components:

- a legislative framework that makes room for private sector participation;

- harmonisation of contract law to allow private sector operations and take-over of implementation on behalf of the SNGs through outsourcing or tendering of SNGs' responsibilities;
- the adaptation and harmonisation of special regulations, codes, concessions, etc. so that the SNGs support rather than directly operate ISP; and
- dissemination of the regulatory framework in a way that could be understood and used by the SNGs in their decision-making concerning whether services in various field should be provided by SNGs, state authorities or the private sector.

In the case study countries, there are many examples of a *first stage of establishing the regulatory framework for private sector participation in ISP in specific fields*. Most commonly, this involves the fields of solid waste management, electricity, communication, local transport and, to a lesser degree, water, sanitation and road maintenance.

In these fields, the regulatory framework has to be viewed as a development process. There are many hidden barriers to a good and efficient transition in the SNG's role from one of direct provision of services to one involving the management, supervision and control of private sector provision of such services (service level, quality, level of user payment, etc.). In addition, there are few examples of joint ventures between SNGs and private sector firms in order to facilitate community participation in design and implementation of ISP.

In most cases, it is the major metropolitan areas or the major SNGs in the respective case study countries that have, on a more experimental basis, developed concepts, regulatory frameworks, model contracts, etc. in support of involving the private sector in ISP. Despite the fact that some of the countries have developed quite good results in the first phase of privatisation, there are many obstacles to a fuller and broader range of private sector participation in ISP. Foremost is the lack of awareness of the importance of a competitive environment in service provision. Opposition to involvement of the private sector may also occur when politicians and citizens believe that it will inevitably lead to cost increases that will primarily be borne by the poor.

In a few sector areas, some of the case study countries have a very long experience in involving the private sector. Examples include education and health facilities, where the private sector, mostly on religious or ethnic background, has provided services, especially for the poor people over a very long period.

5.2 Common challenges and lessons from the six countries on the regulatory framework

As mentioned in section 5.1, a number of significant achievements have been implemented in the legislative framework in all six countries in recent years. Nevertheless, the study has revealed a number of common problems within the regulatory framework, which have to be addressed in the short- and medium-term future.

Among these common problems are:

- insufficient clarity of the tasks and responsibilities of SNGs in the basic Law on Local Government and lack of consistency between this law and other laws;
- lack of implementation of the Law on Local Government and discrepancies between the laws and the practice;
- problems regarding the right-sizing (proportioning) of the level and optimal type of regulation;

- lack of legislation supporting an enabling environment for SNGs; and
- out-dated laws within key sector areas.

5.2.1 The basic legislation on SNGs and conflicting rules

In most of the six countries studied, there are significant problems with the links between the Law on Local Government (basic Law) and the related sector-specific laws that regulate the SNG affairs. The Law on Local Government has often been developed by the Ministry of Local Government, with a clear attempt to secure decentralisation and guarantee the rights and responsibilities of the SNGs; whereas most of the sector laws contain traditional control measures and rigid rules on approval procedures. The process of bringing all the ministries together around compatible goals, programmes and related regulatory frameworks is a great challenge in most countries.

In part, this problem is often due to (1) the lack a clear and coherent policy on decentralisation that is approved by the full government, i.e. by all the key ministers and (2) the varied levels of commitment to decentralisation by the different ministries within each country.

Unclear demarcation of responsibilities across the various ministries, e.g. Ministry of Local Government and Housing and the Ministry responsible for Water, causes problems in most countries and hampers the SNGs' possibilities for timely and co-ordinated feedback from the central government.

Examples of these problems appear in all countries e.g. in Zimbabwe in health care and education and in Zambia in the field of education and water supply. In **Zambia**, the SNGs are responsible for most functions within education according to the Local Government Act, but, in parallel, most responsibilities and competencies have been kept in the Ministry of Education and/or transferred to local boards that operate independently of the SNG. In **Ghana**, there has been a conflict between the attempt to bring the deconcentrated central government departments under the auspices of the SNGs and recent initiatives within the line ministries to keep their staff under the ministries. In **Uganda**, there has been a discrepancy between the overall strategy to increase the SNG autonomy and the increase in the various line ministries' use of specific (controlled) grants.

Even within the same law, there are numerous examples of contradictions. In the case of **Swaziland**, one article in the Urban Government Act states that "the SNG expend moneys in the proper exercise of its duties and power" while numerous other articles require ministerial approval of the budget estimates and revenue and expenditure decisions.

In addition, the quick development of a number of laws and regulations in various line ministries has often caused duplication and/or conflicts between the various regulations. These problems are typically seen within the health care, water and roads sectors. An example of this is in Zimbabwe, where the Regional Town and Country Planning Act says that a local authority or any other body designated by the Minister of local Government shall be a road authority. However, the Road Act says that the Minister of Transport and Energy has authority in respect of the area under their jurisdiction. Section 4 of this Act states that the Minister of Transport shall be the road authority for all main roads within city, municipal, town and rural districts council areas.

In Zimbabwe, it is also the objective that all ministries should use the same local institutions for the implementation and management of the decentralisation functions and that parallel or separate institutions should not be created. Health care and primary education have been decentralised, but the implementing authorities will be the health boards and schools associations, not the local authorities, as mentioned in the basic laws.

The unclear regulations and contradictions in the laws decrease SNG accountability to their citizens, as the division of tasks and responsibilities becomes blurred. It also reduces the proper links between the assignment of tasks and finance, that is, financial accountability.

5.2.2 Lack of Implementation of the Laws

Most of the basic laws of local governments were developed over a short period and, in five out of six countries, during the middle of the 1990s. Therefore, the time and resources for implementation have been limited. The result has been that there is a significant discrepancy between the legal framework and the practice in most countries. This is especially the case regarding the division of tasks and responsibilities between levels of government (where the situation is often blurred) and in the field of definition of competencies and organisational structures..

In **Senegal**, it is stipulated in the Code of Local Authorities that the SNGs shall be granted a legal status and financial autonomy. However, another law (the new Law on Local Government of 1996, art 336) stipulates a number of control and approval measures on budget, borrowing, regional plans and private involvement. The Code has still not been implemented in this area.

In **Uganda**, primary and secondary education is supposed to be decentralised, but, in practice, the central government covers most of the expenditures (e.g. all salaries and most of the other costs). The implementation of health care at the local level depends very much on the availability of finance within each district, but the central government generally provides the bulk of the service, contrary to the intentions behind the regulatory framework.

The same is the case in **Zimbabwe**, where many of the tasks assigned to SNGs are still managed, controlled and paid for by the central government.

In **Zambia**, the competencies for hiring and firing have been transferred to the SNG with the Act of Local Government, but in practice the Minister of Local Government still suspends chief officers in a number of SNGs. The 1991 Act on Local Governments gives the SNG wide-ranging powers to raise revenues and utilise these, but the subsequent laws on personal levy (1994) and ratings acts (1997) introduce considerable constraints on the potential to raise revenues by setting fixed upper limits for the yield. Interference of central government in the councils' autonomy to set cost recovery charges and rates has also continued after the adoption of the Law.

Another area that often suffers from lack of implementation is local (development) planning. Lack of implementation of the planning measures, due to lack of resources and human resources, has been a problem in most countries, e.g. in Senegal, Zimbabwe and Uganda.

Lack of implementation of other supportive laws, e.g. on tender boards and land management boards, has also been noticed, especially due to lack of funding for these new organisations. The problems associated with the land management regulatory framework entail restrictions on ownership of land for development, spatial planning, land management, land registration, etc. and are severe in most of the six countries. An example is in Swaziland, where the SNG possibility of land ownership for development purposes (ISP) is very restricted and has to undergo a very complicated approval procedure, in which several central government authorities and the King have to be involved, even for minor cases.

5.2.3 Problems regarding the right sizing of the level of regulation – strong control

A general problem in all the six countries is the right sizing of the level of regulation. Some areas have regulations and controls that are too detailed, while others are too broadly defined. It is hard to find the right balance between decentralisation/local autonomy and the need for control/co-ordination/establishment of minimum standards at the national level – the so-called balance between “steering” and “rowing”.

Traditional control by use of detailed regulation, as opposed to target-oriented supervision and guidance/minimum standards, is typically used by the central governments in most of the six countries to secure SNG adaptation to national objectives. These detailed requirements of approval procedures, e.g. the budget approval procedures in Swaziland, Zambia, Zimbabwe and Ghana, cause delays, lack of SNG autonomy and reduced efficiency in local ISP.

The approval procedures of the budgets cover all elements of the budget. Instead of focusing on key issues, such as the need to have a balanced budget or realistic revenue estimates, the very detailed budget approval procedures are time consuming and take 3- 6 months in countries such as **Zambia** and **Swaziland**. This makes it hard for the SNGs to estimate the future economic activity and plan for the future ISP. In the case of Swaziland, it makes it expensive for the SNGs to invest in ISP, as these investments have to be made in the second half of the year after the budget approval procedures have been finalised.

Senegal has introduced some requirements (limits) on the central government control, including deadlines and demarcation of the control of the budgets. The deadlines facilitate the timely adoption of the SNG budgets, but the areas of central government control still cover most of the expenditure items (all the compulsory expenditure). The shift from control of the appropriateness to control of legality, combined with control of whether the expenditure and revenues are in balance and whether the compulsory expenditures have been allocated, is evaluated by the SNGs as a real improvement of their autonomy. Areas in need of prior control, tacit control and ex ante control are clearly defined and well known to all SNGs.

The detailed control of budgets and SNG revenues (taxes and user charges/fees) is generally a severe constraint for private sector involvement in ISP and for SNG attempts to become creditworthy. Tight upper limits on the local taxes and user charges/fees, often not transparent for the SNGs or the citizens, have been common in a number of countries, e.g. in **Zambia**, **Swaziland** and **Zimbabwe**.

Nearly all countries have very detailed regulations on control of SNG *by-laws*. These regulations typically cover nearly all elements of SNG decision-making and have unclear procedures for the requirements for approval. This tends to delay the SNG decision-making process, blur accountability and reduce the SNGs’ incentives to undertake innovative activities.

A clear example of these unlimited control possibilities is the case of **Zambia**, where the Minister of Local Government and Housing is empowered to intervene in operations of the councils “Whenever, by reasons of refusal, failure or inability of a council adequately to discharge all or any of its functions...”The Minister may also suspend all councillors if felt necessary. During the course of the study, the Minister of Local Government used the opportunity to suspend a number of chief officers in a number of SNG councils, thus accentuating the overriding power and authority of the central government over the SNGs.

The tendency to focus on all elements of SNG decision-making in the control procedures has put a great pressure on the central governments' human resource capacities to deal with all these minor cases and has caused serious delays in ISP project implementation in all six countries.

The timing of the control and the related delays have been a problem in all six countries. Senegal has initiated interesting measures to address this problem by establishing a number of time limits on the central government's treatment of the applications from SNGs. In many areas, the decisions are anticipated as approved, if the state representative has not reacted within a strict time limit (e.g. within 15 days for the budget approvals). The same is the case for applications for local borrowing, where the application is taken as approved if the State representative has not reacted within one month from the date that the receipt of the application is acknowledged.

Another area constrained by the applicable approval procedures is land management/use. The regulation of this area is often very detailed and time-consuming. Applications for ownership or development of land may take several years due to the requirements that many authorities have to be involved and other detailed approval demands. The comprehensive control measures in **Zimbabwe**, as an example, mean that the average time for the approval of a title of a medium sized residential subdivision takes more than five years.

The *control of capital investments* and decisions on large SNG maintenance expenditures also limits the SNG autonomy and ISP provision. Most countries do not identify reasonable limits for the control, e.g. ceilings within which the SNG can act independently, but just demand that all investments have to be approved by the central government. This is e.g. the case in **Zambia** and **Swaziland**, where these approval procedures often constrain construction of smaller infrastructure sites.

The legislative *duplication*, where several ministries issue laws and regulations with conflicting messages, levels of control and approval procedures, also hampers infrastructure and service provision by SNGs.

There is generally a lack of *national minimum standards* (and performance indicators), agreed upon by the key stakeholders from the various levels of governments, to guide ISP at the local level. The recognition that control could move away from detailed rigid regulation towards more performance oriented standards has not yet penetrated the systems. An example is Swaziland, where local budgets have to be approved, but where no guidelines exist regarding the conditions to be met for approval. This means that all elements of the budgets have to be scrutinised – a very time-consuming process.

5.2.4 Lack of supporting legislation in order to establish an enabling environment for SNGs

Most of the countries are in a process to develop stronger financial regulations, including requirements and guidelines regarding budgeting, accounting, information exchange and auditing. Uganda, in particular, has strengthened its budget and accounting system and has developed a uniform and comprehensive budget and accounting and reporting system, combined with a system of development planning.

However, supportive regulations are often lacking within the fields of:

- private sector involvement;

- information exchange between authorities;
- development of minimum service standards; and
- rules on SNG borrowings and ceilings for such borrowings.

This is a general problem in all the reviewed countries. The lack of these regulations and guidelines causes problems in the delineation of responsibilities and problems with the SNGs' interactions with other stakeholders, e.g. the private sector and the citizens.

Regulations that set clear requirement for the central and SNGs to deliver and exchange information across levels of governments are very weak in all countries. This often causes problems in development of essential statistical databases that would be valuable for the development of other administrative systems, e.g. tax registers, grants and equalisation systems, etc. Some countries have launched important reforms within this area, e.g. **Uganda** and **Senegal**, and some progress has been registered over the reviewed period.

Minimum standards for service delivery, performance evaluation, key figures on service provision, benchmarking across SNGs on performance of ISP and target-oriented management system, e.g. grants distributed according to achieved results, are still concepts in their infancy in most of the six countries. The focus has been on the development of the regulatory framework through various control and approval procedures.

In the case of borrowing, the problem is often that all loans have to be approved, instead of having clear and well-developed ceilings of the borrowing, e.g. related to the financial situation such as share of revenue sources, maximum duration of the loans or restrictions on the types of loans. The present situation is not transparent for the SNGs or the creditors/private investors. Few countries have developed such rules, cf. Chapter 3 on finance.

The lack of rules on the relationship between central and SNGs in these areas means, in practice, that all elements have to be approved by the central government – a fact which causes duplication of the tasks and delays in the activities.

5.2.5 Outdated laws within key sector areas

Outmoded laws and regulations are especially a problem within the area of taxation and land management. Most of the countries have very old tax regulations, particularly regarding valuation, assessment and administration of the key taxes (property tax and, in some countries, variants of income tax – e.g. **Zambia** and **Uganda**).

Typical problems are outdated rules on the procedures for assessment of property values, tax rates and procedures for administration. The key taxes are not properly defined in the regulatory framework and other insignificant taxes are still assigned to the SNGs, despite their outdated nature. In some countries, the local government act stipulates many SNG taxes that have never been applied and that will never be implemented in the future (e.g. **Ghana**).

Land is another area where the present legislation often constrains the SNGs' potential to develop infrastructure, especially around the major cities, due to outdated and/or rigid rules and control of the land by the central government or the traditional leaders. These problems have been seen in all sample countries, and they are especially severe in **Swaziland**, **Zimbabwe** and **Ghana**. As an example, it takes approx. 3-4 years to prepare a master plan and get ministry approval in

Zimbabwe, due to a number of inherent approval procedures and the nature of the plans to be made.

5.3 Ways of addressing the present and future challenges (Road map to a more sustainable system of SNG)

5.3.1 Road map for the future

On the next page are listed a number of development stages, from incipient to advanced, and an overview of the general situation within the six countries in the study.

Table 5.7 Road Map on regulatory framework Component:	Constitutional guarantees developed concerning SNGs	Existence of developed and clear law on SNG	Level of im- plementation of the basic law on SNG	Appropriate mix of CG supervision/ guidance/ support measures	SNG auto- nomy on local decisions ac- cording to local priorities	SNG appro- priate auto- nomy on key financial areas such as budget (exp. – rev.)	Existence of supportive legislation on finance	Regulation on land manage- ment	Regulation of involvement of private sector
Advanced	Clear guaran- tees in Con- stitution on SNG – appro- priate level of details	Comprehen- sive and clear law on SNG covering functions, responsibilities and compe- tencies of SNG	The law and practice within important areas such as tasks, respon- sibilities and competencies are in harmony	The CG – SNG relation- ship is guidance/sup- portive in nature and based on per- formance standards	SNG has large decision- making power on local mat- ters, such as development of key ISP, by- laws etc.	SNG budget autonomy high and within general na- tional frame- work, com- bined with appropriate audit and budget pro- cedures	The regulatory framework to support SNGs in important areas such as information exchange, taxes, registers etc. fully de- veloped	SNG have the main control on land use and good pos- sibilities to use the land in the ISP develop- ment	Reg. Frame- work for the relations to the private sector is in place (tender boards, legal frame- work etc.)
Developing	Gh, Ug Certain broad references to the SNG system exist	Ug Law mode- rately de- veloped with some unclear parts	Some parts of the legislative framework have been implemented	Control ori- ented but certain limits on the CG discretionary power exist and some support to SNGs	Ug SNGs have moderate autonomy, but various ap- proval proce- dures still cause serious problems	Ug The CG may interfere in a various areas, especially concerning investments and key deci- sions – mode- rate budget autonomy	The regulatory framework partly de- veloped, but still in need of major efforts	Low influence of SNGs on the land use	The regulatory frameworks in under de- velopment but problems are still dealt with ad-hoc
Initial stage	Se The consti- tution refers only limited or not to the SNGs	Za, Se, Gh, Zi Law outdated, unclear and not sufficient detailed	Ug, Za, Se There is a se- rious discre- pancy between the law and the reality	Ug, Se, Zi Very control oriented, de- tailed, rigid approval pro- cedures, e.g. of by-laws	Se, Zi SNG have very limited autonomy/ influence on local matters	Ug, Zi, Se The regulatory framework its initial stage – unclear/missin g legal set-up	Ug, Gh CG has the full control of the land, very cumbersome procedures for land use/ ownership	Ug, Za, Gh No clear po- licy and framework of the relations between SNG and the private sector exist	Se, Sw, Zi

Cf. The Annexes on the indicators for a more detailed treatment. SNG = sub-national governments, CG = Central government
Zi = Zimbabwe, Za = Zambia, Se = Senegal, Sw = Swaziland, Ug = Uganda, Gh = Ghana.

5.3.2 Road map and recommendations

The table (road map) shows the way forward within the regulatory framework, when the findings are compared with the stated objectives. The table shows that key milestones have been passed, but that there are still great challenges ahead for most countries. In extension to the road map recommendations, it is further recommended to:

- Develop the basic law on local governments with a clear demarcation of the SNG functions, responsibilities, competencies and financial sources and the key links between the levels of governments.
- Develop legislation on SNG financial matters such as taxes, budget procedures and state transfers in a transparent, clear way and ensure that the legislation is up-dated, as needed.
- Avoid duplication of regulations and lack of co-ordination among the key stakeholders at the central government level. The legislative framework should be consistent, transparent, target oriented, clear and well known to all key stakeholders.
- Encourage more autonomy at lower levels of governments while providing overall direction, e.g. in the form of performance measuring and minimum standards of services. The CG control should be limited to the key national objectives.
- Whenever approval procedures are developed, the procedures should be transparent, announced and with clear criteria for approval.
- Allow for differentiation of ISP at the local level through flexibility yet ensure some minimum degree of uniformity.
- Cater for more responsiveness to local needs, but not to the detriment of efficiency and economy.
- Avoid detailed and cumbersome CG approval procedures and exchange them with general guidelines and performance measurements. Whenever approval procedures are established, the modalities for these should be transparent and statutorily defined.
- Revise the act on land and land management with the view to enhance the SNG autonomy in this area and the possibilities to use land in the development of ISP. The functioning of ISP should be enhanced by delegating competencies to the SNGs in the field of management, land registration and land acquisition
- Increase and strengthen consultations between the CG and SNGs on the development of regulations and guidelines in order to ensure that all levels are working in the same direction and with a common understanding of the key objectives.

CHAPTER 6 INSTITUTIONAL FRAMEWORK

Decentralisation to lower levels of government will never succeed without sufficient administrative capacity at these levels to carry out the functions and without a sound and fruitful co-operation and co-ordination between the levels of government. This chapter reviews some of the key elements of the institutional framework in the six countries. Section 6.1 reviews the key findings across the six countries, Section 6.2 examines some of the common institutional challenges and Section 6.3 looks at the ways forward.

6.1 Findings from the Country Studies

6.1.1 Organisational and managerial set-up – general findings

The institutional framework of the SNGs is very decisive for the *operation of the intentions* behind the policy for decentralising the public sector. Thus, political and managerial accountability within the legislative and regulative framework facilitates and organises the public sector's service delivery, taking into account democratic control and participatory involvement of the citizens in the decision-making process. Thus, decentralisation should form an important measure to enhance:

1. increased overall efficiency of the public sector by promoting accountability and innovative leadership and management and
2. participatory involvement of the citizens to allow sustainable ISP that conforms to local needs and conditions.

The institutional framework refers to the *organisational and managerial set up* that is consistent with the concept of good governance. Good governance comprises the full range of complex issues of finances, administration, control, reporting and accountability in the sense that it focuses on:

1. accountability to the public for performance results, both politically and managerially;
2. provision of ISP in an efficient, effective and responsible manner; and
3. Procedures for the relationship between the key stakeholders and the delegation of authority.

The *delegation of discretionary power to SNGs* may promote innovation and efficiency but, at the same time, may generate increased diversification in terms of quality of ISP across population groups and across geographically areas of the country. The autonomy of the SNGs to choose the service level and quality may cause greater variations.

The institutional framework (in combination with the regulatory framework) establishes the necessary conditions to enhance:

1. *Public accountability* (efficiency and responsiveness to local needs for ISP): SNG councils decide types and level of ISP in accordance with local conditions and preferences, and citizens respond to this by using their voting power and by being involved in the decision-making processes.
2. *Managerial accountability* (efficiency and effectiveness in the use of resources, including manpower, capital and information systems): Targeted performance leadership promotes this.
3. Clear *identification of competencies* between the councillors, the head of SNG administration and key staff of the SNG.

In some of the case study countries (Uganda, Senegal and, to a smaller degree, Zambia), central government has tried to create the right preconditions for development of a good institutional framework at the SNG level. Accountability is secured by making clear guidelines for the distribution of competencies between councillors and SNG administrators. In addition, government has established training in municipal management, introduced information systems and created a viable framework for further development of competencies.

In the case of **Swaziland**, the two largest SNGs (Mbabane and Manzini) have been delegated much power, and considerable effort has been given to the development of strategic planning as an important instrument to address the wishes of the local population combined with the financial and administrative capacity within the SNGs. Much effort has also been given to the up-grading of the living conditions in the informal settlements.

In the case of **Senegal**, a totally new set-up has been made with the framework of the municipal development agency. This framework focuses on the important elements of good management including performance audits, organisational arrangements and performance auditing related to budgets and accounting systems. In addition, economic incentives are provided to municipalities that enter a contract with the municipal development agency through the opportunity to obtain additional financial resources to promote their economic and social development as well as all the synergy effects of good administration. In other countries, there are also frameworks for systematic experimental schemes related to the SNGs' management organisation.

In **Zambia**, various types of administrative support have focused on local government leadership and development.

The best examples of promotion of managerial accountability have focused on how to transform the delegation of discretionary power to SNGs into a dynamic mechanism that promotes innovation and efficiency by establishing the framework for *target performance leadership*. In those countries where SNGs have taken up the idea of strategic planning, this could form a very comprehensive measure to enhance target performance leadership. The components of this target performance leadership comprise the following:

- the establishment of clear political targets for short and medium term objectives, concerning especially ISP, related to the preferences of the population. User surveys can be used to determine these preferences;
- delegation of decision-making for operational targets to the management level (or even in some cases to individual institutions) combined with requirements for results based on performance indicators;
- promotion of innovative approaches by delegation in order to encourage the use of new measures, technology and procedures;
- establishment of management information systems that monitor the achievements of the operational targets as well as forming an integral part of the administrative machinery; and
- the introduction of economic incentives (which may even include result-oriented salary components for key staff).

The SNG management related to ISP shows many examples of inefficient and inappropriate systems and principles of delivery. Quite a few of the sample SNGs have the following attributes:

- There is poor monitoring, not only of the level of services being generated (e.g., volume of water supply), but also the actual amount being consumed. Con-

sequently, there is poor costing of, and low collections from, the infrastructure services that are delivered.

- There is unwillingness, due to political considerations, on the part of councils to adjust in a timely manner the tariff levels for their services in response to movements in the cost of delivery. This leads to failure to fully recover costs.
- There is a prevalence of poor budgeting and expenditure control in the state-dominated infrastructure service delivery systems expressed in terms of (a) the weak link between plans and budgets and (b) the absence of expenditure discipline.

In a substantial number of SNGs examined, there are no performance measurement criteria related to the areas of operations and maintenance, investment management, planning, accounts and audits. With respect to auditing, most of the councils' accounts have not been audited for many years. Under such conditions, inefficiency cannot easily be detected.

The *public sector reforms* undertaken in almost all case study countries are meant to ensure that the delivery of decentralised services is firmly in the control of local governments. Naturally, this requires that the allegiance of staff working within the local governments be to the local government councils. With this in mind, the 'Public Service Reform' was initiated to foster the efficiency and effectiveness of service delivery at the various levels of government, but these reforms have mainly concentrated on the national level. The pillars of the reforms typically have been:

1. streamlining organisational structures and introducing results oriented management and divestiture of functions;
2. introducing management information systems to improve management of personnel, payrolls, budgets and finances, records, assets, audit and inspection;
3. training of human resources to ensure availability of a more professional workforce; and
4. improving the working conditions (especially through better pay but also through training and promotions) to ensure a well-motivated and committed workforce.

Principally, there are four major ways to change the capacity of the SNGs:

- to increase or decrease *the number of staff and/or the levels of professional skills* (see Section 6.1.4);
- to change the way in which the *management and organisational structure and levels of competencies* are set up (refer to Section 6.1.5);
- to increase the skills and competencies of the existing staff by *training* (see Section 6.1.6); or
- to change the *methods and procedures of work including the use of information technology (IT)* (refer to Section 6.1.7).

6.1.2 Relationship between Central and Sub-National Governments

The Study has revealed various methods to establish co-ordination among the levels of governments, to ensure that the national policy and priorities are followed by the SNGs, to allow SNG input at the central level and to encourage central government support of SNG possibilities for ISP.

A significant impact on the SNG potential to provide ISP in an efficient way is made by 1) the decisions on the existence of the regional/locally based central government staff/institutions, 2) the

way to ensure co-ordination and clearance of interests vertically (across levels of governments) and 3) the way to co-operate horizontally (among e.g. the SNGs).

The table below shows some of the findings (Annex 5 shows some typical examples of the structure of SNGs in the six countries):

Table 6.1 Central- Sub-National Government Relations

Country	Regional /local representation of CG	Forum for co-ordination of CG-SNG interest	Budget negotiations	Administrative support from CG to SNGs
Zambia	District co-ordination Committees CG representatives and MPs	District Co-ordination committees with representatives from CG, SNGs and NGOs	Non-existing	Very limited in the field of valuation and other areas. A number of CG agencies operate at the local level
Senegal	Prefects and sub-prefects with real decision-making power		Yearly meeting in the Parliament on SNG budget – no regular and formal forum for discussions	The CG local services support the ISP in many areas, the SNG can use their service free of charge
Ghana	10 Regional ministers + Regional Co-ordination Directors	Regional co-ordination councils	Non-existing	The deconcentrated CG staff constitute sectors, which support adm. at the local level
Uganda	Regional District Commissioner – ensure co-ordination but not control	Joint CG-SNG committee for SNG training	Dialogue has started recently and is currently under development – no formal forum or budget agreements	The focus has been on development of supportive (financial) regulations and training.
Zimbabwe	8 provincial governors appointed by CG (deals mostly with the rural subjects)	Provincial councils – play a minor role for the urban authorities	Non – existing	A great number of deconcentrated CG agencies exist at the local level, e.g. within health care
Swaziland	4 Regional administrators supposed to co-ordinate matters at the local level, for the urban SNGs the links to the key ministries are the most important	Most co-ordination is conducted by the Ministry of Urban Development and Housing	Non – existing	Many CG staff located in the weaker SNGs and many Parastatals providing ISP at local level

Some countries, e.g. **Senegal** and **Ghana**, have chosen a model where most of the co-ordination between CG and SNGs is done at the regional/local level through a high-ranking civil servant from central government. Ghana has a dual system of administration, where the deconcentrated central government administrative units have a strong presence at the SNG level. In other countries, e.g. **Zambia** and **Uganda**, these institutions are established to enhance the exchange of information and ensure that activities at the local and regional levels are co-ordinated, not controlled or supervised. In **Swaziland** and to certain extent in **Zimbabwe**, most of the CG – SNG relations are co-ordinated directly by the key ministry of local government. **Ghana**, where deconcentrated administration is very important, is the sole country to establish regional ministries (10) in charge of the regional administration.

Some of the countries have established various consultation mechanisms between CG and SNGs on important issues such as the future economy and budgets. None of the countries has yet established

formal institutions or fora for real budget negotiations and binding yearly agreements on the budget and grants for the coming year.

The relationship between CG and SNGs in most of the six countries has a tendency to focus more on traditional control, e.g. control of decisions and legality, than on collaboration, co-ordination and agreements among the key actors. The Study has revealed that consultation mechanisms are not yet institutionalised, although they are under development in a number of countries, especially in **Uganda** and **Zimbabwe**.

All six countries have associations of local authorities to represent the interest of the local authorities, to facilitate the co-ordination with the CG and strengthen inter-governmental co-operation, both vertically and horizontally. Their capacity and independence from the central government is increasing in most of the countries, although they are still comparably weak in terms of manpower and resources. Senegal has a special access to the central decision-making in the Parliament, as many of the mayors/chairmen of the local councils are also members of the Parliament.

6.1.3 The SNG decision making process and leadership in relation to human resources

6.1.3.1 The relationship between the political and administrative leadership

The capacity of the SNGs to readily adopt innovative approaches is influenced largely by the quality of the human resources at their disposal and in key policy making positions.

A crucial question here relates to the division of responsibilities between the political leadership and the top administrative officials. For an efficient administration, it is very important that the councillors' function like a board where the main objective is to establish the political targets for short- and medium-term objectives, especially concerning ISP. The responsibility for carrying out the measures and the freedom to choose the best methods to achieve political targets is assigned to the management level of the SNGs.

In the case study countries, there is evidence that the distinction between policy formulation and policy implementation tends to break down. This results in problems in the working relationships between councillors and professionals. Many SNGs have reported that it is a challenge to establish a smooth relationship between councillors and administrators.

Thus, the legal framework fosters a superior/sub-ordinate relationship between the councillors and the SNG management level. The councillors, according to the regulatory framework and guidelines elaborated by the central government, are put into a position of superiority because they are accountable directly to the citizens. It is not uncommon, therefore, for the councillors to overstep their area of jurisdiction and become involved in matters of day-to-day administration. It is reported that in many of the sample SNGs, councillors tend to become so deeply involved in administrative and professional matters that this compromise the ability of management to innovate and carry out their functions efficiently.

The less than satisfactory performance of the SNG councils may also be explained in terms of the low level of experience and educational background of some of the elected councillors in the running of a local government. This is of critical importance in council because the quality of the policy decisions (and, therefore, the effectiveness of councillors) requires that the councillors have knowledge and experience in the many fields of ISP and SNG finances.

Even in the cases where there is a clear division of responsibility between the political leadership and the top management, there might be other barriers. It was found in many SNGs that the ability of political leadership and top managers to recruit people above a certain level is restrained by rigid recruitment procedures and rules imposed by the central government, e.g. approval procedures for recruitment of people above a certain level (typically town clerks), often related to cumbersome negotiations.

In order to limit the risks that SNGs might choose their top managers for reasons other than professional requirements, some of the case study countries have established recruitment boards or district service commissions. These bodies operate across the judicial boundaries of the individual SNGs and are therefore much more neutral in their evaluation of possible candidates for the top managerial and key staff posts.

Some of the countries have developed very clear divisions of tasks and responsibilities between the politicians and the administration, whereas other countries are struggling with overlapping responsibilities and often conflicting relationships.

Some countries have mayors as heads of administration, heavily involved in the day-to-day administrative matters, whereas other countries make a clear distinction between the overall political level, the policy making level and the administrative/executive level. Some countries, e.g. **Zimbabwe**, have decided that the mayors in the urban SNGs should be the top administrative persons; whereas other countries, e.g. **Ghana**, have decided that the mayor's main task should be to lead the political council (chair the council meetings).

In the case of **Uganda**, a chief administrative officer (CAO) leads the municipal administration. Here the advantages of having the district service commission serving all SNGs within the territory of a region (the Ugandan districts) is that it reduces the overhead costs and the risk of manipulation by local politicians compared to a situation where each SNG appoints its own service commission. The disadvantages are obviously that district service commission costs are only born by the district council. The sample SNGs in Uganda did not identify any major constraints regarding the legal framework for staff recruitment and management except for the provision on financial compensation of employees in situations with reduction in staff. Based on the opinion of the sample SNGs in Uganda, the national employment regulations on firing of SNG employees caused problems for SNG service delivery. The act requires that SNGs should compensate employees, whose service are terminated by the councils contrary to the terms and conditions of the public services or against the ruling of the public service commission. The costs, however, are quite heavy. The local governments argue that there are very few districts, if any, that can afford to "fire" an employee under these circumstances, even in situations where employees are proven ineffective in performing their duties. This has led to accumulation of inefficient staff among their ranks and made the trimming of SNG administration generally difficult. For some SNGs, the relationship between staff and local politicians is that of co-operation and support; in others, there are conflicts, especially between the CAO and the local politicians. In most of the cases, these conflicts arise from suspicions on the handling of the finances by the CAOs.

The SNG authorises the commissions in Uganda to recruit, restructure or "fire" non-performing staff. The district service commissions, which are responsible for the recruitment, discipline and firing of staff, are operational in all districts. The analysis has shown that the only problem with the district service commissions is that they are inadequately funded.

Zambia exhibits a somewhat contentious relationship between council officers and councillors. In practice, the system has developed in a way where the councillors are involved in almost all decisions, including those of a purely management nature. A closer look at this problem is made below to illustrate vividly the main challenges with respect to the potential and constraints concerning SNG initiative and management. Principally, there appears to be a conflict between councillors and chief officers in some of the six councils studied, emanating mainly from the absence of a clear definition of their respective responsibilities. Chief officers shape the form and context of policy making just as councillors get involved in matters of the day-to-day administration. In the councillor/officer relationship, there are dangers in poor lay/professional partnerships. Conversely, if the councillors leave too much to the officers, there is an accountability problem where democratic principles can be neglected. The Local Government Act of 1991 does not stipulate or define the respective roles of councillors and officers. As a result, most of the six councils reported having witnessed a trend whereby councillors become too deeply involved in managerial and professional matters in a manner that compromises the council officers' innovation in management processes.

The relationship between chief officers of councils and councillors also partially explains the near-absence of innovative approaches to improving SNGs' management systems. There is an urgent need to encourage a closer, but clearly defined, partnership so that councillors and officers can contribute their skills and capabilities towards making local policies relevant and effective. Perhaps the most serious conflicts between councillors and chief officers of SNGs, which have far reaching consequences in councils, relate to the issue of tariffs. There has been, for incidence, a general resistance from the councillors to review the tariffs with a view to offsetting SNGs' large deficits.

6.1.3.2 SNG Competencies on Human Resources – SNG Staff

Many of the case study countries have experienced many bottlenecks because decentralisation may create greater shortages of skilled manpower. Accordingly, there are gaps in professionally skilled people at the right location and motivated at the existing salary level to be employed by the SNGs. In addition, many constraints and impeding factors make it very difficult for the SNGs to attract skilled people. This is true not only of the top managers but also key staff responsible for ISP, for finances, for auditing and the technical skills associated with urban plans and handling of land development.

The problems that countries have faced focus upon three main factors:

1. the ability of a particular SNG to provide adequate remuneration for its employees (based on a weak revenue base);
2. poor levels of infrastructure coverage in the SNGs (schools, communication, transport, health facilities), which creates negative incentives for employees; and
3. developments within the jurisdiction of donor activities;. donors are associated with improved remuneration and better career opportunities.

The analysis of the six countries revealed that the competencies on the SNG human resources vary considerably across the countries, cf. the table below:

Table 6.2 Competencies of SNGs for Human Resources:

Competencies regarding SNG staff	Hiring and firing of top civil servants (town clerks, heads of departments etc.)	Control of the staff, e.g. promotion, disciplinary sanctions etc.	Boards/commissions to manage the hiring and firing	Accountability of the staff – who do they refer to?
Zambia	SNG	Ministries interfere	-	To SNG, but ministries may interfere
Senegal	CG*	SNG control	-	To SNG and dual accountability for key staff
Ghana	CG, through Head of Civil Service	CG (SNG only few staff in lower positions)	Head of Civil Service Administration at CG level	Dual accountability SNG/CG, CG most important authority
Swaziland	Varies, but town clerks have to be approved by CG	SNG/CG	-	Larger SNG: SNG Smaller SNG: CG
Uganda	SNG/commission	SNG	Local District Service Commissions	SNG
Zimbabwe	Indirectly CG through a Board appointed by the Minister of SNG	SNG	Local Government Board appointed by the Minister of SNG	SNG but with appeal to Board

SNG = Sub-national government, CG= Central Government, * Varies: Many smaller rural SNGs do not have the competence.

In **Ghana** and **Zimbabwe**, all the decisions on hiring and firing of the top ranking civil servants have to be taken by the central governments or boards established by and controlled by central governments. Below are listed some evidence for the various countries:

Box 6.1.: Systems of Civil Service:

In **Ghana**, the Head of Civil Service (OHCS) decides all major questions related to the hiring and firing of civil servants, and the SNGs have very limited influence on the number of staff, the persons to be selected to the specific positions, the timing of the filling of these positions and the authority to control, supervise, promote and sanction staff. This leaves little room for the SNGs to decide on these matters. There are presently plans to change the organisation of these matters. Many local officers are seconded by central government with references to the headquarters in Accra. The loyalty and responsibility is blurred and the managerial accountability to the SNG is low. Currently, there is a freeze on all appointments to prevent civil service from becoming bloated. To recruit, the SNGs have to produce a manpower ceiling certificate issued by the Management Service Division (MSD) of the Office of the Head of Civil Service. MSD is the office of rationalisation and has a scientific basis for manpower analysis. When the certificate has been issued, approval to hire is sought from the OHCS after which the SNG will have to seek financial authorisation from the Ministry of Finance. This may take years. Even when the approval is given, the appointed person may be posted to an SNG other than the SNG that originally made the request. SNGs have no influence on the actual recruitment and selection of critical manpower.

In **Swaziland**, the competence varies greatly from the larger to the smaller SNGs. The two big cities have the competence to hire and fire all staff, although the town clerk has to be approved by the central government. The central government controls the staffing situation in the smaller SNGs, and most of the staff in the smaller town boards are central government employees.

In **Zimbabwe**, a Local Government Board or the Minister of Local Government (in the case of the rural district councils) recruits the senior staff. The Board consists of seven members who are appointed by the minister (some of the members are nominated by representative bodies of the local governments). The Board was established to provide checks and balances in the management of the staff resources at the SNG level. The Board is in charge of the general organisation and control of the employees in the service of the SNGs and the appointment and discharge of the officials.

In **Uganda**, the districts themselves (SNGs) appoint the service boards (approved by the general CG service commissions). The SNGs have a much stronger say on who should be appointed in the various positions and the firing policy.

The officials are fully accountable to the SNGs and the SNG feel that they have great influence on the selection of the civil servants at all levels. The District Service Commissions are linked to each District (the larger SNG units), which means that the lower levels (tiers) of local government (e.g. smaller sub-counties) have limited influences and control of the staffing situation.

In **Zambia**, the Ministry of Local Government and Housing still effects inter-council transfers of personnel and the decisions on the top civil servants, despite the objectives in the existing legislation to leave these decisions to the councils. The lower, and most of the middle level, civil servants are hired/fired by the SNGs.

In **Senegal**, the competence varies according to the type of staff and the type of SNGs. The bigger SNGs may hire and pay for their own staff, except the higher level of civil servants, which have to be approved by the central government. Even in these larger municipalities, key staff, such as financial staff, is decided by the central government. In the smaller rural districts, the SNGs are not allowed to hire/fire staff. Within these smaller units, most of the staff are central government employees located at the local level.

Some countries have introduced general limits on the size of the SNG administration, e.g. in **Senegal** and **Zimbabwe**, where the expenditure on salaries cannot exceed 40% and 28% of the current expenditures, respectively.

The six countries have chosen three basic models of management of the SNG staff:

- 1) significant SNG autonomy of the staff (all levels of officials or almost all): Zambia/Uganda;
- 2) SNG control of staff depending on the capacity/type/size of the SNG – Swaziland/Senegal; and
- 3) strong central government control of the SNG staff in all SNGs, either by ministries or by central commissions – Zimbabwe/Ghana

As part of these three models, some countries have decided to establish various types of independent or partly independent service commissions (**Uganda, Ghana and Zimbabwe**), consisting of people with knowledge of this field. The objective is to counteract the influence of the central and SNG on the SNG staff and to establish checks and balances. The SNG influence on these commissions varies from country to country.

Box 6.2: Uganda: Human Resource Management in SNGs.

Many changes have taken place since the decentralisation process started in the late 1980s. These reforms have covered four major areas namely: Administrative reforms, Political reforms, fiscal reforms and planning reforms. These reforms have made a number of achievements some of which are:

- Local government staff have shifted allegiance from the centre to the local governments and are now answerable to the councils which have the power to 'hire and fire' through the DSCs.
- The staffing structures and levels within the central ministries were rationalised with the local civil service structures. Consequently, some posts were abolished and others reduced to ensure non-duplication and wastage of scarce human and financial resources. 'Ghosts' were also weeded out of the Payrolls. The result was that more money was released for bettering the remuneration of the remaining employees at the national level as well as for better service delivery.
- Some new units were formed at the local government levels to help them to deliver better on their mandated functions. For example, a planning unit was created at the district and urban councils to take charge of the planning function within these local governments.
- More resources have been channelled into the training of the political and civil staff of local governments especially in the area 'Result Oriented Management (ROM)' with a particular emphasis on 'value for money'. The result has been relatively more detailed (though still not good enough) development plans, work plans, monitoring and evaluation.
- Records management has improved and strengthened.

There are still a number of drawbacks though. These are:

- The legal requirement that local government boards and Commissions be part-time regardless of the workload. Some local governments find it cheaper, more convenient and cost-effective to pay salaries to the DSC members if they worked full-time than pay sitting allowances under the current arrangement especially during peak-period like during the interview of primary school teachers.
- Organisational structures at the local government level were inherited from the structures, which were there before decentralisation. These are in most cases large and not suited for the service delivery needs of local governments. For instance, there are no

planning units and water engineers in the municipalities.

- A still centralised payroll for some of the staff working in the local governments like teachers and medical personnel.
- There is a lack of a concrete training policy on training of local government employees.
- Failure of the central of the government to help local governments pay off the retirement benefits of local government employees who are no longer needed.
- The decentralisation of the pension responsibilities without adequate resources makes local governments extremely unattractive in this area. As pointed out already, retirement benefits are very expensive and could have serious impact on the finances of local governments if they are paid in full and promptly. Many local governments have failed to honour their obligations in this area.

6.1.4 Capacity of the SNG Administration

The capacity of the SNGs in the six countries varies greatly, because of their size, financial capacity, relationship to central government and SNG responsibilities in each country.

The table below gives an impression of the capacity of SNGs in the six countries, as measured in number of staff. The number of staff is only one crude indicator and only one among many indicators of the administrative capacity of the SNGs. Other factors, such as organisation structure, skills and other factors have to be considered as well.

Table 6.3 Survey of the Number of Staff in the Six Countries (Only Own SNG Staff are listed in the Table):

Country	Capital City: Number of staff/Number of staff per 1000 inhabitants	Sample sub-national governments							
Zambia	Lusaka: 2,700/ 2.6	Ndola: 1,925/ 4.9	Livingstone 823/ 6.9	Petauke 128/ 0.5	Chibombo 87/ 22				
Ghana (**)	Accra: 2350/ 2.3	Suhum- Krobao 109/ 1.0	Dagomba M. 304/ 2.0	Cape Coast MA. 130/ 1.5	Asante Akim DA 107/ 1.2	Tano DA 241/ 2.6			
Uganda (*)	Kampala CC: 806/ 0.9	Mukono District: 959/ 1.9	Lira District: 407/ 0.7	Bushenyi District 531/ 0.7	Rakai District: 873/ 1.9	Kotido District 217/ 0.9	Lira M. 92/ 1.5	Mukono Town: 37/ 1.2	Mbala M. Council: 89/ 1.3
Swaziland	Mbabane C.C: 330/ 5.7	Manzini C.C. 380/ 5.5	Matsapha: 4/ 0.3	Nhlangano: 45/ 5.6	Piggs Peak 30/ 7.5	Siteki: 30/ 7.5	Lavumisa 10/ 7.7		
Zimbabwe (**)	Harare: 12357/ 10.3	Kwekwe 1150/ 15.3	Gwanda: 205/ 18.6	Rusape: 253 18.1					
Senegal	Dakar City: 2,375/ 1.3	Guedia- waye: 232/ NA	Kaolack: 218 / 0.2	Sangalkam: 16 / NA	Louga Region: 7/ NA	Taiba Ndiaye: 1 / NA			

(*)Excluding teachers

(*) Some of the staff positions are vacant

(**) Ghana: All staff is included, which are working for the SNGs. DA: District Assembly

Generally, the SNGs in the six countries have rather few staff per 1000 inhabitants compared to SNGs in other parts of the World.

The analysis of the six countries revealed great difference in the number of SNG staff. The SNGs in **Uganda** and **Zimbabwe**, especially the larger cities and districts, have a considerably larger

number of staff, sometimes more than a thousand employees, whereas the smaller SNGs in **Senegal** have less than 10 people employed. A comparison of the metropolitan SNGs in all six countries also revealed great difference in the number of employees per 1000 inhabitants, ranging from 10.3 in **Zimbabwe** and 2.3 in **Ghana** to 1.3 in **Senegal** and 0.9 in **Kampala**. The SNGs in Uganda generally have the largest number of staff, but when compared to the size of the SNGs, the administrative capacity is weak compared to some of the other countries. This is also the case in Ghana, where most of the SNGs only have approx. 1-2 staff per 1000 inhabitants. In terms of staff per 1000 inhabitants, Zimbabwe has the most staff-intensive system.

6.1.5 Managerial approaches focusing on innovation and efficiency

6.1.5.1 Innovative approaches in management

The SNGs' capacity to routinely examine innovative approaches to the improvement of their management is dependent on the quality of their human resources and the incentive to do so, the latter being a function of a supportive regulatory and legislative environment. Many of the 'innovations' within the councils are mainly externally derived and funded; it is rare that a major shift in management style in ISP can be explained by the innovations of the councils themselves.

Many of the management functions are routine and responsive to day-to-day challenges, with very few signs of strategic thinking by way of projecting into the future and designing alternative strategies and approaches to doing things. Only a limited number of the sample SNGs, for example, have developed realistic strategic and operational plans that give one a comprehensive picture of how best to do things differently in the light of the well-articulated constraints that most of the council officers reported. Many persons interviewed at the SNG senior management level were very knowledgeable about the problems being faced, and some of them prescribed innovative approaches to dealing with the problems. However, this considerable amount of knowledge is rarely translated into concrete action plans to address the problems identified.

A number of factors seem to explain this state of affairs. Firstly, it is clear that the development of a culture of strategic thinking that enables one to translate perceived challenges into new opportunities has not been facilitated in most SNGs. This could be a function of both the training background of the chief officers and, for those that have the requisite skills in this area, the absence of a supportive decision-making processes/systems that would allow innovative managers to translate their visions into remedial action. The development of strategic plans, for offices at the central government level that have done this, is usually a product of an elaborate process involving external facilitators that possess the requisite knowledge and tools in this kind of process.

In the case of **Uganda**, some of the SNGs have experience with and access to specialist expertise that may assist them in identifying innovative management approaches. The experience of local governments in this area varies. While some SNGs may have considerable experience of local counterparts working with specialists in the field of ISP, others have no experience at all. For instance Rakai, through DANIDA support, has been able to gather considerable experience in this area. The same is true of Lira through the SDDP Dutch-funded project. Others (including Kampala, Bushenyi and Mukono), on their own accord, have tried this approach.

Against the background of the general performance of a number of the sample SNGs' management decision-making processes described above, a number of conclusions with far-reaching implications for the effectiveness and efficiency of management processes can be drawn. Firstly, the council chief officers who are mandated to deliver infrastructure services are not given sufficient financial and managerial autonomy by both central government authorities and the councillors. This

institutional environment leaves little latitude to councils' managers to play an innovative role in the management of SNGs. Due to the nature of the current management decision-making processes, chief officers have been compelled by the policy-makers (councillors) and the central government to provide services at sub-optimal prices without regard for inflation.

Secondly, principles of good governance in service provision have rarely been fully embraced in decision-making process involving councils and central government. Under the current decision-making arrangements in the typical council studied, the users of the services delivered are unable to have their demands absorbed into the planning processes.

In the case of **Zimbabwe**, in connection with the general reforms taking place in the public sector, SNGs 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 are 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.

Some Zimbabwean SNGs have been proactive, have introduced performance management and are exploring how the system can be linked to remuneration. Others have prepared Integrated Strategic Development Plans and conducted studies to strengthen accountability and transparency in housing; they are currently engaged in a value for money management audit being conducted by ZIPAM. Harare City Council 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. Some SNGs in Zimbabwe 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 do not 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. Other SNGs do 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 MLGNH, water decisions by the Ministry of Water and decisions on electricity by Zimbabwe Electricity Supply Authority (ZESA).

6.1.5.2 The introduction of target-performance based management

A few of the sample SNGs in the case study countries have introduced practices on target performance management. Some of the SNGs are forerunners in this process. Ruwa Board in **Zimbabwe** has introduced an annual appraisal system to monitor individual performance and identify staff training needs and their suitability for the current job. Kwekwe has commissioned a value for money management audit that 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 the procedures are applied. 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 has a system for analysing internal procedures, particularly at budget time and when incidents of fraud arise. 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 has prepared an Integrated Strategic Development Plan, conducted a study to strengthen accountability and transparency in housing and is currently engaged in a value for money management audit. 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.

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. 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. Some SNGs have experienced planning and engineering staff, but the latter does a lot of sub-contracting because of cost considerations.

Following are ratings of the performance standards of the sample local authorities on technical management in Zimbabwe. The ratings are based on consultant's assessment of the performance, as established through interviews with SNG officials and from public information such as newspaper reports. It is not a scientific assessment.

Table 6.4 Assessments of SNGs' Performance Standards on Technical Management in Zimbabwe

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: (developed by the team of consultants in Zimbabwe)

- 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 that does not meet expected standards

6.1.5.3 The reorientation of the general management approach by implementation of the service management concept

In many of the sample SNGs, the *general management approach suffers from the lack of delegation of tasks* to e.g. the level of the departments of the municipality in accordance with policy guidelines, principles and targets for the provision of services. The result is that:

- It is difficult to increase the performance and efficiency of the administration of SNGs.
- It is difficult to address the wish of the SNG's political leadership to give prompt response to applications from the citizens (e.g. for receiving targeted social support, a construction permit, a location of a new enterprise, etc.).

- All levels of the administration and political leadership of SNGs are heavily overloaded.
- There appears to be only limited incentive to introduce new work methods and procedures.
- There appears to be very limited amount of experimentation and innovation with the objective to improve responsiveness of administration to citizens e.g. enhanced by changes in the division of work between different departments, introduction of information systems, data-sharing arrangements, etc.
- There has been a lack of effort to introduce operative targets for service provision in different fields of administration and for provision of services to citizens.

The introduction of an alternative approach to management – *the service management/user orientation approach* – represents a very important re-focussing of many of the activities of the municipality administration and a change in political leadership approach as well. The service management approach again, again and again requires answers to the question: “*how can the municipality improve the amount and quality of services provided to citizens*” with respect to prompt response, guidance of citizens, opening hours of administration and friendliness of attitude of staff to citizens. Once the leadership of the SNG has decided that this question should be the first and most important question in all matters of the administration, a series of changes may be the consequence, and innovation will come into the forefront of managerial management.

At present, many of the sample SNGs are so frustrated about their financial situation and the constraints created by the many and detailed rules and regulations issued on the basis of the legislative framework that they have the general idea that only more financial resources can improve the situation and the possibilities to provide improved services to citizens. This is a misinterpretation of their real potential.

6.1.6 SNG capacity building by training programs and activities

6.1.6.1 Capacity Building Initiatives/Training/Human Resource Departments

Most countries provide training activities for the staff of the SNGs, either through the central government institutions or through the associations of local authorities or other private/NGO/donor financed initiatives. Although these initiatives are considered wholly inadequate, many good initiatives have been revealed during the study. Below are listed some of these:

In **Zimbabwe**, Harare City Council has established the position of human resource director and appointed a professional human resource practitioner to the position. The SNGs in Zimbabwe have had good experiences with external consultants in strategic planning, engineering, specialist in project management, etc. The Institute of Public Administration is the main provider of consultancy expertise to local authorities. Some of the local authorities, such as Ruwa and Pfura, have developed active training programmes; others, such as Gwanda, have developed policies to enhance the incentives to training by paying part of their salaries when longer-term training is started. Some of the SNGs have also experimented with performance related management linked to remuneration and have developed integrated strategic plans to enhance transparency and accountability. In addition, a multi-donor supported Rural District Council (RDC) Capacity Building Programme is now in its third year of assisting all 57 RDCs in the country.

In **Swaziland**, the bigger SNGs have developed strategic plans where specific future targets for the various sector areas are established. Manzini has recently established a human resource function in order to strengthen the management and optimal utilisation of its human resources. The use of external consultants is widespread.

In **Uganda**, the associations of local authorities are very active in the identification of future training needs and in the design of a sustainable training strategy. A training co-ordination forum is established in order to secure optimal co-ordination of these initiatives. A comprehensive training needs assessment has been conducted, and various sector-training courses provided. As part of the budget process, the SNGs are supposed to elaborate development plans that integrate long-term budgeting with other planning initiatives, land management, physical planning, etc. These initiatives are not yet fully implemented.

In **Senegal**, the associations of local authorities and the World Bank-supported Municipal Development Agency, are actively promoting training of SNG officials. Contracts are developed where future finance is linked to capacity building efforts at the local level.

In **Ghana**, a new institute of training, the Local Government Studies, has been established in June 1999 to provide training of SNG staff to enhance the capacity within the key areas of managerial administration and technical areas. The District Co-ordinating Directors in all sample SNGs have signed performance agreements with the Head of the Civil Service (OHSC) by which at the end of the year they will be held accountable to ensure that a number of deliverables have been met. Under this scheme, directors who score less than 70% of a certain score system will be sanctioned for non-performance, and directors who score more than 90% will be rewarded.

Box 6.3: Zambia: National training policy.

The government has identified the need for a comprehensive national training policy. A National Training Policy document has been developed, although it has up to now not been comprehensively operationalised. This policy initiative has been necessitated by the uncoordinated and fragmented approach to Human Resources Development; lack of data on training needs; uncoordinated training programmes; lack of sectoral and organisational training guidelines/policies; inadequate linkages between training output and the labour market requirements; lack of support for training by end users; wastage and misplacement of personnel; and lack of monitoring mechanisms to determine the capacity and productivity of the trained personnel to contribute meaningfully to national development. The government has, thus, set itself towards the realisation of the following principles, objectives and guidelines for the internal and external training, development and utilisation of human resources in the country:

- Identify training needs with a focus on linking skills to job requirements;
- map-out clearly identified national training priorities;
- establish a linkage between training programmes and the skills needed in the workplace;
- undertake job assessments and individual performance assessments as part of the training process;
- develop training plans that are consistent with short and long term Human Resource needs of the country;
- monitor and evaluate the quality of training offered by training institutions;
- create partnership for Human Resources Development between government and the private sectors; and
- facilitate institutions to be accountable to employers for the quality and relevance of their training.

In **Swaziland**, City Councils have more comprehensive procedures and programmes of training, and there are terms and conditions of service that contain provisions on training and employee development. Town councils and town boards are disadvantaged in this regard, because there is a lack of a comprehensive policy or programme for the improvement of the technical management capacity via training. This problem stems partly from the fact that many of the council employees holding responsibilities are on secondment from central government in some of the SNGs.

The Study in Swaziland revealed shortfalls in skill levels that can be filled through training. Council employees do receive opportunities to attend training programmes for upgrading their skills i.e., employee development. In some SNGs, training budgets enable councils to finance the costs of

training. Such training includes courses that are sponsored by the council, offered by training/academic institutions, seminars and workshops. An employee wishing to take a course connected with his occupation receives a refund of the cost of his student fees or has his student fees paid on his behalf by the council, subject to the conditions set out in the staff standing orders. In the case of **Swaziland**, however, the main constraint for councils is that training opportunities are inadequate since the training of staff on secondment depends on government training programmes. Such training becomes available in an erratic manner due to the absence of a co-ordinated training policy in central government and dwindling donor support.

6.1.6.2 Enhancement of staff training by joint efforts of central government, the national associations of local authorities and other players

For **Zimbabwe**, the study illustrates that the strategies and action plans for the systematic training of existing staff in order to upgrade their administrative and/or innovative capacities, vary across the SNGs. Some SNGs stated that, although training is provided, it is general skills training and does not address specific needs of local authorities. There are various public sector training institutions 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.

In the case of Swaziland, however, the main constraint for the smaller councils is that training opportunities are inadequate and that the staff are on secondment. The training becomes available in an erratic manner due to the absence of a coordinated training policy in central government and dwindling donor support.

In **Uganda**, the association of SNGs has taken an active role in making training needs assessments and in organising training for the members.

6.1.7 The introduction of new methods and IT in the administration and decision-making of SNGs

6.1.7.1 Strategic Planning as an innovative tool of management

The major way in which SNGs have sought to improve their management processes has been through strategic planning. In a number of the sample SNGs, strategic plans have been formulated. As part of the strategic planning process, a number of projects and programmes have been developed and a number of strategic directions/alternatives have been identified: broadening sources of revenue to increase total revenues without overburdening any source; reducing crime; and institutionalising quality customer service.

In **Swaziland**, some of the SNGs have adopted as a strategic planning objective a restructuring exercise focused on the reorganisation or review of councils' human resources for improved service delivery and optimal utilisation of limited resources. Strategic planning has been carried out also in the town councils, mainly as a directive from central government. Projects and programmes have been developed because of this process. The strategic plan could have short-, medium- and long-term objectives. These objectives are enshrined in the strategic plan. Short-term objectives include the repair of existing streetlights, pavement of sidewalks, improvement of and fencing of dumping site, provision of information signs at all critical areas in town, enhanced community participation and improved team spirit. Medium-term objectives could be the tarring of all streets in the urban areas, the installation of streetlights, construction of new roads, renovation of the abattoir, and the extension of the existing market. Long-term objectives could include building of a community

centre (hall, sports, education, etc.), building of a shopping complex for town council, and the extension of the urban boundaries. Some of these objectives have been achieved, but most are yet to be achieved by the local council, especially the long-term objectives requiring massive resources.

In addition to strategic planning, efforts have been made by councils, albeit on a limited basis, to examine other innovative approaches to improving the management process and/or enhancing service delivery through privatisation and public/private partnerships.

6.1.7.2 The systematic and structured use of IT and information systems

One of the main constraints to effective decision-making in the sample SNGs regards the existence of inadequate policy and planning-relevant information and data generation. Sound policy-making at the SNG level is impossible to achieve without the existence - and availability in a user-friendly manner - of timely, reliable and accurate data. Information is required on such aspects as the proportion of water supply that is lost through leakage or even through illegal connections; population size and its growth projections; ability and willingness to pay for the services rendered; volumes/amounts of what is consumed; land availability and utilisation; services demand; quality of water delivery; the level of solid waste build-up; real property value; natural resources; etc. All of this information is important for informed policy and planning. The absence of this data in a user-friendly form means that it is hardly used in planning and decision-making, let alone shared with other sub-national authorities through networking. With the exception of the larger councils, this Study experienced severe difficulties in gathering reliable data on the sample councils' activities.

Complementary to this, the development of relevant management information systems that support the planning processes is most needed in the organs that are charged with ISP. The absence of management-relevant data covering the fields itemised above compromises forward planning in the delivery of services. All the sample councils for this Study exhibited serious deficiencies in data availability and the management of the limited available information that is available. In some councils, even data on the employees in their establishment is not readily accessible. The net result of this state of affairs is the following:

- There is hardly any systematic analysis in any of the councils examined of internal procedures of work functions with a view to improving on their performance record through, for example, the optimal realignment of the existing processes and procedures to their resource (both financial and human) and management capacities. Consequently, no reforms in their management systems have been introduced for a long time, and any minor changes with respect to procedures are often products of central government directives.
- Information and communication technology is used in a productive manner only in the larger councils. Electronic mail system, for example, has not yet been fully utilised, and telephone services are most of the time disconnected due to non-payment of bills. Computers are used in many of the councils covered but often in a very rudimentary manner and more intensively as word processing 'type-writers'. Overall, the full capacity of the computers and related software is hardly taken advantage of in both communications and data processing for the purpose of improving the expediency and quality of their administrative and management processes and performance.

In the case study countries at present, most information registration systems are established by the central government. Most of the registration is thus made in connection with the activities of the tax authorities, the land management and notary functions, apart from the manual registration associated with the urban planning functions (construction permits and land-use/urban planning documents). Among these stakeholders of information systems, there is no formulated intention to share information, although this is almost a necessity since resources within the individual agencies and SNGs are very limited.

The formulation of a common SNG IT strategy might increase efficiency, foremost through an improved division of work and more systematic work procedures and work methods by the systematic use of modern technology and information systems. An IT strategy could be based on a step-by-step approach, with the aim to establish and operate multi-purpose information systems at the SNG level.

The strategy could focus on ways and means to develop a framework for systematic computer-assisted municipal administration and decision-making. The strategy could include a framework concerning the information policy preconditions for a systematic use of economic methods of cost-benefit analysis, accounting analysis and consequence analysis for the administration and decision-making. Further benefits could be associated with joint SNG training activities in the use of information systems.

6.1.7.3 The need for and advantages of a joint-SNG IT-Strategy.

There could be many advantages gained through the formulation and implementation of a common SNG IT strategy in the case study countries. A joint SNG IT strategy could be used as a framework to develop, in general, the administration, to disseminate the knowledge of the advantages of modern methods and practices in public administration and to facilitate the provision of municipalities with hardware, software and training of staff and management.

The development of a joint SNG IT strategy could enhance a dialogue concerning the development of strategies for establishing and running multi-purpose information systems and registrations in support of municipal decision-making and administration and for purchase of hardware and software on a joint-municipal basis.

At present, there does not exist an organisational structure for the care taking of municipal interests in the field of administrative use of IT. Computer-assisted registration and administration is used in a very fragmented way and only to a very limited extent in a systematic and structured way related to the municipal administration. Municipalities purchase hardware and software individually. Municipalities purchase from small- or medium-sized software and hardware vendors, or they develop individual computer programmes on an ad-hoc basis. As a consequence, much duplication of registration takes place within the individual municipalities, and the data registered in one field of administration is not systematically re-used in another field of administration in accordance with a policy for information systems.

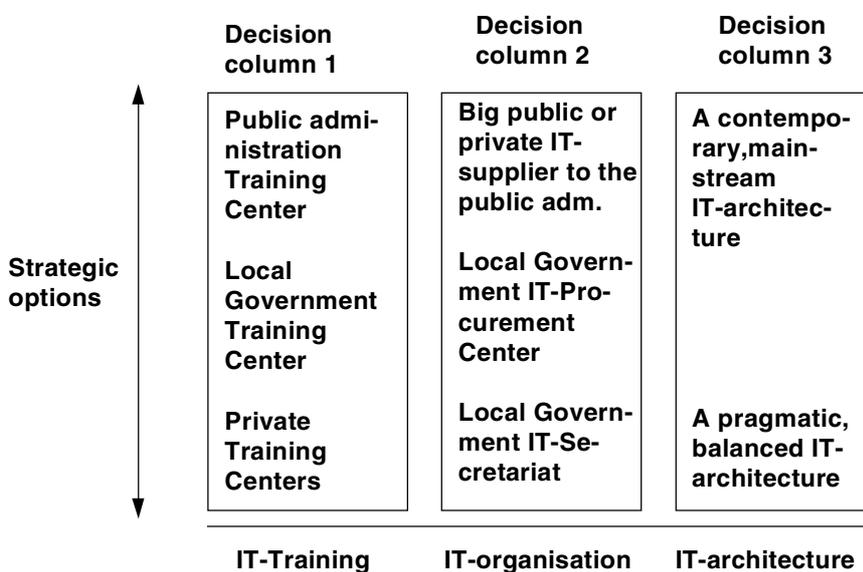
The following general problems has been identified:

- Integration and openness is lacking.
- Standards are not in place.
- Procurement processes are not transparent. There are many very small suppliers and weak maintenance.

- Money and economies of scale are insufficient.
- There are no bodies to regulate the administrative development and use of IT in local governments.
- Legal barriers exist to efficient administration.
- An open IT market and general information channels regarding IT products suitable for local governments are lacking.
- There is no overall IT strategy for the local government sector and very few examples of IT strategies for individual local governments.

The strategic components of a joint municipal IT-Strategy could be developed along three decision columns: two columns of institutional recommendations and one regarding technical IT architecture.

Figure 6.1: The organisation of the IT strategic components



A joint SNG IT strategy should be seen in terms of the situations and experiences prevailing among the SNGs in the case study countries. The use of information technology varies across the countries, and the examples below illustrate the status:

- In **Zambia**, information technology is used in a productive manner only in the larger councils and is based on mainframe computers. None of the sample SNGs shares information with other SNGs.
- In **Swaziland**, only the two large cities have meaningful computers available (55 and 33), whereas the smaller SNGs have none or very few computers, and none of them is connected to a common information sharing system
- In **Senegal**, few of the SNGs have computers, and the computers in the larger SNGs are not connected to a common IT system. Dakar was the only one of the sample SNGs that had a computer service.

- In **Uganda**, the capacity for IT has developed quickly in recent years. In co-operation with the key donors, most of the districts have received computers, related training in computer techniques, operationalisation and linkage between various computer programmes. This process will continue in the coming years.
- In **Ghana**, most of the sampled SNGs have a few computers that are used only for word processing. Accra is the only exception.
- In **Zimbabwe**, most of the records management is still manual, and few computers exist at the SNG level, cf. the table below:

Table 6.5: Computers in the Sample SNGs in Zimbabwe

Equipment	Rusape	Gwanda	Gutu	Ruwa	Pfura
Servers/mainframe	10	1	1	1	1
PC/terminals	5	3	3	5	3

In **Zimbabwe**, considerable effort has been made to more systematically introduce IT and information systems in the 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.

Some attempts are being made for the sharing and multiple use of data, although local authorities are currently making only limited effort to 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 it has an ad hoc arrangement for sharing 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.

BOX 6.4 Uganda: The integrated use of IT for capacity building.

Great strides are being made in developing the capacity for use of information technology to improve the expediency and quality of administrative processes, reduce routine work and increase sharing of data by networking of information. These efforts started with the UNDP capacity building for district planning units. In this project, each district-planning unit was given computers and a double cabin pick-up to facilitate the collection, processing and storage/retrieval of data. This exercise was followed by centrally organised training courses for officers in the planning units in basic computer software.

This project has been followed by other bilateral and multi-lateral donor efforts as well as central government efforts in promoting the use of information technology by local governments. These efforts have been concentrated mainly in availing computers and the relevant software as well training for the relevant staff. Today, a number of achievements have been made. These include:

- Minimum Technical specifications for information technology equipment and programmes for use by local governments have been developed and distributed.
- Tests were completed on simple to use spreadsheet customised for local government accounting purposes. In addition 100 technicians and 58 Chief Finance Officers from all the 45 districts and 13 municipalities were trained in

general computer skills and use of the customised spreadsheet. The spreadsheet has been installed in all the districts and municipalities.

- A consultant has been contracted, under DANIDA funding, to develop a more robust accounting application capable of meeting the full accounting requirements of the local governments. The customised software will be developed along the lines of the software used by Rakai district
- The Ministry of Local Government, in collaboration with the Ministry of Public Service, has obtained funding from the World Bank to acquire a cheap and easy to use Integrated Personnel and Payroll System in order to facilitate the decentralisation of the local government payroll.
- An additional 182 computers and accessories are going to be procured with assistance from the World Bank to operationalise the Computer Programme for Local Government' Accounts, Payroll and Records Management.
- Funding has been obtained to train at least two planners from each of the 45 districts and 13 municipalities on the statistical package for social scientists (SPSS) in the Uganda Management Institute. One Officer per district/municipality has also been trained in procurement of information systems under World Bank guidelines.
- A workshop was held to sensitise the top managers of the local governments on information systems in general and their importance in management and procurement.
- One district Databank has been set up under DANIDA funding in Rakai District. If funding is obtained, similar databanks will be set up in the rest of the other districts.

6.1.8 Financial Management Capability in relation to tariff policies and ISP

6.1.8.1 Capacity within SNG Finance

To various degrees, capacity is also weak within the area of financial management, budgeting and accounting in most of the sample local authorities. Only the largest SNGs in each country have financial specialists in their financial departments, and many SNGs have no financial department at all but only a few bookkeepers to register the payments to/from the SNGs. This is in particularly the case in the rural SNGs in **Senegal, Swaziland** and **Zambia**.

Tax collection capacity is also a problem in all countries. In **Ghana**, most of the tax collectors are unauthorised/private people contracted by the SNGs to perform this task. This has a negative impact on the efficiency of the tax collection in this country. The SNGs in all six countries face great future challenges within this area.

6.1.8.2 Planning and financial management

Some of the countries in the Study have focused on enhancement of the planning capacity and the elaboration of SNG development plans, often closely linked to the budgeting process. In Uganda, an ambitious planning initiative has been launched under the auspices of the Ministry of Finance in order to strengthen financial planning and the linkage between development plans and the budget processes.

6.1.8.3 Audit and financial control

The limited availability of financial data during the study period in the six countries is a good indication of the status of the present accounts and of the financial control. The table below gives an overview of the available data and information for some of the countries on the status on SNG audit:

Table 6.6: Status of the Financial Management in the Six Countries

Country	Latest available accounts for all SNGs	Audit status	Other comments on financial control	Internal control and information exchange
Zambia	Provisional account figures from 1997	The audit is several years behind, most of the councils have not prepared audited accounts for several years	Many previous budgets still not approved, despite the fact that they are used in the daily work	Accountability of the SNG expenditure very weak.
Senegal	Most data from 1997 available, for some SNGs only up to 1996	Part of 1997 conducted	Strong a prior control of the use of funds by separation of power	Clear separation of responsibility of revenue and expenditure (control of appropriations)
Uganda	1997/98		Through the development plans SNG measures performance against the use of funding	
Ghana	1996	Audited of the accounts many years behind present year	Financial regulations are out-dated, weak financial control. A Fiscal Decentralisation Secretariat has recently been established to strengthen the financial control	
Swaziland	1998	Most of the control is done on a day to day basis by the Ministry of Urban Development	Problems in the control of budgets in many SNGs	Data on the urban SNGs is quit up-to date – (1998/99)
Zimbabwe	1997	Sample SNGs last audited accounts 1997/1998	Most cities are able to provide good financial accounts, the rural district have great problems	All cities and most of the rural SNGs have internal audit departments

As by the end of 1999 – Source the six country reports.

The major problems regarding financial management in the local governments have to do with difficulty in making precise financial forecasts as well as inadequate staff (in terms of numbers and qualifications) in the finance and audit departments. These problems are mainly caused by:

- lack of reliable fiscal databases in most of the local governments caused by inadequate staffing and facilitation of the district planning units;
- the unpredictability of financial commitments, especially from donors and the centre; and
- increased financial tasks placed upon local governments by the demand for specialised accounting, especially for funds provided under conditional grants and donor aid.

6.1.9 Technical management capabilities in relation to ISP

The case studies revealed that many sample SNGs have severe difficulties employing key staff with appropriate skills for the handling of ISP, particularly engineers, environment specialists, architects and planners. This is the case even where SNGs are legally empowered to employ staff of their choice as long as they are able to pay them.

As the information concerning **Uganda** exemplifies the problem (refer to Table 6.7), despite this legal provision, many gaps still exist, especially in the upper technical staff categories. It is these

staff categories that have the necessary expertise and experience for planning and carrying out investment projects involving the key infrastructure components or even for the preparation of contract documents or the supervision of contractors. The table below shows the gravity of these skill gaps by focussing specifically on a few staff categories most critical for ISP.

Table 6.7 Staff Strengths in the most critical Technical Management Capabilities (Graduate Positions) in Uganda

District	Environmental Officer	Physical Planner	Economist	Engineers	
				Civil	Water
Kampala	0	1	1	2	0
Mukono	1	2	1	2	1
Lira	0	0	0	1	1
Bushenyi	0	0	1	1	1
Rakai	0	0	1	1	1
Kotido	0	1	1	1	1
Mbale M.C.	0	1	0	1	0

From the above, it is clear that the staffing of the SNG planning and infrastructure management departments is very inadequate. Considering the size of the service populations as well as the size of the jurisdictions of the various local governments, the staffing levels of the graduate positions in these otherwise vital services is appalling.

This situation is largely due to the inability of the SNGs to offer competitive salary packages from their own local revenue. Second, increases in the wage bill components (in unconditional and conditional grants) for delegated or decentralised staff do not cater for:

- annual increments in the salaries of local government employees;
- Increases in salaries due to promotions; and
- new recruitment of local government employees.

There have been many discussions in Uganda about the appropriate actions to take to improve the technical management capacities in the local governments. Three suggestions among those that have come up seem to be viable, namely:

- Share highly technical staff among neighbouring local governments and pool the remuneration together. The improved remuneration could attract better-qualified people and, at the same time, bring better expertise to the local governments since these experts do not need to be there on a daily basis.
- Upgrade the lower qualified staff presently acting in these positions through training and short-term attachments to other SNGs that have the necessary qualified staff.
- Keep on recruiting until such a time that the job market will be saturated enough for them to stay.

Only the two big cities in **Swaziland** and the larger cities in **Zimbabwe** have a well-developed structure of highly specialised staff, cf. the table below for three of these SNGs:

Table 6.8 Technical Staff in the Sample SNGs in Swaziland

City	Mbabane Swaziland	Manzini Swaziland	Gwanda Zimbabwe
City engineering	11	5	51
Planning/budgeting	7	6	14
Total	18	11	65

Source. The country report, November 1999

The two city councils of Mbabane and Manzini in Swaziland have a considerable degree of autonomy in relation to staff recruitment. Notwithstanding the shortages in the specified departments indicated above, the city councils have succeeded in attracting a large number of local staff with the requisite skills, qualifications and experience. Both city councils have established Human Resource Departments with the responsibility of discharging a number of personnel functions. The personnel functions discharged by city councils include: staff recruitment, training, employee appraisal, grievance handling and discipline.

The town councils, in contrast, lack capacity in this regard. They have the authority to recruit and deploy staff; however, they have limited capacity to exercise this authority. The employment packages that town councils offer are not competitive enough to enable them to attract and retain staff with the required skills, qualifications and experience. The same problem exists in the other SNGs in Swaziland, where some of the officials have to be seconded by central government.

6.1.10 Issues of management and decision making in relation to Land, real estate and urban development

6.1.10.1 Land management and autonomy of SNGs

The issue of land and how land affects the economic (and especially urban) development is very critical. In all case study countries, the lack of autonomy concerning land and real property has many constraints for the proper functioning of the SNGs. The issue of land is influenced by a variety of factors including national wealth, the distribution of wealth among individuals and among different population groups as well as the cultural habits and norms of the country. For the SNGs, one of the major issues is the lack of ownership or long-term leases for land and real property. The inability to own land makes it difficult for the SNG to involve itself deeply in the potential of developing land, developing real property and creating new job opportunities by giving the private sector access to ownership to land. Thus, the issue of land covers a number of very important issues for the autonomy of the SNGs, especially related to ISP:

1. Land is a fundamental good for promotion of economy development and can be very heavily influenced by urban planning measures, the handling of construction permits and the setting up of development companies involving private sector skills and finances.
2. Land is a basis for revenue mobilisation.
3. SNGs can support local economic development by creating incentives for optimal land utilisation; for example, by imposing land use restrictions and other constraints, supplemented by taxation measures that require economic use of land.
4. Access to land can generate urban development instruments.
5. The taxation of land and real property can equalise taxation burdens among different population groups.
6. Land related information is useful for cross-sector tasks and responsibilities within the SNGs and provides an information base for financial transactions, including mortgaging.
7. Land and real property is a very important element for the creditworthiness of the SNGs.

Accordingly, the SNGs in several of the case study countries, such as **Zambia**, are very frustrated by their lack of autonomy concerning land. Land is essential to their development, and lack of access to and control of land is one of the most important impediments to the SNGs' potential to influence local economic development.

In the case of **Uganda**, efforts are being made for decentralisation with respect to land and land management. The experiences indicate the progress and the future challenges. Issues of land control and management are enshrined in the Constitution of 1995, Articles 237 - 243. These articles provide the basis for all forms of legislation on land and the environment. These articles were written with the autonomy of SNG very much in mind: "The Government or a local government may acquire land in public interest; and the conditions governing such acquisition shall be prescribed by Parliament". Article 237 (7) specifies, "Parliament shall make laws to enable urban authorities to enforce and to implement planning and development".

Parliament enacted a new Land Act in early 1998. The Land Act of 1998 seeks to put in place a new regime of land ownership, control and management, and it directly addresses the requirements of the new, decentralised system of government. The previous laws on land ownership, control and management did not take care of the role and concerns of local governments since these were not yet in place.

The Land Act of 1998 recognises four types of land tenure systems, namely: customary, freehold, mailo and leasehold. Under this Act, there is no such thing as public land ownership as a separate form of land tenure. All the four forms of land ownership specified above provide for the ownership of land either by individuals or by a group of persons in a community with the same culture or line of descent (tribes or clans).

This, therefore, means that the government (including the local governments) does not own significant chunks of land. For this reason, the law provides for the acquisition (voluntary or compulsory) of land by the government (including local governments) in such a way that irresponsible use of land by an individual does not harm other land users. Therefore, if a local government is not in agreement with a particular land use, it has to purchase that land before it converts it into another form of land use. The sample local governments viewed the requirement for full compensation to the private owner of the land being acquired as a problem. Considering the fact that SNGs are financially constrained, this requirement poses a major problem for them as far as physical planning is concerned. They cannot afford to pay compensation, for instance, to all people whose land falls in a road reserve.

Because of lack of adequate staff in the district land office to enforce physical plans, private developers are encroaching on road reserves. Some local governments have failed to raise enough money to survey all their land. The number of qualified surveyors in Uganda is still very small, and this has pushed up the fees charged by them. A programme for surveyors has recently been started in the University of Makerere to alleviate this shortage. (This has also been a long-standing problem in Zimbabwe.)

For the purposes of land control and management in Uganda, the law provides for the setting up of a number of bodies. These include the Ministry of Lands, Water and Natural Resources (which is the supreme policy making organ), the Uganda Land Commission, the District Land Boards and Land Committees for the lower level local Governments. The law also provides for Land Tribunals, which act as Land Courts, at all these levels.

From the foregoing therefore, the real constraints on implementing the legal provisions are largely financial. For instance, the legal provisions require the district local governments to:

- Set up and start the operations of the Land Boards and Committees.
- Finance the operations of the Land Boards and Committees as well as their secretariats in the form of personal emoluments and logistical support.
- Recruit and maintain the technical officers attached to these bodies.
- Compensate anybody who is displaced as a result of the actions taken by the local governments.

The financial implications of these responsibilities are very significant. Very few local governments can afford to recruit and retain necessary staff. These financial difficulties have precluded the implementation of the Land Act, one year after it was enacted.

There have been arguments in some SNGs that since the responsibility for land control and management was initially a responsibility of the central government, the centre should come up with the necessary resources to implement the Act. They argue that tasks have been transferred to the SNGs without the accompanying resources. In its current form, the local governments are not able to implement the Act.

Given the financial difficulties of local governments, they cannot afford to pay packages similar to those obtaining in private practice where the majority of requisite skilled practitioners are based. Until these initial obstacles are removed, the Act cannot be operationalised.

In **Swaziland**, planning within urban areas is a function that is discharged by the councils. Accordingly, planning departments have been established and entrusted with the responsibility of planning for and controlling the physical development within local authorities' boundaries.

These departments perform a number of specific functions:

- Provide technical advice to the public, government ministries and service providers (e.g. water, electricity, etc.).
- Approve or disapprove plans of any structure that is to be erected within the boundaries of the sub-national government.
- Survey land and test the quality of the soil in the places where structures are to be built, mainly in commercial areas.

The responsibilities of councils in relation to land delivery and management have increased in recent years because of the implementation of the Urban Development Project (UDP). This project is targeted at improving informal settlements in the urban areas. The councils are key players in this initiative. In Mbabane, for instance, the plan is to improve and transform the informal settlement areas into low cost townships and thereby improve the quality of life of the inhabitants.

In addition to the foregoing, the SNGs have powers in relation to land allocation. Councils and boards sell land/plots or estates to people who have applied for land, are qualified to own land, and are willing to develop the land and pay rates.

Councils charge higher rates for undeveloped plots belonging to individuals (individual tenure holdings), in order to encourage titleholders to develop their plots as soon as they acquire ownership. SNGs may reclaim/resell the land should the owner fail to develop it and/or pay rates.

Furthermore, councils discharge the function of developing the land within their jurisdiction through infrastructure provision. They then sell the land to local people who, in turn, have the obligation of building residential houses/commercial buildings and paying rates.

In **Swaziland**, there are a number of constraints to decision-making in relation to issues of planning and land management. First, there is a general shortage of land in the urban areas. In some cases, because of the nature of the physical environment or terrain, very little space is available to accommodate the development of infrastructure. Consequently, the demand for land is not being met, as can be seen from the accumulated number of applications for land. Second, there are limited financial resources to enable councils to develop the available land. Finally, the complex nature of the land tenure system also imposes serious constraints.

The system of land ownership in Swaziland is such that there exists Title Deed Land (TDL), which is privately owned land, and also Swazi Nation Land (SNL), which is owned by the nation, held in trust by the king, and allocated by chiefs to their subjects. Land is owned and/or controlled by central government and local government.

Because of the complex nature of the system of land ownership, large tracts of land within council jurisdictions are not under the ownership or control of councils. Additionally, there are a number of informal settlements on the periphery of land owned or controlled by local governments. Any attempt to introduce development projects in these areas is bound to encounter resistance. In a number of cases, physical development has proved to be a formidable task. It has been difficult to negotiate and obtain the release of land under the control of chiefs (SNL) or land that is owned by government or individuals (TDL) that has been earmarked for urban development and that, therefore, has to be absorbed by local government. The ownership of the land becomes a contentious issue stemming from the competing claims and the lack of clarity regarding its ownership.

For **Zimbabwe**, land subdivision is carried out in terms of the Regional Town and Country Planning Act, for any other land except state or local authority land. A developer who wants to apply for subdivision has to start by preparing a subdivision layout and then by 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.

Many actors are involved in planning and applications for construction and infrastructure investment. For instance, private sector developers apply through the local authorities or the Department of Physical Planning in the Ministry of Local Government. Developments on state land have to be handled by the urban state land office, also in the Ministry of Local Government. 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 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 SNG.

BOX 6.5 Zimbabwe: The impediments for economic development by delays in investment caused by the time-consuming processes for sub-dividing land

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 being 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.

For the SNGs, which heavily rely on state land for development, follow the same approval processes. For instance anyone who wants to develop on state land 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 its 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 SNGs, which have large tracts of state land. This is further compounded by the fact that the state currently acquires land for most small towns and growth points.

In the case of **Zambia**, it is reported that, *inter-alia*, the basic constraints concerning the operative autonomy of SNGs concerns land management, land use, and land registration. The central government is in charge of land allocation through the Commissioner of Land. With regard to residential property and business premises development, the identified constraints include the following *vis-à-vis* land administration:

- councils' slow speed in opening up land for allocation due, mainly, to inadequate and inexperienced surveyors and insufficient surveying equipment;
- poor building standards as a result of management weaknesses at the plan approval stages and inadequate supervision during construction;
- poor records keeping; and
- over-centralisation of processing procedures compounded by insufficient co-ordination between sub-national governments and the Ministry of Lands, which approves applications for property title.

Actual land planning and management, particularly with respect to residential plans and maintenance of standards, is handled by councils that authorise building plans within their respective jurisdiction. Prior to the processing of title of tenure, which is handled by the central government, councils play an important role in the actual allocation to individuals.

Notwithstanding the positive policy developments following the passing of the Land Act of 1995, a number of institutional and management capacity weaknesses continue to compromise the realisation of anticipated benefits. In spite of the sudden surge in applications for title deeds, land administration procedures have remained both protracted and over-centralised. The Survey Department of the Ministry of Lands has continued to be under-staffed and, thus, has made very little progress in opening up land in response to the increased demand. The stipulated decentralisation of land administration to provincial headquarters has not taken off, up to now, several years since it was announced.

6.1.10.2 SNG Management and physical planning

The management capacity of SNGs in physical planning is quite weak, and all the six sample councils reported that they have experienced difficulties associated with the slow speed at which they have updated their land-use planning, a phenomenon that has compromised the prospects of their jurisdictions' physical development.

In most of the sample SNGs, town planning has lagged behind spatial development. Presently, many urban or city SNGs are surrounded by unplanned settlements that have caused significant problems for the city. This state of affairs indicates that meaningful town planning cannot take place without having to take the politically often-unattractive decisions regarding the problems of the illegal settlements. The option has often been that the 'town planning' entails the upgrading of an unplanned compound, which is a costly way of coping with the urban population pressure, instead of providing services for the poor in the areas from which they originated. It also implies that it is actually an unplanned development of the city. The council or central government legitimises the randomly developed squatter settlements by upgrading them. Such pattern of town planning also complicates the process of ISP, as technical specifications are often compromised due to the operational difficulty of 'planning' an already existing and built-up location.

The above state of affairs suggests that although, through legislative provision, SNGs have powers to control and influence physical development within their jurisdiction, the exercise of this responsibility has been compromised by their management capacity limitations. Both formal and informal housing developments have been subjected to little regulatory checks. Unplanned settlements have emerged and expanded with little meaningful restrictions, and house construction in the urban areas has rarely been subjected to the standards that the SNGs have set out in their by-laws.

In the case of **Zambia**, a number of buildings have been constructed without being approved in the first place, and they have caused problems for the citizens and the environment.

6.2 Common challenges and lessons from the six countries

As shown in section 6.1, most of the countries are in a process of strengthening the capacity of the SNGs and of improving the links between levels of governments. Nevertheless, a number of important challenges have been revealed in the study. Below are mentioned a few of the most important issues to address if the system of SNG is to be sustainable in the future.

6.2.1 Capacity

Most SNGs in the six countries have experienced problems in the right sizing of their staff. At the same time, there is overstaffing at the lower levels positions with less demand for qualifications and understaffing in the upper managerial positions with high/specialist skills. Many highly skilled positions are vacant in the SNGs in most of the countries, e.g. **Swaziland, Uganda, Ghana, Zimbabwe and Zambia**. The reasons are numerous and often mutual reinforcing:

- low salaries and low support in the form of infrastructure and equipment;
- low incentives to provide extra effort (no performance related remuneration);
- lack of training and needed education facilities;
- lack of funding at the local level;
- lack of retrenchment possibilities, as the present "stock" of staff is fixed, cannot be fired because of strict labour rules and very expensive firing procedures;
- cumbersome hiring procedures, e.g. because of bureaucratic approval procedures that require many stakeholders to be involved;
- bureaucratic procedures within the SNGs themselves, which prevent incentives to make innovations; and
- poor relationship between politicians and staff, cf. below.

These problems are particularly severe within the field of planning, finance and technical areas such as land management. These problems have to be addressed in an integrated manner and with a clear strategy for the SNGs to increase their capacity.

6.2.2 Strategy and innovation

The lack of strategic plans, combined with the pressure on the workforce (cf. above), means that much of the work at the SNG level is crisis management, dealing with the most urgent problems and the available resources at that point of time. Although some of the SNGs have started development of strategic plans, setting objectives for the short-, medium- and long-term future, linked to the available financial resources, this is not the general rule within the 35 sample sub-national governments. The recent initiatives within SNGs, such as Manzini, Mbabane, Kwekwe and many of the SNGs in Uganda, to develop future oriented strategic planning are very promising. They deserve full support.

6.2.3. Double loyalties

There are various reasons why the central government has restricted the SNGs in their possibilities to manage their own staff, among them mistrust of SNGs and attempts to ensure sufficient qualified staff and checks and balances at the local level. The Study has found that the double subordination of staff has led to lack of commitment among the civil servants to their responsibilities, lack of innovation and lack of planning and strategic management. The supervisor/the town clerk/the mayors have had limited potential to provide the right incentives for these people to deliver an extra effort, to reward these people and to provide balanced sanctions in situations where staff is not performing to expected levels.

Because of the above problems, the decision-makers of the SNGs have very limited ability to influence the adjustment of the staff to the most urgent tasks and to design the structure of their "own" organisations. The double loyalty and double sub-ordination may negatively influence innovation and development of human resources. Ghana is an example of this. The SNGs have no

incentives to train their staff, as these staff may be transferred to other SNGs without prior consultation. In addition, the SNGs cannot build in staff incentives to training, as they have no authority to promote, hire and fire civil servants. The limited SNG control of the staff has led to lack of SNG incentives to develop and train the staff and fear of using funds on civil servants who might be transferred to other positions in other areas.

Intermediate solutions are being found. In Uganda, the SNGs have strong influence in the appointment of a Commission that is decisive in the selection of the staff, but at the same time works independently from the councils. This approach has shown good results, although not without some problems.

6.2.4 Problems in the relationship between the politicians and the staff

There is a tendency in many of the SNGs for the politicians to be involved in detailed administrative tasks and for the staff to pursue politics. The lines of responsibility are not defined in practice. The problem is closely related to the problem of lack of experience in politics and lack of training, as the rules seem to be clear in most of the countries on these matters. Clear internal guidelines may support this matter, but cannot stand-alone.

Minimum educational requirements for politicians are being discussed in various countries, e.g. in **Zambia** and **Zimbabwe**. A proper balance between this objective and the desire to ensure a broad representation of all citizens in politics should be sought in combination with intensive training of all newly elected politicians regarding their roles, responsibilities and obligations.

6.2.5 Problematic relationship between CG and SNGs

As revealed above, the relationship is often characterised by control, rigid regulations and approval procedures. Mistrust is common between the two levels of government instead of co-ordination, collaboration and mutual support and exchange of ideas and information.

The problems are related to the experiences from the quickly established system of sub-national government in the various countries and the lack of performance in ISP by many of the SNGs. This problem is related to the way the central government is looking at the (often newly) established SNGs. Many central government officials and politicians have serious concerns with the fast decentralisation, often based by and proved by some evidence from various SNGs, seeing the SNGs as being administrative units with poor governance, poor financial control, wasteful expenditure decisions, cases of corruption and nepotism, e.g. in staff appointment. The reactions have been various control measures to bring these things under "control" and discrepancy between the central government officially adopted policy on decentralisation and the reality, a policy which has made it even more difficult for the SNGs to perform the services, a so-called vicious circle

This problematic relationship has clearly constrained the ISP in many SNGs. The key constraints facing SNGs appear to be lack of knowledge and understanding of the financial environment (including grants and revenue for the coming years), lack of appropriate regulations and lack of support from the central government in important administrative matters such as taxation/revenue collection.

It also means that that central government and SNGs are often working in various directions, both in terms of service provision and priorities and in terms of the financing of these services.

A better co-ordination and clearance of interests is clearly one of the most important short-term reform measures. The co-ordination may be more or less formal, mandatory or voluntary, binding or based on trust; but it is important in all the six countries to ensure a better co-ordination of interest, especially regarding the financial matters.

Legal supervision is necessary, but there are many ways to conduct supervision. The change in Senegal from a priori control to ex post control of many key decisions is an interesting initiative in this direction.

Beside this, there is also a need to strengthen inter-ministerial co-ordination in order to ensure that the SNGs are not confronted with various policies and measures in their relationship with the central government. The Study has revealed many examples of ministries of local governments pursuing decentralisation activities parallel with e.g. ministries of education and health care initiatives to strengthen centralisation and/or deconcentration.

The reports from **Zimbabwe** and **Ghana** illustrated the problem. The ministries of health and education pursued a strategy where the deconcentrated units would continue to be the key administrative unit at the local level. In Ghana, these ministries have been against integrating their staff into the structure of the SNG administration, in contradiction to the policy of decentralisation in the country.

The association of local authorities may be instrumental in this area as a kind of “watchdog” for the policy on decentralisation and to ensure a coherent implementation, but it needs considerable support in strengthening their activities in order to do this effectively.

6.2.6 Insufficient and inefficient use of IT

This problem is closely related to lack of equipment and funding, but also to the limited awareness of the potentials of an integrated use of IT and information systems in decision support and daily administration of the SNGs. A systematic and well-structured use of computers might contribute very substantially to the improvement of overall efficiency and effectiveness of the SNGs, in contrast to the present use mostly related to word-processing activities. The objectives concerning increased efficiency will only be reached with a significant level on a joint SNG effort possible with considerable support from central and local governments. The first step could be to develop a joint SNG IT-strategy for the use of IT, data and data sharing based on a multi-purpose information system approach. The tendency of the line ministries and the donors has been to support individual SNGs without an overall strategy and linkage between the various initiatives. Stronger emphasis on inter-SNG co-operation and data sharing would create a strategic potential.

The strategic components of a joint SNG ITstrategy could comprise:

- Strategic component 1:* a SNG IT Training Center;
- Strategic component 2:* an organisation supporting SNG IT development; and
- Strategic component 3:* adoption of a common IT architecture.

There are many ways and means of implementing the first two strategic components, and this might involve a considerable amount of finance. However, much benefit could be derived by the development of an appropriate and comprehensive IT architecture among interested SNGs in the individual case study countries. The aim could be to enhance open, simple and operative IT architecture for the use of multiple-purpose information systems based on the sharing of data, work

methods, and enhanced efficiency and coherent administration of the many complex functions of urban centres and municipalities.

The objective of the joint SNG IT strategy should enhance the possibilities to combine and integrate information of different nature and origin for multiple applications and multi-sector use. The IT strategy should enable data-sharing; common development of methodologies and methods of work.

Thus, depending on the preferences of the individual SNGs, the management and information systems may comprise data concerning:

- land (parcel register and cadastral maps);
- properties (property evaluation and tax management);
- building structures (housing and business premises);
- natural resources (water supply, management and soil conditions);
- demographics; and
- regulations (documents) concerning physical (urban) planning constraints on land-use.

6.2.7 Problems with the management of land – lack of ownership

There are numerous problems in the management and ownership of the land within the SNGs' jurisdictions. Some of the most severe problems are lack of SNG rights to own land for development purposes, cumbersome procedures for land acquisition and lack of control measures for the peri-urban areas (informal settlements). Some of these concerns are primarily caused by lack of funding and will demand a longer-term effort, while other constraints can be addressed within the short- and medium-term future. The main constraint seems to be central government reluctance to loosen its control of land management and ownership.

6.2.8 Need for additional training of politicians and staff

In all six countries, all stakeholders emphasised the current need for training of politicians and staff at the local level. There is a tremendous need for focused training, especially relevant on-the-job-training in all the reviewed SNGs. In the many smaller municipalities, the great number of politicians, many newly elected and without relevant experience, is an enormous challenge for training initiatives. The problems in the relationships between the politicians and the staff are often caused by this lack of training in the responsibilities, roles and obligations of the various stakeholders within a SNG.

Most countries have training institutions but seldom have an overall training strategy to address the needs of the SNGs. The Study has revealed that much of the training is overlapping, not relevant for specific job functions, not demand driven and not sufficiently regular and comprehensive to add significantly to the skills of the SNG staff and to support local ISP. Furthermore, the training is seldom linked to remuneration and the possibilities for promotion within the SNGs.

6.3. Ways of addressing the present and future challenges

6.3.1 Road MAP on the institutional framework

The table below shows the ways towards a sustainable SNG institutional framework. The table should be compared with the objectives outlined in Chapter 2. The table shows that all countries

face great future challenges within all areas of capacity building and in establishing an appropriate relationship between the central and SNGs.

Table 6.9 Road Map for the Institutional Framework

Road Map on Institutional framework Component:	SNG autonomy on personnel	Relationship between politicians and administration	General capacity of the SNG administration and management	Capacity of the SNG financial administration	Capacity within technical matters and land planning	Human resource development and innovation	Information exchange and IT	Methods for CG supervision and control versus co-ordination	Clearance of interest between SNG and CG
Advanced	SNGs have influence on hiring, promotions, dismissals + clear lines of managerial accountability	Clear lines of responsibilities and roles. The focus of politicians on the strategic decisions	Right sizing of the administration, sufficient highly skilled staff in the top positions, effective retrenchment	High budget skills, realistic budgets, strong financial control, accounting and audit	Professional handling of land and technical matters, incl. Engineering,	Strategic staff training programmes, human resource functions, goal oriented management	Strategic use of information and IT in a structured and integrated way, enabling data sharing among key stakeholders	Relationship between CG and SNG based on collaboration, support, goal oriented guidance	Fora for dialogue and agreements between CG and SNGs, e.g. on coming budgets based on information sharing and trust
Developing	Key personnel appointed by CG and control on key decisions, e.g. remuneration and promotion, some positions with "double" subordination	Some guidelines exist but many still conflict, overlapping functions	Moderate capacity, adjustment and structural reforms started although still many problems, lack of internal delegation	Imperfect budgeting and accounting, although in progress, budget skills moderate, audit not up to date	Some engineers, but lack of technical staff, inadequate capacity to control territorial Planning	Training but not systematic, incipient focus on human resource development	Information existing, but not shared or sufficiently linked to purpose, important parts are missing	The framework work is partly based on strong and rigid control, although some general objectives have emerged	SNGs are informed about major decisions and are heard, but the dialogue is still not real and the meetings not held regularly
Initial stage	CG controls all major decisions on SNG staff, great problems with double subordination	Characterised by confusion, overlapping functions, interference in minor decisions	Mismatch between present staff and the adm. needs, over-staffing/lack of staff in key positions-many vacancies	Inadequate skills and capacity, many vacancies and irregular budgeting and accounting, lack of audit	Inadequacy of technical staff	No training or programme, no focus on human resource development	Not management-oriented and not integrated information systems, data on land, real property, demographics and financial data missing	Very detailed, rigid and inflexible rules and procedures, no dialogue on these rules and lack of trust	No real dialogue and information exchange between SNG and CG on key decisions, e.g. budget and grants, new legislation

Cf. The Annexes on the indicators for a more detailed treatment. SNG = sub-national governments, CG = Central government. Za= Zambia, Zi = Zimbabwe, Sw= Swaziland, Gh = Ghana, Ug = Uganda, Sw = Senegal, cf. Annex No. 3 for more details.

6.3.2 Recommendations

In extension of the road map (table 6.9), it is recommended that:

- More responsibilities on hiring, firing, promotion and remuneration should be gradually devolved to the SNGs. Establishment of district service commissions at the local level would be one approach, with some checks and balances of the competencies and objective criteria for hiring and firing, combined with significant SNG influence on personnel matters. Over time, the SNGs will develop the full capacity to be the sole responsible authorities for these decisions.
- The civil service regulations should be scrutinised in order to make the SNG personnel adjustment reform process more smooth and flexible. Today the rules hinder sufficient adjustment of the staff to the need for personnel.

The ongoing reform programmes in a number of countries on the retrenchment of personnel need to be completed by an effective organisational performance monitoring mechanism that should strive at setting clearly measurable and realistic organisational objectives. The retrenchment of staff in lower positions should be supported in order to establish higher qualified specialist and managerial positions.

- The Law on Local Government should make a clear distinction between the responsibilities of the politicians and the administration (top officials), followed by guidelines and examples of how this may be implemented in practice and training, cf. below. The politicians should focus on policy development and the key strategic decisions, e.g. the adoption of the development plans and the budgets, and not on minor, day-to-day administrative decisions.
- Much effort should be devoted to creating awareness and training of the administrative leadership in service-oriented management. The potential of delegation of power to the lower level cadres of the SNGs administration should be facilitated inter alia by structured experiments concerning organisational restructuring and delegation-based management in some pilot SNGs in order to provide best practices.
- The efficiency of the SNG administration could be facilitated by the adoption of a joint SNG IT strategy. The strategy should include the following three strategic components: SNG IT training, IT organisation supporting IT development and adoption of a common IT architecture. In the medium-term, the SNGs should incorporate in their management and information system data concerning land, property, building, natural resources, demographics and urban planning constraints on land use
- An appropriate and comprehensive IT- architecture among interested SNGs should enhance open, simple and operative IT-architecture for the use of multiple-purpose informations systems based on the sharing of data, work methods, and enhanced efficiency and coherent administration of the many complex functions of urban centres and municipalities. The objective of the joint SNG ITstrategy should enhance the possibilities to combine and integrate information of different nature and origin for *multiple applications and multi-sector use*. The IT-strategy should enable data-sharing and common development of methodologies and methods of work.
- SNGs should up-grade their human resource functions in order to improve the skills in human resource development, including recruitment, promotion procedures, remuneration, training, de-

velopment of effective incentives, innovations, etc. The first step should be the development of a human resource strategy and appointment of a person responsible for this area.

- Capacity building should have a strong priority, especially within four areas: 1) managerial skills, 2) financial management and planning, 3) technical ISP areas and 4) land management. Strong budget, accounting and auditing units, managed by highly qualified and competent personnel, are important in the short-term. To support this, clear and uniform rules on budgeting and accounting procedures and audit requirements should be issued by the central government and regularly up-dated.
- SNGs should focus on development of strategic planning. Clear objectives for the short-, medium- and long-term future should be elaborated, and the development plans and the budgets should be linked to these plans. Performance indicators for the execution of objectives should be elaborated as well.
- The possibilities should be considered for the use of external consultants to support short-term and highly specialised tasks and for sharing of staff with other SNGs.
- The SNGs should develop their decision-making and administration along the lines of the concept of “Good Governance”, by systematic involvement of the citizens, full transparency in decision-making, information sharing, delegation of decision-making power, clear lines of responsibilities and strong accountability. This concept should be combined with a goal-oriented management style focused on innovation and adoption of new ideas to re-organise structures, personnel and training in the most efficient way.
- Central governments and the associations of local authorities should support development of books and booklets on “best practices” to disseminate information about the range of good initiatives within the present SNGs
- Central government should provide technical support to the SNGs as part of the decentralisation process, e.g by training
- Training should be emphasised, both at the central and local government levels. This training should be based on a clear strategy and training needs assessment, and it should be adjusted to the needs of the staff. The training should be demand driven and relevant for the job situation and should be provided regularly to up-date skills. Development of training centres at the local/regional level might be an instrumental part of this process, provided they form part of a national network of training providers and involve local government associations.
- An effective and sustainable management information system should be developed in order to provide accurate, reliable, timely and user-friendly data for administrative purposes. This system should support the SNGs in their administration of taxation, land and property administration and other administrative tasks. This system should also provide a better basis for informed dialogue with the central government on the financial situation and the performance within the key ISP areas. The central government should ensure a strong co-ordination of information relevant for the SNGs and open access to this information. The key providers of information should be linked to a common system in order to access the data from one common source.

- The SNGs should have more autonomy to ensure that land within their jurisdictions can be used for productive development purposes.
- The central governments should encourage more autonomy at the local level while, at the same time, monitoring overall direction. Appropriate tools for this are stronger dialogue and information exchange between central and SNGs on the key topics, such as financial conditions, future grants and revenue sharing systems and the financial impact of new legislation. A stronger collaboration between the key stakeholders is needed. Establishment of formal fora for these discussions, regular meetings and involvement of the key stakeholders in real discussions will facilitate this. Especially, the budget dialogue and the decisions on the future revenue sources (grants and other revenues) have to take place in a timely, open and transparent manner in order to ensure appropriate planning and budgeting at the SNG level. The co-operation should be based on mutual respect. The associations of local authorities may have an important role in the mediation of local interests at the central level.
- The central governments' national objectives for ISP should be addressed in dialogue with the SNGs, and these objective should be based on performance oriented and general objectives rather than detailed and rigid legislation and cumbersome approval procedures. As a first step, key figures on finance and ISP should be elaborated.
- The central government should focus on support and guidance rather than control and sanctions. Concrete areas for central government support are tax administration (support to valuation and registration), budgeting (support to definition of financial conditions) and administration and development of land and spatial planning. Systems of central government monitoring have to be revised in to ensure clarity of the national goals, bring the parties together around compatible objectives and, at the same time, utilise the local experiences and the advantages of decentralisation.

CHAPTER 7 - PRINCIPLE OF SUBSIDIARITY – OPERATIONAL CAPACITY

As discussed in Chapter 2, all six countries have committed themselves to the principle of subsidiarity. This principle means that services should be provided at the lowest possible level of government that is able to perform them and as close to the citizens as possible.

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 approach also ensures that the provision of public services is most responsive to local needs and conditions. The main objective of this principle is to ensure that citizens have a strong influence on the quantity, quality and priorities of the services that are provided.

The principle of subsidiarity has to be seen in relation to other important principles. These include economy of scale, possibilities for bundling of services, SNG capacity at the local level to provide services, the size and structure of the SNGs, the number of SNGs, the number of tiers of SNGs, the availability of other service providers and the need for co-ordination.

The public sectors in most countries face tremendous (and increasing) challenges, especially because of changes in the business structure and demographic changes. The movement from the rural areas to the cities and changes in the employment pattern put the public sector, and especially the SNGs, under pressure. The larger cities, especially the informal settlements surrounding these cities, demand a steady increase in the supply of ISP. Most countries also face rapid population growth, especially among the demographic groups most in need of services, namely children and the elderly. Achievement of the optimal organisation and a sufficient operational capacity is of the utmost importance.

These demands require that the SNGs be furnished with some degree of managerial and/or financial discretionary power and autonomy. This autonomy is critical in order to adjust the services to the needs. Useful autonomy requires an enabling financial, regulatory and institutional framework, cf. Chapters 3-6, as well as sufficient administrative operational capacity to deliver critical services.

There are various possibilities to structure the SNGs and ISP to address these challenges, e.g. establishment of SNGs with sufficient capacity, support for inter-municipal co-operation between various sizes and types of SNGs, transparent and predictable administrative and financial support from the central governments to the SNGs, etc.

This chapter particularly deals with two of the important indicators for operational capacity - the size of the SNGs and the structure of the system of governments, including the number of tiers of government. It is important to underline that these findings should be combined with the other elements of the operational capacity revealed in Chapter 6.

7.1 Findings from the Study

7.1.1 Operational capacity reflected in the Structure of Government Related to the Number of Levels and Sizes of SNGs

The table below shows the number of SNGs in six countries and some evidence from other parts of the World.

Table 7.1. 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 ur- ban/Zonal coun- cils 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

It appears from the table that the number of SNGs in the six countries is not higher than in e.g. Europe, but that the average number of inhabitants in the SNGs is higher than in most of the European countries. These figures hide other important facts, cf. below.

7.1.2. Tiers of Sub-national Governments

Some countries have chosen a system with one tier of SNGs, but with various *types* of SNGs (cities, rural districts, municipalities, etc.). **Zimbabwe, Zambia and Swaziland** (although the latter has another system in the rural areas, the Tinkhundla system, based on traditional leaders) are examples of this model. These types of SNGs are not subordinated to each other but have different status and tasks. Zimbabwe has 81 SNGs, Zambia has 72 and Swaziland has 13.

Other countries have chosen a system with several tiers of SNGs. **Uganda** is an example of this, cf. also Annex No. 5. The system in Uganda has various levels of government from LC 1 to LC 5, where only some of these are defined as SNGs. There are 44 district councils (LCV) and also one city (Kampala City Council) that exercises the powers of a district council. Kampala City Council has 5 divisions, which constitute lower SNGs and have the status of sub-county councils. The rural districts' lower level governments comprise 903 sub-county councils (LCIII), and 63 urban councils with some autonomy from the district. The urban councils comprise 13 municipal councils (LCIV) with 34 municipal divisions and 50 town councils (LCIII). In addition, there are administrative councils, which consist of County Councils (LCIV), Parish Councils (LCII) and Village Councils (LCI). In total, there are 1,050 SNGs. In addition to these SNGs, the administrative structure is divided. A district is sub-divided into Counties and Municipalities or Towns, depending on the size and other criteria set by the Ministry of Local Government. Every County is further sub-divided into sub-counties, while municipalities are sub-divided into divisions. The Sub-Counties, Divisions and Towns are further sub-divided into Parishes and Wards, respectively. The Parishes and Wards are further sub-divided into villages, which are the lowest administrative units. There are councillors, popularly elected on individual merit and not on the basis of political party affiliation, at all the above levels running from LCI (village) to LCV (district/city). The LCIII, LCV and some LCIV (municipal councils) are local governments, while the others are administrative units.

In **Ghana**, the system has two basic tiers of elected SNGs, divided in the urban and rural areas, cf. annex No.5. In addition, a number of administrative levels do not have publicly elected councillors. There are 16,000 of the smallest unit, the unit committees. Each of these units covers an area of only approx. 500-1000 inhabitants.

Senegal has recently introduced a second tier of SNGs. Ten regions were established from 1997, especially to conduct regional planning and other regional tasks. These regions cover larger areas and have a number of rural authorities within their territory. In Senegal, the two tiers of government (regions and municipalities/rural districts) are not subordinated to each other, but have different functions and status.

7.1.3 Types of SNGs

Most of countries have established systems with various types of SNGs, even within the same tier of government. The main distinction is between the urban and the rural governments. The most clear-cut division is in **Swaziland**, where the typical SNGs only cover the urban areas (approx. 20-30% of the population) and where the rural areas are governed by the traditional chief system – Tinkhundla. Even within the urban areas, there are three types of SNGs: the city councils, the town Councils and the town Boards. The responsibilities, competencies and autonomy vary. The city councils have the strongest authority, both in term of autonomy, capacity and number of inhabitants. SNGs may be upgraded after decision by the Minister of Housing and Urban Development.

In **Zambia**, there are three types of SNGs: the city councils, the municipal councils and the district councils. There is no major difference between these in terms of legislative provisions, autonomy and financial capacity. The difference is essentially location and, to some extent, scale and diversity of activities. In this regard, the City councils are usually larger in organisational structure and services provided, generally corresponding to the size of the served population. Municipal councils occupy the middle range in terms of the magnitude of their ISP and population coverage. The district councils are the smallest unit in terms of number of inhabitants and are usually located in the rural areas.

In **Zimbabwe**, the SNGs comprise 57 rural districts (rural district councils), covering the rural areas, and 5 city councils, 11 municipal councils, 4 town councils and 4 local boards, covering the urban areas. Different legislative frameworks, responsibilities and competencies apply to the rural districts and the urban SNGs. The same is the case within the urban SNGs. The local boards are strongly controlled and influenced by the central government, cf. Annex No. 5 for an overview of the structure.

In **Uganda**, there are three lines of SNGs: the districts (and lower units) in the rural areas, the urban councils (and lower units) in the urban areas and Kampala Council in the Metropolitan area. The systems, tasks and finance are different for these types of SNGs.

In **Senegal**, the lowest tier of government is comprised of 60 municipalities in the urban areas, some of them with a lower level; the arrondissements (43 units); and 320 rural SNGs (rural communes). The cities typically have more tasks, autonomy and capacity, and the regulatory and institutional framework is different for the two main types of SNGs.

In **Ghana**, there are also two main “arms” of SNGs: the municipal assemblies and the district assemblies, covering the urban and the rural areas respectively. The autonomy, responsibilities and capacities are more similar to that in the above-mentioned countries. The size of these basic units in terms of number of inhabitants is more uniform in Ghana.

7.1.4 Size of the SNGs and the development over time

As mentioned, the average size of the SNGs in the six countries is quite large compared with the OECD countries. Table 7.1 hides the fact that many of the study countries have a few very large SNGs in the major cities and a great number of very small and sparsely populated SNGs in the rural areas. These rural SNGs often have less than 5,000 inhabitants and have very weak administrative capacities, typically 1-10 staff.

There has been a trend towards establishing additional SNG units within the last 10 years in most of the six countries. The number of SNGs has increased in the recent years in countries such as **Zambia, Uganda, Senegal, Swaziland and Ghana**. There is a wish from the central government to ensure strengthening of the local democracy down to the grassroots level. This has led to the creation of new units, division of some of the former units and the establishment of several new SNGs. These divisions of SNGs have often been made before the existing SNGs have had the opportunity to stabilise their present tasks and performance and to comply with the mandatory obligations.

The existence of a large number of sparsely populated SNGs in the rural areas is especially the case for **Senegal** and, to a minor extent, **Ghana**. In Senegal, these SNGs have very limited capacities, often only 1-5 staff and very limited possibilities to provide any services to their citizens. At the

same time, the 60 larger municipalities in the urban areas are rather large in terms of their number of inhabitants and administrative and operational capacity.

Zambia, on the other hand, has established rather large units in the rural areas, reflected in the size of the rural district council involved in the sample: Petauke, with 249,542 inhabitants and 128 people in the administration. The number of SNGs has increased from 61 to 72 in the 1990s.

Uganda has rather large districts in the rural areas, often with more than 200,000 inhabitants. Below the districts, a large number of sub-county units (903) have been established with their own functions and budgets. The number of districts has increased from 39 to 45 (incl. Kampala) between 1996 and 1997.

Swaziland has also gradually increased the number of SNGs in the urban areas and has recently increased (1999) the number of urban SNGs from 12 to 13.

All the six countries have rather large SNGs in the cities, with a broad range of ISP responsibilities and a considerable number of staff compared to the rural SNGs. The 6 Metropolitan cities - Lusaka, Dakar, Accra, Kampala, Mbabane and Harare - are examples of this.

The SNGs in the six countries have great variations in size and in administrative capacities, cf. also Chapter 6. Many of the smaller SNGs in Uganda, Senegal, Swaziland and Ghana have very few staff, and some of them have only one secretary and a few bookkeepers.

Zambia, Swaziland and **Zimbabwe** have developed systems where local governments can be gradually up-graded to a higher status with more responsibilities and tasks, e.g. from town district council to municipal council in Zambia. Thus, there is a relationship between the tasks that the SNGs perform (both in terms of their formal mandates and in reality) and the types and sizes of the SNGs. The larger units have more autonomy in terms of their staff situations, their fiscal concerns and their administrative responsibilities than the smaller rural units. The increase in the number of SNGs in recent years has to be evaluated in light of this fact. There is a paradox for the road towards decentralisation – more locally elected units, if not properly designed, may lead to less decentralisation, cf. Section 7.2.

Although efficiency gains may be achieved through amalgamations of SNGs, political resistance at the local and central government levels has been significant. In recent years, the only example of amalgamation has been in **Zimbabwe** in 1993, where the rural and rural district councils were amalgamated to form 57 new rural district councils. Amalgamation of SNGs in order to enhance economies of scale or administrative capacity has not been at the top of the political agenda in the six countries. The trend has been towards an attempt to expand local democracy by means of enhancing the number of politicians and reducing the distance from the citizens to the elected councillors. However, a by-product of this has been an increased fragmentation of the limited existing capacity in various countries, with establishment of many smaller units with limited capacity.

7.2 Challenges regarding the operational capacity and ways forward

The search for the optimal size of SNGs and the appropriate number of tiers of government represents a challenge. The decision should seek to ensure economy of scale and efficiency in ISP at the local level while at the same time promoting strong democracy and real accountability to the citizens.

As previously mentioned, many new SNGs have been established in recent years. At the same time, many of the existing SNGs are characterised by weak administrative capacity and few staff and financial resources. Therefore, establishment of new units should only be pursued after cautious analysis and only after careful review of the future capacity to perform the mandatory tasks. The wish to nominate additional mayors and councillors and to bring more people into politics should not be the sole reason for these divisions.

The size of the SNG units is related to the question of the *tasks* that the SNGs are required to perform. Many countries have had good experience with amalgamations of SNGs in order to strengthen the capacity of the SNGs and to pave the way for further decentralisation. Further decentralisation will hardly be possible in a situation where the present weak administrative capacity is spread over too many units in the attempt to ensure other purposes. Too small SNGs may cause less decentralisation, as these units will be heavily dependent on the central government in terms of finance, manpower, competencies, etc. and thus may constrain the possibility to decentralise tasks. The challenge is to find the right size in terms of territory and number of inhabitants compared to the key tasks. Often the number of inhabitants required for sustainable school and health care systems provide useful benchmarks for the decisions on the optimal size.

The study has confirmed that the many smaller SNGs have fewer responsibilities (especially devolved tasks), competencies and capacity to deal with the present functions. The service level is significantly lower than in the larger urban areas, cf. Chapter 4. Many stakeholders sometimes have argued that that the decentralisation of responsibilities cannot happen faster than the present moderate pace, as the current administrative capacity is not adequate at the SNG level and as the SNGs have shown poor performance in the present ISP mandatory tasks. But at the same time development of additional units of governments leading to further fragmentation of the present capacity have taken place in many countries and strengthened the arguments against decentralisation in these countries. There are few if any benefits of having more people involved in politics if these people have less to say on the decision-making process within the local area, cf. also Chapter 8. This may be counterproductive for the local democracy in the medium- and long-term future if the citizens lose confidence in the SNGs' ISP performance.

This circle has to be broken by careful analysis of the relationship between the responsibilities, the assignment of revenue and expenditure, the administrative capacity, the autonomy and the size of the SNGs.

Amalgamations might be one way to solve this problem in some countries or areas of the countries. SNG amalgamations should also be considered in areas where the SNGs are not sustainable. Although there might be efficiency gains of amalgamations of local authorities, the political resistance at the local level has been significant, and very few reforms have been implemented without strong pressure from central government and strong arguments based on economy welfare gains. But amalgamation is not the only way forward.

Strategies focusing on capacity building within the existing units, on inter-municipal co-operation for service provision and on increased involvement of other service providers are other options to consider.

An SNG system with *several tiers of government* may be useful to ensure that some tasks, which demand more capacity and more inhabitants, may be performed at another (higher) level of SNG. On the other hand, establishing many levels of government may lead to duplication, overlapping responsibilities and conflicts across the various levels. Some of these conflicts appear in the present system in Uganda. A careful review of these advantages and disadvantages should be made before additional levels (tiers) of government are introduced.

International experiences have shown that a common solution to rectifying the inadequacies of the base level of local government is to establish an intermediate tier of local government. This has also been the case in Senegal in 1997. First, there is often a connection between the size of the municipalities and the role played by the intermediate level. Small municipalities seem to be more in need of supervision and control. Second, 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. Establishment of various types of SNGs makes it possible to transfer various tasks dependent on the administrative or financial capacity of each unit, but can also create duplication of effort, decreased accountability and reduced transparency in terms of ISP, if not properly designed.

The possibilities to strengthen the *co-operation between SNGs* on ISP should also be further explored. The Study has shown that co-operation, e.g. sharing of equipment, personnel and expertise, is seldom done, and there is a great potential to rationalise the organisation and performance in this area. Inter-municipal co-operation has shown good results in many countries but needs careful design and clear lines of responsibility and transparency. Otherwise, the SNG's accountability toward its citizens will be compromised. Especially concerning road maintenance and highly specialised engineering tasks, there is a great potential for stronger inter-municipal co-operation and co-ordination.

The question of the optimal size of local authorities has been widely discussed among local government experts in recent years. Evidence gives no clear answers in situations where the SNGs are larger than 5000; however, many investigations indicate that local authorities that have less than 5,000 inhabitants have increased costs and low efficiency in performing their present tasks and functions. There is a threshold, which varies from country to country and from service area to service area, below which SNGs cannot deliver ISP in a sustainable and adequate way. The larger units (> 5000 inhabitants) in most countries seem to have economies of scale that result in lower costs of inputs because of bulk purchase and higher administrative capacity.²⁶ The larger units also seem to address the problem of duplication better than many smaller units.

This Study has shown that the rural districts that have less than 5,000 inhabitants provide very little or no actual ISP to their citizens. The smaller units in Senegal and Swaziland do not have the same possibilities and capacity to provide services to their citizens as the larger units in the same countries. The analysis of infrastructure and service provision in the 6-10 sample SNGs in each country has proved these expectations and shown a sad picture of the ISP coverage in the smaller units.

²⁶ The size of municipalities, efficiency and citizen participation, Local And Regional Authorities in Europe, NO. 56, Council of Europe, 1995. For SNG above 5,000 inhabitants, the evidence is more varied. From an empirical point of view, it has been very difficult to evaluate and compare the size and efficiency across countries.

7.3. Recommendations on Ways and Means forward

Below is a summary of some of the ways and means recommended to address the above-mentioned challenges:

The assignment of tasks and responsibilities should follow the principle of subsidiarity, which means that the services should be provided at the lowest possible level of government that is able to perform them and as close to the citizens as possible.

The size of the local SNGs should consider, in addition to the principle of subsidiarity, criteria such as type of tasks to be performed at the local level, economies of scale, the needed capacity to perform the present and future functions, the possibilities to co-ordinate the ISP with other units horizontally and vertically and the possibilities for bundling of services. A proper balance should be achieved between (a) the wish to extent decentralisation to the smallest unit and to involve more people in politics and (b) the need to ensure capacity to conduct and carry out the decentralised functions.

Some services can only be provided in an optimal way when levels of government cooperate/share the responsibility of the service provision in order to obtain economy of scale. Responsibility sharing arrangements might be too complex, and they have caused problems in many countries. It is therefore important to establish clear lines of responsibilities and accountability.

The above-mentioned principle means that the devolution of responsibilities to the SNGs should take place in a holistic, parallel and gradual manner, along with the development of the SNG operational capacity. Careful analysis of the existing SNG capacities in terms of finance, human resources and the regulatory and institutional environments should be undertaken in all cases before tasks and responsibilities are transferred between levels of governments

Amalgamations might be necessary, especially in the smallest rural areas, even if these decisions might be politically unpopular. SNG territorial reform should only be initiated after a careful review of the present tasks, the needed size of the SNGs, the links between the citizens, the business structure and other important factors that have an impact on the possibilities for ISP.

The jurisdictional areas of the SNGs should as far as possible match the areas benefiting from their ISP and match the financing areas.

The experiences from the most recent years have shown a proliferation of SNGs. The present focus should be on the question on how to strengthen the present rather weak SNGs, instead of how to establish additional SNG units.

CHAPTER 8 ACCOUNTABILITY²⁷ OF SUB-NATIONAL GOVERNMENTS TO THEIR CITIZENS

There is very much evidence that the participatory involvement in citizens in decision-making (for the planning, design and implementation of services) mobilises awareness, understanding and support to SNGs. Thus, the idea of democracy as a system of governance has an appeal to the local citizens.

Decentralisation is a great challenge, and there has been very much frustration in the case study countries about the slow pace of development and implementation of decentralisation. However, in the sample SNGs of all case study countries, there are clear signs that local governments are starting to actively facilitate effective participation of the citizens, in general, and low-income groups, in particular, in local planning and decision-making. This approach paves the way for decentralisation and participatory involvement to function as a vehicle for social change.

Thus, instead of people only acting as “passive” receivers of infrastructure and service benefits, the local population are becoming active participants in the delivery process. The participatory approach to service provision creates real awareness of the opportunities and constraints for SNG ISP, and it is potentially a very effective way to identify local needs, conditions and preferences. Moreover, in the participatory process the local citizens receive an increased sense of self-confidence and thus mobilise very strong powers to improve their living conditions.

The idea of decentralisation - that the local people should be involved – allows for an understanding of the particularities of local resources and constraints and thus make solutions more innovative, transparent, accountable and effective. The first issue is naturally how local citizens can influence their contribution to the representative democracy. It is through local elections that local citizens execute their right to decide by whom they should be governed, and influence political accountability.

This then simultaneously encourages their effective participation by *establishing the institutional channels for their influence*. The most important function of an autonomous local council is to frame laws, by-laws and other regulations in accordance with the wishes and aspirations of electorate. Parallel to this is the possibilities of the institutional channel to provide space for the civil society to engage in grassroots mobilisation, with a commitment towards the local people and decentralisation as a dynamic vehicle for development

Local governments in SNGs, villages, towns and districts are characterised by some key factors: they are small in size, less bureaucratic in management, care for and are dependant on the local citizens and might render efficient, flexible and responsive services and ISP.

In the sample SNGs of the case study countries, it is of great importance to take democracy and involvement of citizens at the grassroots level seriously in order to enhance the provision of

²⁷ ”Accountability exists where there is a hierarchical relationship in which one party accounts to another for the performance of tasks or functions conferred. It goes hand in hand with devolution and flexibility: managers are held accountable for results once they are given authority to make decisions that are part of producing those results. Another important aspect of accountability is the public accountability of those who govern to elected bodies and thence to the public at large” (from ” Managing Across Levels of Government”, OECD, p. 61, 1997. This chapter deals with the second type).

services by comprehensive design, planning, implementation, supervision and maintenance. The involvement and participation of the local people could increase awareness of the possibilities and constraints – especially concerning ISP – among common people, to involve diverse ethnic groups as well as groups with different cultures, traditions, languages and dialects. This involvement might balance the kind of elitism known in many local governments.

The involvement of local citizens *might empower people to find acceptable solutions to the need for ISP even in periods of financial constraints*, just like a devoted cook always does his/her utmost to serve a delicious and healthy meal, even in meagre financial situations. Without the involvement of local citizens, all will focus on the lack of financial means, their lack of skills and maybe their ignorance regarding their rights. *NGOs and local associations* of small farmers, rural women and population groups in informal settlements can develop to form very assertive and effective counterparts for the possibilities to improve the local conditions and quality of life of the citizens. The mobilisation of these local counterparts might be very decisive for the possibilities to raise local resources and create awareness of the link between taxes and user charges raised and the quantity and quality of ISP and other services delivered.

Various concepts of accountability exist, among these accountability between the central and local governments, managerial accountability between politicians and the heads of administration, accountability of the SNGs to their citizens, etc. In this chapter, the focus is on the citizens' means to influence decision-making within the local areas.

Two overall dimensions are reviewed:

- 1) the citizens' potential to influence their local politicians and the administration of the SNGs where they reside and
- 2) the degree of SNG decision-making power vis-à-vis central government and the possibility for the locally elected decision-makers to influence the situation within SNG jurisdictions. This is also an indirect way to look at the accountability of the SNGs to their citizens, as the citizens' influence on the local decision-makers is of limited impact, if these have limited influence on the priorities within the SNG jurisdiction.

Decision-makers at the local level are likely to have a better understanding of the needs and priorities of their citizens and a stronger potential for direct, performance based accountability.

A full-scale analysis of the influence of the citizens on SNG policy and the implementation of ISP programmes has been beyond the scope of this study. Instead, a few of the key indicators of citizen accountability have been selected, cf. Annex 3, Section 3.7.

The influence of the local citizens on SNG policy has been analysed, firstly, in terms of the local citizens' power to elect their own politicians and mayors and secondly, in terms of the degree of citizen participation in key decision-making concerning ISP. The citizens' indirect influence on local-level ISP has been analysed by use of various indicators such as SNG influence on revenue and expenditure, priority setting at the SNG level and the autonomy and control of the internal SNG organisation and capacity building.

8.1 Key findings

8.1.1 Election of SNG Politicians and Mayors – Citizen Influence on the Decision-makers

The citizens in all six countries have a certain influence on the composition of the SNG councils.

In **Ghana** and **Swaziland**, the locally elected councillors are supplemented by councillors that are appointed by the central government or President in order to provide a balance between the national interests and the local interests and to ensure a sufficiently qualified input in the local decision-making process.

Zimbabwe has a mixed system where the citizens directly elect the mayors of the larger cities, whereas the other SNGs have "indirect" elections of the mayors (they are elected by the councillors), cf. Table 8.1.

Table: 8.1: Election of SNG Councillors

Country	Councillors appointment/election	Mayors appointment/election	Other characteristics
Swaziland *	Majority (approx. 75%) of the councillors elected, the rest are nominated by the minister	Elected	The Minister of Urban Government can set-up a commission with the authority to suspend and replace the council
Ghana	Councils are partly elected: Districts Assembly: 30% app. by the President and 70% elected, Lower units of SNGs: partly from DA, partly elected and partly appointed by Central gov.	Chief Executive (CE) appointed by the President (strongest power), chairman /speaker of DA limited influence	Non-partisan. The CE is the chairman of the executive committee of the SNGs and has a very strong power
Zambia	Elected, but the elections are often delayed, considerably influence on the SNG councils by the Minister of Local Government. Members of Parliament and two representatives from the chiefs are usually ex officio members of the council	The SNG council elects the Mayor/Chairman. Mayors do not have executive power.	The Minister may abolish the councils in situations with irregularities. Election is for a three-year period, but recently elections have been delayed.
Senegal	Elected	Chairmen/Presidents	The 10 regions were only established from 1996/97, many members of the SNG councils are also members of the Parliament
Zimbabwe	Elected councillors with few exemptions**	Direct election of mayor in the City councils, indirectly by the councils in the other SNGs	The Minister may abolish the council in situation with irregularities. The Mayors in the urban SNGs are also chief executive of the administration
Uganda	All elected	Elected	Elected

*'Covers only the urban SNGs (approx. 20-30% of the population). Matsapha Town Board is special, as the Minister of Urban Government appoints all its councillors.

**Few rural boards have ministerial appointed councillors.

In most countries, the central government (often the minister of local government) has the power to investigate and even dismiss a council in situations where irregularities have appeared. It is often not clear from the legislation what specific conditions are required for this intervention and the conditions for the timing, the exact sanctions, and the adjustment to a "normal" situation is often not clearly delineated. The dismissal of councils has happened in various countries, such as **Zimbabwe** and **Zambia**.

The citizens' control of the politicians at election time seems to be developing. In many of the six countries, a large share of the politicians has not been re-elected by the citizens, an indication of a certain control of the performance of the SNG politicians.

The terms in office for councillors in all countries are between 3-5 years. Within this fixed period, the citizens have limited ability to withdraw politicians and to influence the decision-makers, as public referenda and midterm elections do not take place.

8.1.2 Methods of Citizen Participation in ISP

The accountability of the SNG councils/politicians vis-à-vis their citizenry is dependent on a number of characteristics. Some of these are transparency, information flow and involvement of citizens in the key decisions such as budgets and possible ways of influencing decisions (e.g. NGO or user boards, etc.).

Information sharing

The budgets are open to citizens in all six countries. In addition, some countries, especially **Swaziland** and **Zimbabwe** have introduced citizens hearing and meetings concerning major decisions such as rate setting and major ISP investments. Other countries have formalised this interaction between SNG councillors and the citizens in coordinative bodies. Generally, the citizens' participation in these hearings and the involvement of the citizens in the key decisions is rather modest in most of the six countries. Public access to relevant budget and account information has also been constrained by the lack of up-to-date accounts, especially audited accounts, and lack of linkage between development plans, budgets and accounts.

Coordinative bodies

Experiences from **Zambia** illustrate the formal involvement of citizens in key decisions. In Zambia, the National Development Co-ordination Committee (NDCC), Provincial Development Co-ordination Committees (PDCC) and District Development Co-ordination Committees (DDCC) were introduced in 1995. These committees consist of council officers, officers from line departments of the central government and representatives from NGOs and other citizen groups. Their main functions are to identify development programmes in their jurisdiction and communicate these to local level administration. The influence of these bodies has been moderate to date, but it is expected to increase in the future.

In **Ghana** and **Uganda**, the citizens' influence on local decision-makers has been enhanced by the development of a larger number (and/or tiers) of SNGs. Here the smaller units of SNGs have certain influence on the higher level of SNGs, and the systems are characterised by a high ratio of politicians/inhabitants. The objective is to involve many inhabitants in the daily decision-making process at the local level.

In **Senegal** and **Zimbabwe**, the smaller SNGs have only been developed/maintained in the rural areas, where the ratio of inhabitants per politician is very low and where the citizens' influence on their politicians, at least in theory, is higher.

Associations of citizens

In order to ensure that the voices of the citizens are heard between elections, various means of ensuring citizen representation have been established in some countries such as associations, user boards and taxpayers' associations.

The presence of various NGOs is strong in all six countries. These NGOs often focus on special areas of ISP, e.g. education and culture, and have programmes and initiatives at the local level, financed by own sources (internal or external donor funding). The study of the six countries has shown that the links and co-operation between the NGOs and the SNGs are generally weak and that the NGOs have stronger ties to the external donor community and (of course) direct links to the communities where they operate.

Development of user boards and citizen participation in the SNGs to influence the ISP priorities and implementation is in its incipient stage, although the presence of school boards is common in some countries, e.g. in **Uganda**.

In **Swaziland** and **Zimbabwe**, strong and influential associations of ratepayers have been established. In Zimbabwe, these associations have a legislative right to be heard regarding all decisions on rates and user fees/charges, and they have a strong say on these matters. In both countries, these associations contribute to the final decisions of the central government regarding approval of the budgets (especially the SNG revenues and tax rates).

The influence of citizens might also have a negative impact on ISP if the citizens are frustrated by the quality, quantities and cost (in terms of taxes and user fees) of ISP. These frustrations have led to citizens' vandalism of key infrastructure and service installations in some of the countries, e.g. in Zambia and Swaziland. Instead of being an active player in ISP, there have been examples of neglect of the SNGs' attempts to provide ISP. This problem has been especially severe in the informal settlements around the major cities.

Control of the SNG politicians during the election period

Sufficient SNG accountability to the citizens demands strong mechanisms to express the citizens' priorities between the election periods. In most of the six countries, this control is exercised by the central government and by various types of central government audit and supervision, rather than by the local citizens. This control has led to dismissal of a number of councils and politicians in **Zimbabwe**²⁸ and **Zambia**. In all six countries, the control by central government of the SNG politicians seems to derive more from the central level than from the local inhabitants that have elected the politicians.

Zambia is a good example of this. Citizens are involved at the election time, but thereafter there is no mechanism to enable them to influence local affairs and hold their representatives accountable between the elections.

Control of the budgets, accounts, financial management and financial accountability

The citizen's access to and possibilities for control of SNG budget and accounts is generally limited to the budget preparatory stage, when meetings to discuss budgets are open for the public in certain

²⁸ The present abolition of the council in Harare and introduction of central government commissioners to run the city for a certain time period is a good example of this.

stages. The control of accounts is constrained by the lack of up-to-date accounts, lack of user-friendly accounting system and limited and weak financial control and audit.

A number of promising initiatives have been introduced in this area to link the budgets to the development plans and strategic planning where the objectives and the measures are in dialogue with the public. In **Uganda**, the Budget Framework Development initiative requires public input, and in **Swaziland**, the bigger cities have developed strategic plans and detailed ISP targets for the cities open to the public.

Do the citizens know who is responsible for what – is the assignment of functions clear?

SNG accountability to the citizens' demands that the citizens have a good sense of which functions the SNGs are responsible for and whom to address with suggestions and complaints on ISP. This is not always the case, cf. Chapter 5 on the regulatory framework.

The laws on local governments are rather clear concerning the assignment of tasks in most of the six countries, but the laws within the various sector areas and the practical implementation of the laws have often caused blurred, overlapping and unclear responsibilities. This means that the public has two possibilities – either to blame the SNGs for everything or to address the complaints to the wrong authority.

8.1.3 SNG Autonomy

The credibility and legitimacy of the SNG politicians depend very much on their ability to deliver the promised ISP. This, again, is greatly affected by the SNG council's autonomy regarding the revenue base, priority setting, expenditures, budgets, organisation of work, human resources and administration of key areas such as land management. Annex No 3 gives an overview of the situation within the six countries, and Chapters 3 and 5 outline the major constraints on the SNG autonomy.

The analysis revealed that the SNGs in nearly all the countries have limited autonomy for their revenue bases and expenditures. This means that the citizens have elected the politicians to provide ISP and to make the right priorities, but, in reality, such possibilities are restricted. This has caused lack of legitimacy of the local politicians and lack of support and interest in local politics in general.

The SNG competencies on *human resource management* and organisation of the ISP within their jurisdiction are also important. The dual loyalty of staff and the blurred responsibility within the SNG administration have a negative impact on the SNGs' relationships with their citizens.

Chapter 5 also revealed the lack of SNG competence within the field of planning and land management. This lack of autonomy means, again, that the citizens' expectations of the SNG politicians to develop their territory cannot be fulfilled.

Table 8.2 (road map) below summarises the key findings and future challenges in the six countries.

Table 8.2 Road Map for Accountability of SNGs to their Citizens

<i>Road Map on Accountability of SNGs to their citizens Component:</i>	1) Local mayors and councillors	2) Access to citizens participation and influence on the SNG on the decision-makers	3) Clarity of responsibilities – assignment of tasks and responsibilities	4) Financial accountability, budget, accounts, audit – citizens possibilities for control	5) SNG share of own revenue sources	6) SNG autonomy on revenue	7) SNG Autonomy on expenditure and local priorities	8) SNG autonomy on human resource and own organisation	9) SNG autonomy on planning and land management
Advanced	Mayors and councillors elected – SNG influence high, regular elections	Free rights and important influence to form citizen participation bodies, e.g. user boards and tax payer associations	The citizens know who to address and who is responsible. Clear assignment of tasks	Clear and implemented procedures for budgeting, accounting and auditing, transparent system with citizen access	The SNGs have a considerably share of own revenue sources with a potential high yield: >50%	The SNGs have strong influence on revenue, e.g. tax base, rate, collection, administration	SNGs have strong autonomy on the ISP priority setting, budgeting and implementation	The SNGs have competencies to recruit, dismiss and promote their own staff and to develop their organisation	The SNGs have autonomy concerning land ownership and tenure and physical and planning
Developing	Zi, Ug, Se Part of the councillors elected, part of them appointed by CG	Zi, Ug Local involvement started in few fields, not yet strong	Ug Some tasks not clearly defined in terms of responsibility	Financial accountability in a moderate stage, e.g. audit is still weak	Zi, Se, Sw, Za Between 30-50%, moderate share	SNGs have certain influence on the part of the revenues	Ug CG control is still strong, but more stable, transparent and regulated	Ug Moderate autonomy on the lower levels of staff.	Limited influence of SNGs on the land use and physical planning Ug
Initial stage	Sw, Gh, Za Mayors and councillors are strongly influenced/appointed by CG	Se, Sw, Gh, Za Very weak assess to citizen participation	Se, Zi, Gh Unclear, overlapping, blurred responsibilities	Zi, Ug, Se, Sw Weak financial transparency, control and information to citizens	Gh Low share of own revenue sources: <30%	Se, Ug, Gh, Zi No/very low possibilities to influence own revenue sources	Se, Zi Very weak autonomy on local priorities in ISP	Ug, Sw, Zi Limited autonomy on SNG staff and organisational development	Ug SNGs have no control on the land development and planning, no ownership rights Se, Gh, Za, Zi, Sw

Cf. The Annexes on the indicators for a more detailed treatment. SNG = sub-national governments, CG = Central government
 Za: Zambia, Zi= Zimbabwe, Se, Senegal, UG= Uganda, Sw= Swaziland, Gh = Ghana; Dimensions 1-4 deal with the SNGs possibilities to hold the SNG politicians and administration accountable, whereas Nos. 5-9 concerns the possibilities for the SNGs to have influence on the local situation/priorities (indirect citizen accountability). A more detailed review of the countries is attached in Annex No. 3.

8.2 Major challenges in the field of SNG accountability to their citizens

The road map shows that the SNGs in all the countries face a number of challenges in their relationship with their citizens/constituencies.

The key challenges are to ensure:

- proper local influence on the selection of local decision-makers;
- citizens do not neglect the SNG councils'/councillors' decisions on ISP;
- the strengthening of the citizens' participation and influence between the elections;
- the openness of the budgeting process and accounting - one of the most important keys to democratic governance;
- the SNG politicians have the potential to maintain legitimacy and the support of their constituencies – to ensure support, trust and confidence; and
- the establishment of the right mix and balance between (a) the CG's need to ensure national objectives and supervision of SNGs and (b) the objective to ensure that local priorities are recognised and addressed.

8.2.1 The potential for the involvement of local citizens in planning and decision-making, including ISP

The involvement of the local citizens may start a process of empowerment that mobilises resources and stimulates the setting of objectives and solutions to meet local demands and preferences. There may be many mechanisms through which the empowerment can be stimulated inter alia:

- The establishment of efficient justice, transparency in administration and decision-making and the setting of realistic goals for development and the visions at medium perspective.
- The initiation of structural changes that make local people see that it is worthwhile to involve themselves and that the political and administrative local leadership listen and take their opinions into consideration in the decision-making processes, solutions and planning.
- The development of better communication, co-ordination and leadership
- The facilitation through user-boards, user-interviews or hearings of simplified procedures and the involvement of the local people in design, planning, decision-making, monitoring, supervision, follow-up and evaluation of projects and maintenance of existing machinery for the provision of ISP.
- The provision of opportunities to create awareness, give equal opportunities and give people access to information, maps and other basic documentation for decision-making relevant for their own situation.
- Provide (vocational) group training and education of local people in the mechanisms of good governance.

8.3 Recommendations

Based on the experiences from the six country studies, it is *recommended* that:

Councillors and mayors should be publicly elected. Election rules should be designed in a way to encourage participation and representation and, at the same time, allow possible ruling by a majority coalition.

The system of voting should maximise the scope for political competition.

The strong need to address the skills of the councillors by setting up general (not restrictive) minimum requirements for literacy, combined with training. The problem should not be solved by central government-appointed councillors, as this limits the development of an active local democracy.

Revenue and expenditure assignment and the level of autonomy should be gradually increased in a coordinated manner.

The central government should provide guidance and adopt a support oriented, rather than a control oriented, stance vis-à-vis SNGs. There should be a shift away from requiring compliance with rigid and detailed controls and procedures and towards SNG accountability for performance and results in the field of ISP

The SNGs' decision-making procedures and relationship to their citizens should be based on the concept of "Good Governance", which is understood to entail transparency, SNG accountability to their citizens, full information on the SNG decisions, open access to decision-making and meetings in the SNGs, protection of citizens' rights, possibilities to form associations (of users and interest groups, user boards and information sharing), possibilities for citizens' complaints, etc.

The budget process and the accounts of the SNGs should be fully open to the citizens, as this is one of the main pillars of the public control of the political leadership. Financial management should be strengthened. Standardised budget and accounting systems, regular auditing and linkages between the development plans, budgets and accounts are important tools in this regard. The audit should be independent and external.

Central governments and SNGs should support and encourage civil society participation in the political process, and at the same time provide safeguards to ensure that a narrow segment of the population does not decide everything. The mobilisation of the civil society has to be encouraged in order to raise local resources and create awareness of the links between taxes collected and the quality and quantity of the ISP delivered.

The SNGs should draw data on the citizens' positions, interests and opinion on ISP (level, quality, priorities) and tax levels.

CHAPTER 9 – Summary of Key Findings and Way and Means Forward

The study revealed a large number of good practices and attempts to solve some of the important challenges that arise in many countries. The study also showed that the road is not easy or short to achievement of the important objectives listed in Chapter 2. Finally, the study indicated suggestions for the road towards decentralisation and enhancement of ISP for the benefit of citizens.

9.1 Summary of the Key Findings – Lessons to Learn and the Status of the Six Countries

9.1.1. Lessons to learn – good practices from the six countries

The following section *highlights* some of the *good country experiences and “best practices”* that are interesting and important lessons for the Sub-Saharan Region and worldwide. Please refer to the six country studies for more details.

Box 9.1: Zambia:

- 1) The SNGs administer a large share of own revenue sources (taxes and user charges), especially property tax. The experiences (both positive and negative) might be very useful for other countries.
- 2) Co-ordination between the regional and local interest where the MPs, the local politicians, the chief administrative levels, the chiefs and other stakeholders are involved (District Development Co-ordination Committees).
- 3) The development of rather large and (on paper) sustainable units of SNGs, also in the rural areas.
- 4) The composition of the SNG councils, with some members (MPs) as *ex officio* members.

Box 9.2: Senegal:

- 1) The many experiences with capital development projects, especially the recent experiences from the strengthening of the capital investments in the larger municipalities, where SNGs make contracts with the Municipal Development Agency on linkage of funds for investments (borrowing), financial management requirements, administrative capacity building, own contribution and commitment in term of SNG input to the investments (10%), etc.
- 2) Central government approval procedures are clearly defined, including clear deadlines and possibilities for tacit approvals.
- 3) The support provided by the deconcentrated central government administration to the SNGs in ISP within the rural authorities.
- 4) Establishment of an intermediate level of government – the 10 regions. The experience from this is still very short, and the future will show the main impact of this initiative. The success will depend on a number of conditions such as clear division of responsibilities and competencies, sufficient assignment of new revenue sources for the regions and sufficient development of administrative capacity at the regional level.

Box 9.3: Ghana:

- 1) The experiences from the establishment of the Capital Development Fund to enhance capital formation and investments in ISP at the local level, distributed according to objective criteria, including criteria such as number of inhabitants, tax efforts, etc. These experiences on decentralisation of the capital budget are of great interest for other countries. The experiences from this fund have not all been positive, so a closer review of the structure and procedures might make countries aware of pitfalls
- 2) The involvement of as many people as possible in the local politics – it is too early to see whether this system is sustainable, but the results will be of great interest for other countries.
- 3) The development of a Local Government Training Centre in 1999 and increased focus on capacity building at the local level. The future will show the impact of this institution, and the capacity building has to be done in a co-ordinated manner
- 4) The attempt (not yet successful) to integrate the deconcentrated departments of central governments with the SNG administrations.

Box 9.4: Swaziland:

- 1) The comprehensive programme and initiatives to address the specific problems in the informal settlements and in the peri-urban areas. These problems exist in all countries, but the activities to address these in Swaziland are of great interest for the other countries.
- 2) The modern management tools introduced in the two larger cities, among them strategic planning, introduction of human resource functions, target-oriented management, information to the citizens about the key objectives and follow up. In addition to that, the use of IT solutions has been extensive.
- 3) Involvement of the citizens in public hearings, ratepayer associations, etc.
- 4) Fruitful discussions (not yet implemented) on how to make the best system of revenue/cost sharing among the levels of government.

Box 9.5: Uganda:

- 1) Development of a rather stable system of central government transfers to SNGs, including general grants and special grants. In addition, the recent introduction of equalisation grants to level out some of the difference in revenue bases and expenditure needs across the SNGs should be of great interest. The system, even with lack of data, has managed to introduce an equalisation scheme at the district level, which should be further developed in the coming years.
- 2) The establishment of support institutions for the decentralisation process, among them the Decentralisation Secretariat and the Local Government Finance Commission. These institutions have, among other initiatives, created awareness of the needs and demands of decentralisation, supported the implementation of administrative and regulatory measures, provided information exchange among the key stakeholders, established useful databases on SNG finance and enhanced the local capacity within a number of areas.
- 3) The existence of rather strong associations of local authorities, which have a say in the discussion with the central government, and a developing system (all still in its initial stages) of dialogue between the levels of government on the economy and the priorities for the coming years.
- 4) Several measures to enhance financial management, including budgeting and accounting regulations, have been introduced.
- 5) The introduction of the decentralised system of District Service Commissions, where the

SNGs have considerable influence on their own human resources. Although not without problems, the experiences so far, have shown that system has worked better than the previous centrally-directed system in the field of SNG staffing.

Box 9.6: Zimbabwe:

- 1) A system where the cost recovery of key ISP services is significant.
- 2) A system where the strongest SNGs have started to make borrowing, are being credit-rated, have access to the private and public capital markets (still developing).
- 3) Rather significant administrative capacity, especially in the urban SNGs.
- 4) The development of training strategies within some of the most advanced SNGs (and capacity building all throughout the 57 RDCs).
- 5) Development (initial) of means and ways to facilitate the involvement of the private sector in ISP.

9.1.2 Road Map and Means and Ways Forward

Decentralisation programmes need to be adapted to a country's prevailing conditions. However, the experiences from various countries, including the six case study countries, have revealed some universal lessons, which countries can use to their advantage, cf. **Table 9.1** and the road maps within each chapter.

The components of decentralisation, identified in Chapter 1, are all closely related, and the initiatives regarding the decentralisation policy/strategy, finance, regulatory and institutional frameworks, structure of SNGs and the citizen involvement have to be done in a coherent, simultaneous and coordinated way. Many of the above-mentioned problems derive from problems in timing of the reforms, e.g. decentralisation of tasks without finance, or decentralisation of staff without decentralisation of decision-making power on salaries and performance incentives.

The road map below – **Table 9.1** - indicates the general picture of how far the six countries are in addressing their objectives to decentralise the system of government and to establish an enabling environment for the SNGs in the field of ISP.

All countries have started their decentralisation efforts with an emphasis on development of the *basic regulatory framework*, the laws (acts) on local government, and the transfer of tasks to the lower level(s) of government. Fiscal decentralisation and capacity building activities, in reality, have been introduced with a lower speed and often subsequently. For this reason, the SNGs in all six countries have financial and administrative difficulties in implementing their mandatory tasks.

A number of more specific challenges have to be addressed if the future decentralisation process is to be sustainable. **Table 9.2** shows some of these key components. No uniform best system of decentralisation can be designed, and the systems will all have to be updated to maintain their relevancy and adjusted to new challenges. The specific "optimal" system for each country will depend on factors such as the size of the country, population, the political culture and climate, the ISP tasks, the financial and other resources available, the history on government, etc. Experiences from the Study have been that a holistic, comprehensive, interrelated and committed attempt to solve or address these components will add to the strengths of the system of SNG and an enabling environment for ISP.

Table 9.1: Road Map for the Ways and Means Forward on Decentralisation for the Six Countries

<i>Road Map on Decentralisation</i>	Central Government Policy on Decentralisation	Financial sustainability at the SNG level	Performance and sustainability of ISP	Appropriateness for SNG of the regulatory framework	Appropriateness for SNGs of the institutional framework	Subsidiarity – operational capacity in relation to SNG tasks	SNG accountability to their citizens
Advanced	Clear policy and strategies for decentralisation	Balance between assignment of expenditure and revenue, appropriate composition of revenue and exp., and system of transfers, strong own revenue sources, efficient revenue administration, incl. Collection	Comprehensive ISP coverage of the citizens needs, appropriate cost recovery mechanism, Clear division of tasks, participatory decision-making, Optimal ways of ISP with public/ private relations	Clear and harmonised legislation on SNGs, Reg. framework based on support and guidance, comprehensive and clear support legislation	SNG significant autonomy on human resources, innovative environment, managerial accountability, strong adm. Capacity, appropriate means of clearance of interests between key players	Tasks transferred according to subsidiarity principles, SNG capacity in harmony with the present tasks, appropriate balance various obj. Democracy efficiency, economy of scale	Strong SNG accountability to their citizens, through influence on local decision-making, direct election + significant SNG autonomy
	Ug			Ug.			Ug, Se,
Developing	Moderate	Partly/Developing	Developing	Partly	Moderate	Partly	Partly/modest
	Se, Gh, Zi, Sw	Ug, Se, Zi,	Se, Sw, Zi,	Se, Gh, Za, Zi	Se (CR), Sw (C,), Ug	Za, Ug, Zi	Zi, Gh, Ug
Initial stage	Policy not in place	Imbalances on the revenue and/or the expenditure, problems in the financial relationship, Lack of clear and objective revenue sharing model Unfunded mandates	Severe problems in the quantity and quality of the ISP – problems in the service provision system	Unclear on non-comprehensive legislation and/or lack of implementation of key elements	Weak adm. capacity combined with lack of human resource autonomy at the SNG level	Problems in matching the SNGs capacity to the present or future tasks	Low accountability due to lack of SNG autonomy and/or lack of citizens influence on the key SNG decisions/councils/mayors
	Za,	Za, Gh, Sw	Za, Ug, Gh	Sw	, Za, Gh, Se (Ru), Sw (Ru), Zi	Gh, Se	Za, Swa

Cf. The Annexes on the indicators for a more detailed treatment. SNG = sub-national governments, CG = Central government

Za: Zambia, Gh=Ghana, Zi= Zimbabwe, Se (CR)= Senegal municipalities and regions, Se (RU): Senegal rural districts, Sw (C) = Swaziland City (C)

Figure 9.1: Figure: Summary of the Key Components of a Well-Functioning System of Sub-National Government Finance:

Main components	Sub-Components	Assumptions
Decentralisation strategy -	<ul style="list-style-type: none"> *Clear policy objectives and strategies *Implementation plan and current adjustments 	<ul style="list-style-type: none"> Real commitment All ministries behind CG coordination
SNG finance ---	<ul style="list-style-type: none"> *Compensation –symmetrical when tasks are transferred * Fair revenue/cost sharing between levels of government * High share of own revenues + appropriate composition *Transparent, objective, timely system of CG transfers *Significant autonomy on the SNG revenues + overall targets *SNG Autonomy on priorities of expenditures + targets *Strong financial management, budgeting, accounting, audit 	<ul style="list-style-type: none"> Conducive corporate environment Exchange of information. Financial capacity building
Sustainable ISP---	<ul style="list-style-type: none"> *SNG responsible for the key ISP related to citizens in their area *ISP coverage of the key citizens’ needs (quantity and quality) *Systems of cost recovery developed for the key ISP areas + targeted support scheme for the poor *Participatory decision-making – involvement of the citizens *Competitive environment and involvement of private sector *ISP autonomy on priority of key investments and key projects 	<ul style="list-style-type: none"> Sufficient capacity of SNGs Existence of a private sector
SNG regulatory framework--	<ul style="list-style-type: none"> *Clear, coherent and supportive basic Law on Local Government *Clear legislative assignment of tasks and responsibilities *Harmony between the various laws regulating SNGs *CG support/monitoring/mentoring role instead of rigid control *SNG budget autonomy, clear approval procedures when this is needed *Rules on financial accountability developed *Necessary support legislation developed (land, borrowing, and involvement of the private sector) 	
SNG institutional framework-	<ul style="list-style-type: none"> *Significant SNG autonomy on the human resources/staff *Clear managerial and political accountability, incl. clear division of responsibilities * SNG management and organisational autonomy *High innovative capacity, HR development, strategic planning, *Appropriate use of IT and information exchange *Continuous focus on capacity building within key areas such as technical areas, land management and SNG finance *Proper system of clearance of interest across levels of gov. *Budget co-operation and good means for mediation of interests, including strong associations of local authorities *Appropriate training strategies and implementation (demand driven) 	<ul style="list-style-type: none"> Support of the CG to the SNG administration Both the CG and the SNGs understand and have interests in the co-operation
SNG operational capacity:	<ul style="list-style-type: none"> *Assignment of tasks according to principle of subsidiarity *Optimal relationship between tasks, administrative capacity, size and adherence to objectives of efficiency, economy of scale and citizen participation, cf. below 	
SNG accountability to their Citizens:	<ul style="list-style-type: none"> *Strong citizens’ influence on the SNG decision-makers, including elections, key decisions, strong accountability (transparency, information, etc.) *SNGs have influence on the decisions within the territory (significant autonomy) on areas such as budgeting, human resources, key decisions on investments and expenditure priorities 	

SNG = sub-national governments, CG = Central Government, ISP = Infrastructure and service provision

ANNEX No. 1 Central Government Objectives in the Six Countries

This annex summarises the key objectives of the central governments in the six countries within the field of fiscal decentralisation and subnational finance in relation to ISP. The findings are revealed by the local experts during the study.²⁹

Findings from the six countries

Objectives in the field of decentralisation	Central Government Policy	Sub-National Government Finance	Infrastructure and Service Provision	Regulatory Framework	Institutional Framework	Overall Capacity of Sub-National Governments
Zambia	<p>To develop a clear/new detailed policy and strategy on decentralisation</p> <p>Declared policy on decentralisation of tasks and responsibilities</p> <p>Clear division of tasks and responsibilities</p>	<p>SNGs should be self-financing – financed by own revenue sources</p> <p>User charges seen as an important source of finance</p> <p>SNG should administer tax collection efficiently at the local level</p> <p>Appropriate co-operation between levels of governments</p>	<p>Cost recovery on ISP and liberalisation of tariffs</p> <p>To involve the private sector as much as possible</p> <p>Co-ordinate the investments at the regional level by involving all major stakeholders</p>	<p>To establish a clear delineation of power to the SNG level</p> <p>Empowering of SNG to mobilise resources</p> <p>Secure productivity of land</p>	<p>Improve administrative capacity</p> <p>Establish efficient administrative structures</p> <p>Strengthen human resources development in SNG</p> <p>SNGs should be competent to hire and fire</p> <p>Good relationship between levels of governments</p> <p>Responsive public sector to the citizens needs</p>	<p>Assign most of the tasks to SNGs</p> <p>Pursue the principle of subsidiary</p> <p>One level of SNG but various types of SNGs according to capacity</p>

CG= Central government, SNG= Subnational governments, ISP = Infrastructure and service provision.

²⁹ Various sources are used: Public articles, newspapers, interviews with decision-makers, laws and regulations, etc. The objectives was as in 1999.

Objectives in the field of decentralisation	Central Government Policy	Sub-National Government Finance	Infrastructure and Service Provision	Regulatory Framework	Institutional Framework	Overall Capacity of Sub-National Governments
Senegal	<p>Devolution of power to SNGs</p> <p>Decentralisation and deconcentration at the same time</p>	<p>Increase the SNG revenues</p> <p>Establish a strong tax administrative system</p> <p>Transfer of functions should be accompanied by transfer of funds (compensation)</p> <p>Good financial relationship between levels</p> <p>Support SNG borrowing for investments – a balanced increase in SNG borrowing in parallel with capacity building</p>	<p>Cost recovery of public services, liberalisation of tariffs and provision of Sufficient and sustainable infrastructure and services</p> <p>Assign most of the functions to SNGs</p> <p>To involve the private sector as much as possible in ISP</p> <p>Strong cooperation between SNGs and the private sector</p>	<p>To secure the systems of SNGs in the Constitution</p> <p>Establish a clear separation of power and responsibilities and delineation of tasks in the Local Government Legislation</p> <p>Empowering of the SNGs to raise own revenues</p> <p>Secure productivity of land</p>	<p>Increase the autonomy of the SNG – from ex post to ex ante control (reduce the control)</p> <p>To establish a strong link between decentralisation of finance and capacity building</p> <p>To improve administrative capacity, especially planning</p> <p>Efficient and responsive SNGs</p> <p>Focus on Human Resource Development</p> <p>Secure good relations between levels of governments</p> <p>Improve accountability, good governance, local democracy</p> <p>Support IT development</p>	<p>Gradually to devolve more and more functions to the SNGs</p> <p>To devolve functions to the level most suitable for the tasks (region, larger municipalities and rural SNGs)</p> <p>Two tiers of SNG and various types of SNGs according to capacity – various rules and various degree of autonomy</p> <p>The two tiers of SNGs are regions and local governments</p>

Objectives in the field of decentralisation	Central Government Policy	Sub-National Government Finance	Infrastructure and Service Provision	Regulatory Framework	Institutional Framework	Overall Capacity of Sub-National Governments
Ghana	<p>Political philosophy: “power to the people”</p> <p>Empowerment of SNGs</p> <p>Participation of citizens</p> <p>Devolve political and state power to promote participatory democracy through local institutions</p> <p>Mixed type of decentralisation with close ties between CG and SNG (one structure)</p> <p>Hybrid form of decentralisation with councils composed of elected and appointed SNG politicians</p> <p>Non-partisan politics at SNG level to ensure consensus building</p> <p>Decentralise functions and resources</p> <p>Delegation of power</p>	<p>Fiscal decentralisation and sound financial basis</p> <p>Introduce efficient system of fiscal decentralisation where DA’s have control over substantial share of own revenues sources</p> <p>Introduce composite budget, including budgets for all institutions at local level</p> <p>Decentralise recurrent budget</p> <p>DACF (capital funds) should not be less than 5% of total public revenue</p> <p>Strong capital investments at local level</p> <p>Ensure adequate revenue to perform functions</p>	<p>Enhance ISP at the local level</p> <p>Establish tender boards in all districts to ensure efficient ISP</p> <p>DA should provide basic ISP, especially in rural areas</p> <p>Enhance investments in ISP at district level</p> <p>Enjoin the private sector and beneficiary community to contribute to ISP</p> <p>Shared responsibilities between the CG and SNGs, community, grassroots</p>	<p>The Constitution and basic Law on Local Government safeguard SNGs</p> <p>Ensure legislation on the transfer of CG Departments to SNGs</p> <p>Establish a SNG civil service Act</p> <p>Clear delineation of SNG tasks</p> <p>Financial strong control backed by clear legislation</p>	<p>Ensure: Accountability Effectiveness Responsiveness Transparency</p> <p>Decentralise and devolve administrative development Planning at all levels</p> <p>Integrate/co-ordinate planning at all levels</p> <p>Transfer human resource to rural areas</p> <p>Checks and balance between CG and SNG (division of power)</p> <p>Bottom up planning</p> <p>Integrate CG departments at local level with SNG administration.</p> <p>Keep both deconcentrated, decentralised and devolved services at local level</p> <p>CG monitor and co-ordinate at the regional level</p>	<p>Devolve functions to the lowest possible level of SNG (subsidiarity)</p> <p>Establish several tiers of subnational governments each with their own tasks and responsibilities</p>

Objectives in the field of decentralisation	Central Government Policy	Sub-National Government Finance	Infrastructure and Service Provision	Regulatory Framework	Institutional Framework	Overall Capacity of Sub-National Governments
Swaziland	<p>Strengthen the decentralisation process gradually</p> <p>Pursue a dual system of government – one in urban areas and the traditional system in the rural areas</p>	<p>SNG should be an important and equal partner in ISP and finance</p> <p>Proper sharing of revenues and costs between levels of governments</p> <p>Development of a fair subvention formulae</p> <p>Secure a proper composition of SNG revenues</p> <p>Increase the SNG autonomy on finance and possibilities for own revenue generation</p> <p>Strong financial administration at SNG level</p> <p>One time capital improvement should be financed by loans</p>	<p>Expand the coverage of the ISP (especially in the peri-urban areas) and strengthen the division of task and improve the ISP in general</p> <p>Cost recovery as guiding principle</p> <p>Strengthen the relationship between public and private sector</p>	<p>Develop a new and comprehensive legislation on Urban Governments</p> <p>Strengthen the relationship between urban and rural areas</p>	<p>Increase the efficiency and effectiveness of public sector</p> <p>Monitor the SNGs in order to secure checks and balance between autonomy and need for control</p> <p>Public participation in planning of ISP</p> <p>Expand the system of SNGs</p> <p>Various types of SNGs various types of competencies within human resource management and hiring and firing of staff</p>	<p>Base the division of task on the principle of subsidiary</p> <p>Gradually devolution of more and more tasks to the SNG level</p> <p>Keep two system of administration – one in the cities and one in the rural areas</p> <p>Various types of SNGs in the cities according to their capacity –</p>

Objectives in the field of decentralisation	Central Government Policy	Sub-National Government Finance	Infrastructure and Service Provision	Regulatory Framework	Institutional Framework	Overall Capacity of Sub-National Governments
Uganda	<p>Decentralisation as a continued process and guiding principle (devolution of real power)</p> <p>The process should be developed gradually</p> <p>The central government should play a facilitation and mentoring role in the process of decentralisation</p>	<p>Establish strong and viable SNGs</p> <p>Decentralisation in two phases 1) recurrent and 2) capital budget</p> <p>Large autonomy on SNG revenue and increase in own revenue sources</p> <p>Large SNG autonomy on expenditure</p> <p>Parallel transfer of tasks and finance and strong links</p> <p>Equity promoting system of transfers (balanced development)</p> <p>Special grants to facilitate key sector ISP</p> <p>Good financial relationship between levels of governments</p> <p>Strong financial management</p>	<p>SNG should be the main provider of ISP</p> <p>ISP should cover the citizens needs</p> <p>Strong commitment to rehabilitate and maintain infrastructure</p> <p>The private sector should have a strategic role in ISP, an enabling environment for private investors should be established</p> <p>ISP should be adequately financed and user charges/ fees should play an important role</p>	<p>The legislative framework should support the process of decentralisation</p> <p>The Constitution and the local government act should safeguard all key principles of decentralisation – detailed legislation</p> <p>Legislation should regulate the financial administration</p> <p>Issue strong financial regulations and accounting procedures</p>	<p>SNG should have the power to manage their own staff through district service commissions</p> <p>Support capacity building and training</p> <p>Streamline public sector structure</p> <p>Strengthen the information systems and coordinating of these</p> <p>Pursue a bottom-up planning procedure</p> <p>Work according to the principles of Good Governance</p> <p>Support IT development</p>	<p>Pursue the principle of subsidiary</p> <p>Develop a system with several tiers of governments each with functions appropriate to their size, and several level with own revenue sources</p> <p>Various types of governments in the cities and in the rural areas</p>

Objectives in the field of decentralisation	Central Government Policy	Sub-National Government Finance	Infrastructure and Service Provision	Regulatory Framework	Institutional Framework	Overall Capacity of Sub-National Governments
Zimbabwe	<p>Liberalisation</p> <p>Deregulation</p> <p>Decentralisation of key ISP, including education and health care</p> <p>Transfer of functions and authority to the SNGs</p>	<p>Sound financial basic for SNGs</p> <p>Strengthen SNGs own resource generation</p> <p>Transfer of funds without time-lag</p> <p>Two levels to collect taxes the CG and SNGs</p> <p>Matching grants when creditworthiness is obtained</p> <p>Ease the control of tariffs and charges</p> <p>* Objective from MLRUD and SNGs: SNG funds should not be less than 10 % of total public revenues</p>	<p>Cost recovery schemes, which take the low affordability of the poor into consideration</p> <p>Focus on the development of the housing sector</p> <p>Self-help strategy</p> <p>Strong involvement of the private sector</p> <p>Target ISP investment to benefit the poor</p> <p>Targeting the social expenditure to the poor people</p>	<p>Elaborate a new constitution which safeguard the SNGs</p> <p>Moderate the legislation on tariffs</p>	<p>Capacity building and development of the human resource function</p> <p>Involvement of the poor in the decentralisation process</p> <p>Involvement of users in e.g. user boards,</p> <p>Enhance the civic participation</p> <p>Integrate institutions working on the SNG level</p> <p>CG should set the standard + monitor the SNGs</p> <p>Staff should be transferred from the CG to the SNGs</p> <p>MLRUD should be the Ministry to coordinate all activities at the local level</p>	<p>Various types of SNGs depended on their capacity to provide services (cities, municipalities, rural districts and boards)</p> <p>Generally, if services demand co-ordination of more than one SNG, then the tasks should be transferred to the CG</p>

ANNEX No. 2 The Victoria Falls Declaration

THE VICTORIA FALLS DECLARATION

MINISTERS' CONFERENCE ON

"CHALLENGES FACING LOCAL GOVERNMENT IN AMCA IN THE 21ST CENTURY"

SEPTEMBER 20-24, 1999

KINGDOM HOTEL, VICTORIA FALLS, ZIMBABWE

PREAMBLE

We, the Ministers and Heads of delegations from Botswana, Ethiopia, Gambia, Ghana, Lesotho, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe meeting at the High Level Conference on "The Challenges Facing Local Government In Africa In The 21st Century" at Victoria Falls, Zimbabwe from September 20 to 24, 1999;

Acknowledging the presence of the Acting President of Zimbabwe, His Excellency Cde Simon Muzenda, local government practitioners comprising of senior government officials, mayors, town clerks, academicians, researchers, Chairperson of Municipal Development Programme, Presidents of African Union of Local Authorities (AULA) and the International Union of Local Authorities (IULA), representatives of national associations of local authorities, representatives of United Nations Development Programme (UNDP), United Nations Centre for Human Settlements (Habitat) and the World Bank Institute;

Appreciating the warm hospitality of our host, the Victoria Falls Municipal Council, in Matabeleland North;

Recognizing that:

- Many African States have made significant progress in establishing and strengthening local government.
- Delivery of basic services occurs principally at local level and local government is the level closest to the people, local government is an essential component of good governance in any nation state.
- There is need for further decentralization to local government structures in most African states;
- There is need for a shared vision of the basic principles of decentralization which recognizes the specific needs and conditions of the African Continent

KEY CHALLENGES

Cognisant of the following challenges:

a) Insufficient support for decentralization from stakeholders, particularly some sectoral ministries;

Decentralization of functions is not always accompanied by commensurate financial, human, technical and other resources;

b) And having regard to the following key problems experienced in implementing decentralization:-

- Narrow revenue base of local government
- Inappropriate legal provisions
- Lack of legal provisions
- Difficult macro-economic environment
- Debt burden

- Unfavorable donor conditionalities
- Resistance from central agencies and over-reliance on central transfers
- Bureaucratic and fragmented government structures;

Further noting the following as the root causes of the problems:-

- Inadequate political will both in legislation and policy
 - Bureaucratic resistance and inertia
 - Poverty in the continent
 - Insecurity both internally and externally
 - Corruption
 - Growing rate of urbanization;
- c) Further recognized a number of weaknesses in the capacity of local government structures, including:-
- Inadequate skills, knowledge, attitudes, organizational and management systems and procedures to carry out their mandates
 - Weak planning systems
 - Inability to project a positive image of themselves through effective public relations
 - Perceived or actual corruption, which in turn undermines confidence in them and can be used as an excuse for reversing the decentralization thrust
 - Insufficient involvement of local residents in civic affairs and, therefore, demand for efficiency, accountability and transparency from local governments in the delivery of services and management of financial resources
 - Inadequate means, for monitoring the progress and impact of decentralization programmes and local government reforms
 - Insufficient legal safeguards to protect the gains made so far in the decentralization process in order to ensure the sustainability of the process;

COMMITMENTS

Vision

We hereby agree that,

- a) The purpose of decentralization should be to devolve power and responsibility to lower echelons, promote local democracy and good governance, with the ultimate objective of improving the quality of life of the people.
- b) Decentralization should be to local government structures, which are representative of, and accountable to, all sectors of the local population, including marginalised and disadvantaged groups.
- c) Decentralization should be to levels of local government structures, which enable effective community participation in local governance.
- d) Decentralization should involve the transfer to local government institutions those powers and functions necessary to enable them to:
- provide services for the local population efficiently and effectively;
 - provide a conducive environment for local economic development;
 - provide services for the local population efficiently and effectively;
- e) Decentralization should include the provision of access to the resources needed to execute the above powers and functions efficiently and effectively, including financial and manpower resources.
- f) Financial resources should be available to local authorities in a manner which is reliable, adequate, predictable, transparent, accountable, sustainable and equitable.

- g) The basic components of a decentralized system of local government should be enshrined in the constitution

We therefore;

- a) **Commit** ourselves to promote and support the vision of decentralization in our respective countries;
- b) **Recommend** that decentralization be put on the agendas of the OAU, ECOWAS, SADC, COMESEA and EAC in order to promote awareness and commitment and facilitate ownership of the shared vision by the member states;
- c) **Pledge** to co-operate, share information and build capacity on local government; and accordingly we resolve to:
- ◆ support the formation and strengthening of national associations of local government in countries e.g AULA, where such associations do not exist, in order to promote networking and information exchange between local government institutions and to enable local authorities to speak with one voice;
 - ◆ support exchange programmes between African countries through study tours and other initiatives in order to broaden the local government base and facilitate interaction;
 - ◆ promote information sharing and encourage the development of systems for information dissemination through the compilation of a common directory of local government contact persons and different systems of local government;
 - ◆ recognize the useful role that traditional leaders, wherever they exist, play in the process of development.

Local Government Finance and Management

We further resolve that the decentralization of sectoral functions to local governments be accompanied by necessary financial resources-

And that:-

- legal provisions and mechanisms be put in place to facilitate effective and equitable sharing of resources
- local governments adopt participatory planning and budgeting processes
- innovative sources of local government revenue be identified
- land and property tax constitute key sources of local government revenue
- appropriate institutions for auditing and monitoring be put in place
- local government financing and management practices be consistent with national macro-economic policies
- appropriate capacity building programmes be put in place
-

Local Authorities as Engines of Development:

- a) **recognize** that local governments are potential engines of development, and therefore,
- b) **resolve** that capacity building programmes be intensified to enable local government structures meet new challenges posed by decentralization.
- c) **agree** that peace, stability and national unity are fundamental to sustainable economic and social development.
- d) **Finally, we recognize** that local governments, at appropriate levels, implement policies and programmes for economic development, priority being on the modernization of the productive sectors and improvement of conditions in the rural areas.

CONCLUSION

Having received and appreciated a presentation from Namibia on the 2nd AFRICITIES Summit to be held in Windhoek, Namibia in May 200, *we agreed* to support and participate in the Summit.

ANNEX No. 3 Framework for Decentralisation Indicators

INDICATORS ON DECENTRALISATION - COMPARISON OF EXPERIENCES

1 Introduction

This annex contains a framework for the decentralisation indicators used in the Synthesis Report on Fiscal Decentralisation and Sub-National Government Finance in relation to Infrastructure and Service Provision (ISP). The purpose of these indicators is to compare the decentralisation processes now underway in the six countries examined in the Report (Zambia, Uganda, Senegal, Swaziland, Zimbabwe and Ghana), evaluate the various strategies being used and determine the current level of implementation.

Some indicators are to be seen as *overall key composite indicators of decentralisation*. These indicators measure the broader issues of decentralisation and are based on a synthesis of a number of underlying *specific indicators of decentralisation*.

Chapters 3-7 from the country studies are point of departures for these composite indicators. However, there is no simple relationship between the indicator values of the specific indicators from Chapters 3-7 and the indicator value of the framework composite indicators. Thus, a low value in one of the specific indicators can be counterweighted by a high value in another of the specific indicators. The content of the *synthesis report* is based on these framework composite indicators, with references to the specific measured indicators from Chapters 3-7, listed below.

Two additional composite indicators, which cut cross the various chapters of the country reports, are elaborated:

- 1) subsidiarity/operative capacity of sub-national governments (SNGs) and
- 2) political and managerial accountability of the subnational governments to their citizens and access for local decision-making on infrastructure and service provision (ISP).

It is not the purpose to calculate an average development “stage” for each of the six countries, and the composite indicators cannot be weighted together.

The first table provides an overview of the composite indicators, and the following tables show the specific measured indicators. These indicators are all (to the extent possible) measured in stages of development, with a scale from value 9 (most advanced) to 1 (incipient) cf. below.

The measure system is in a way normative, but based on evidence from the six country reports on “Fiscal Decentralisation and Subnational Government Finance in Relation to ISP”. The framework is based on the central governments’ own objectives, as stated in the Victoria Falls Declaration; general accepted theories on local government finance and decentralisation; internationally

approved guidelines on development of systems of local government; and a comparison of the advantages and disadvantages within the six countries involved in the Study.

The indicators have to be evaluated in the light of each of the countries' political, historical and economic context.

It appears from the Study, that the official objectives of decentralisation in the six case study countries (on a general level) are in accordance with international guidelines and recommendations, e.g. issued by institutions such as the Council of Europe and the Declaration from the Victoria Falls' Meeting in September 1999.³⁰ So far as possible, the measure "calibration" is based on these explicit central government objectives supplemented by experiences from various parts of the world.³¹

In general, the following measure system is applied³²:

- Stages Nos. 7-9 reflect a well-advanced and dynamic system of autonomy/decentralisation well under way – **advanced**.
- Stages Nos. 4-6 reflect a reasonably developed initiation/situation of autonomy/decentralisation – **developing**.
- Stages Nos. 1-3 reflect an incipient level of autonomy/decentralisation in terms of the objectives revealed in the study of the six countries and the Victoria Fall Declaration – **incipient**.

2 The Key Framework Composite Indicators of Decentralisation

In accordance with the structure of the major issues of decentralisation described and analysed in Chapter 2 of the country reports, 7 key composite indicators are elaborated along the lines of Chapters 3-7. The synthesis report is also elaborated according to this structure.

³⁰ Cf. The European Charter of Local Self – Government, 1985 and the IULA World Wide Declaration of Local Self – Government, 1993. The Charter of Local Self Government is a unique instrument in international law. The Charter has provided a model for new democracies in their reform of their legislation on local self –governments, and recently the United Nations has been requested to draw up a declaration on Local Self-Governments based on the Charter. The request was put forward by the Congress of Local And Regional Authorities of Europe in Recommendation 20 (1996), which dealt with the monitoring of the charter. See also the minutes from the meeting at Victoria Falls, September 1999, attached to this report.

³¹ Under the auspices of OECD, supported by the Council of Europe, the World Bank and bilateral donors, a similar benchmarking initiative has been started. The first countries in this exercise have been **Ungarn, Latvia** and Denmark (1999).

³² In the development of the indicators, the following principles have been sought followed: exhaustiveness, continuity among the different specific indicators and the dynamic nature of the total set of indicators, allowing for comparisons over time. In order to compare over time and across countries, a fixed measuring arrangement with uniform indicators has to be established

Table 1: Consolidated Overview of the Key Framework Composite Indicators:

	Stages 1-3 Incipient	Stages 4-6 Developing	Stages 7-9 Advanced
1. Central government policy on decentralisation	Zambia	Senegal Ghana Zimbabwe Swaziland	Uganda
2. Financial sustainability at the SNG level	Zambia Ghana Swaziland	Uganda Senegal Zimbabwe	
3. Performance and sustainability of infrastructure and service provision (ISP)	Zambia Uganda Ghana	Senegal Swaziland Zimbabwe	
4. Appropriateness for SNGs of the regulatory framework	Swaziland	Senegal Ghana Zambia Zimbabwe	Uganda
5. Appropriateness for SNGs of the institutional framework	Uganda Zambia Ghana Senegal (RU) * Swaziland (RU)* Zimbabwe	Senegal (C/R) * Swaziland (C) *	
6. Subsidiarity - operational capacity in relation to the SNG tasks	Ghana Senegal	Zambia Uganda Zimbabwe	
7. Political and managerial accountability and local decision-making autonomy	Zambia	Zimbabwe Ghana Uganda Senegal	

* RU= rural authorities, C/R = cities and regions, C= cities, SNG=subnational government

1) Central government policy on decentralisation

Clear policy objectives and strategies for decentralisation adopted by the central government (CG) mean higher stage of development, contrary to no policy at all. A clear policy is needed for all stakeholders in order to work in the same direction.

2) Financial sustainability at the SNG level

The indicator measures whether the system for allocation of financial resources to the SNG-level is in accordance with the requirements derived from the delegated responsibilities either through grants or through own revenues (taxes, user charges, borrowing). The indicator also measures the availability of a system to secure that transfer of tasks and funds is done in parallel, i.e. whether there is established a compensation mechanism when new tasks are transferred between levels of governments. Finally, the indicator measures the degree of discretionary power of SNG to increase revenues in order to expand/adjust expenditures.

3) Performance and sustainability of ISP

The needs. The extent to which the cost-recovery principle is the basis for setting comprehensiveness of ISP with respect to consumer's need estimated on the basis of actual performance in service provision. The sustainability of ISP means levels of resources generated for operating costs, maintenance costs and the adaptation to future user-charges and the policy for involving private participation in ISP. The degree of use of participatory decision-making arrangements related to major fields of ISP.

4) Appropriateness for SNGs of regulatory framework

The indicator measures legal status of the SNGs and their autonomy, the extent to which harmonisation of other fields of legislation and regulation is carried through in respect of the decentralisation policy, degree of CG interference (potential/actual) in the SNG overall decision-making System for balancing SNG expenditures/revenues to national priorities/macro-economic requirements. Rules, regulations and procedures influencing the autonomy of SNGs with respect to ISP-priority-setting, issue of by-laws, budgeting and accounting, borrowing and territorial development (including issues related to land) are also covered.

5) Appropriateness for SNGs of the institutional framework

This indicator measures the degree of SNG autonomy to strengthen appropriate SNG administrative capacity and the comprehensiveness of the institutional environment to promote managerial accountability, innovations and new methodologies (including information systems and technology related); the appropriateness of the capacity of management, of financial and technical management; and the instruments to cope with human resource development.

6) Subsidiarity - operative capacity of SNGs to deal with assignments

The indicator measures the extent to which the SNGs' capacity corresponds to the present tasks and functions, i.e. whether the assignment of services and infrastructure correspond to the present territorial units (assignment of tasks according to the principle of subsidiarity, e.g. to provide the services as close to the citizens as possible) and a system, which is designed to secure good possibilities for accountability, economy of scale, possibility for bundling of the service, efficiency in ISP.

7) Accountability of the SNGs to their citizens and local decision-making and priorities on ISP

This composite indicator measures the accountability of the SNGs to their citizens and the extent to which the citizens have real and meaningful access to participate in the decision-making at the local level, and to express local interest, on the key issues of ISP. Among factors of importance, are the SNGs' autonomy regarding revenues and expenditures, the division of tasks and responsibilities between the levels of governments, the SNG autonomy, the relationship between the local politicians and the central government officials, the access to political representation at the SNG level, the hearing process of the citizens, etc.

The tables below show the *specific* indicators of decentralisation.

3 Specific Indicators of Fiscal Decentralisation

3.1 Indicators on Policy for Decentralisation

The indicators below measure the central government policy and strategy on decentralisation. The content of these indicators is contained in Chapter 3 of the country reports.

Table 1: Policy and Strategy on Decentralisation

	Stages 1-3 Incipient	Stages 4-6 Developing	Stages 7-9 Advanced
1) Existence of an official, adopted and clear strategy on decentralisation	Zambia: 2	Swaziland: 4 Zimbabwe: 4 Senegal: 6 Ghana: 6	Uganda: 7
2) Existence of a policy implementation plan for decentralisation	Zambia: 1 Swaziland: 1 Zimbabwe: 2	Senegal: 4 Ghana: 6	Uganda: 7
3) Current adjustment of the initiatives to address new challenges	Swaziland: 2 Zambia: 2	Zimbabwe: 4 Ghana: 4 Senegal: 6	Uganda: 7

Decentralisation policy and strategy indicators:

1): Existence of an official, adopted and clear strategy on decentralisation:

Stages 7-9: An up-to date, official and clear strategy on decentralisation is in place. The same are the strategies in the key areas, i.e. finance, regulatory and institutional framework. The strategy is well known by all the key stakeholders

Stages 4-6: A strategy exists, but covers only some of the key areas. The strategy is not fully adjusted to the present needs and has only a limited impact on the key players

Stages 1-3: A strategy on decentralisation is non-existent or fully out-dated and unclear concerning the key issues of decentralisation

2) Policy implementation plan for decentralisation:

Stages 7-9: A clear policy implementation plan for decentralisation, including: 1) a clear time-plan, including measures on short, medium and long term, 2) a plan for division of tasks and responsibilities and 3) concrete guidelines for implementation (methods, procedures etc.) are in place

Stages 4-6: An implementation plan exists, but the quality as a guiding tool is less appropriate, the plan has none/or only weak time-plan and the method/procedures for implementation is less developed

Stages 1-3: A strategy plan for implementation of the decentralisation policy is missing or preliminary, the development of such a plan is only in its infancy or is not started at all

3): Current adjustment in the policy on decentralisation to meet new challenges:

Stages 7-9: The policy is dynamically up-dated to reflect new challenges for SNGs, reforms to address finance, human resource management, capacity, external constraints etc. are currently launched and implemented in order to adjust the actions to the most needed areas. A balanced sequencing of the decentralisation process takes place.

Stages 4-6: Reforms are launched but not in the same scope/quality/appropriate timing as within 7-9, the reforms only cover some of the challenges and are not interrelated within a common agreed initiative/framework

Stages 1-3: Initiatives and reforms are launched in a random manner, too late and with no overall strategy as a guiding tool

3.2 Indicators on Local Government Finance – Chapter 4 of the Country Reports

Table 3: Indicators on Sub-national Government Finance (a)

	Stages 1-3 Incipient	Stages 4-6 Developing	Stages 7-9 Advanced
1. Share of SNG expenditure of total public expenditure	Swaziland: 1 (2%) Zambia: 2 (3%) Ghana: 2 (4%) Senegal: 3 (7%)	Zimbabwe: 4 (8%)	Uganda: 8 (21 %) (c)
2. Share of SNG recurrent expenditure of total public expenditure	Ghana: 1 (1%) Swaziland: 1 (2%) Zambia: 2 (3%) Senegal: 2 (4%) Zimbabwe: 3 (6%)	Ghana: 4 (9 %)	Uganda: 8 (20%) (c)
3. Share of SNG capital expenditure of total public capital expenditure	Zambia: 1 (3%) Senegal: 2 (7%)	Ghana: 5 (13%)	Uganda: 9(24 %)
4. Share of SNG revenues of total public revenues	Swaziland: 1 (2%) Zambia: 3 (6%) Ghana: 3 (6%)	Senegal: 4 (7%) Zimbabwe: 4 (8%)	Uganda: 9 (28%)
5. Share of SNG expenditures of GDP	Swaziland: 1 (0.6%) Zambia: 1 (0.5%) Senegal: 2 (1.8%) Ghana: 3 (2.6%)	Zimbabwe: 4 (3 %) Uganda: 4 (4%)	
6. SNG possibility for SNG borrowing (potential/ actual)	Swaziland: 3 (e) Zambia : 2 Uganda: 2 Ghana: 2	Senegal: 4 Zimbabwe: 6	
7. Wage share of the total SNG recurrent expenses	Ghana: (70% h) Zambia: 3 (59%) Uganda: 3 (59%) Swaziland: 3 (50%)	Senegal: 5 (47%) (b) Zimbabwe: 6 (36%)	
8. Share of general public services expenses of total SNG recurrent expenses	Ghana: 1 (approx. 75%) (h)	Zimbabwe: 6 (30%) Zambia: 6 (33%) Swaziland: 5 (37%) Senegal: 4 (43%)	Uganda: 8 (21%)
9. Share of capital SNG expenses of total SNG expenses	Zambia: 2 (6%) Swaziland: 2 (5%)	Uganda: 5 (16%) Zimbabwe: 6 (20%)	Senegal: 7 (21%) Ghana: 9 (69%)
10. Share of own revenue sources of total SNG revenues (g)	Uganda: 2 (24%)	Ghana: 4 (36%)	Zambia: 9 (97%) Senegal: 8 (77%) (d) Swaziland:9 (83%)f Zimbabwe: 7 (67%)
11. Appropriate system of transfers from central government	Zambia: 1 Swaziland: 3 Zimbabwe: 3	Senegal: 4 Ghana: 6 Uganda: 6	
12. Existence of a financial system to regulate for transfer of tasks between the levels (compensation for new tasks)	Zambia: 2 Swaziland: 3 Ghana: 3 Zimbabwe: 3	Senegal: 5 Uganda: 6	
13. Non- utilisation of the revenue potential	Zambia: 1 (100%) Ghana: N/A (70%) (i)	Uganda: 4 (50%) Senegal: 4 (50%) Swaziland: 5 (30%)	Zimbabwe: 7 (28%)
14. Assignment of tax autonomy	Zambia 3 Swaziland: 3	Senegal: 4 Uganda: 5 Ghana: 5 Zimbabwe: 5	
15. Autonomy on current expenditures	Zambia: 3	Senegal: 4	

	Swaziland: 3 Ghana: 3	Uganda: 5 Zimbabwe: 6	
16. Autonomy on the capital expenditures	Zambia: 2 Swaziland: 3 Ghana: 3	Senegal: 4 Uganda: 4 Ghana: 4 Zimbabwe: 6	

(a) Figures are from the country studies on: “Fiscal Decentralisation and subnational finance in relation to infrastructure and service provision” Zambia figures are average from 1997, Senegal 1997, Uganda from 1997/98, Ghana 1996 figures (covers 110 district assemblies), Zimbabwe: 1997, Swaziland: 1998

(b) Based on only three sample subnational governments, as aggregate figures are not available, 1996 figures

(c) Concern Nos 1-4: The percentages from Uganda on local government share of total public expenditure and revenues are different from the country report, which measures the SNG share of the central government.

(d) This figures over-estimate the “own revenue sources”, as there are many constraints on autonomy to set the tax level and influence the yield levels.

(e) Swaziland: The borrowing concerns mostly the two big cities, Mbabane and Manzini, through the Urban Development Project.

(f) The smaller SNGs are nearly 100 % financed by central government grants, but the two bigger cities have a significant weight in the figures.

(g) “Own revenue” sources are defined in broad terms as all revenues, excluding shared taxes, donor contributions and central government transfers and where SNGs have a certain influence on the level of revenues.

(h) More than 70%: Based on rough estimates from the consultants, varies across the sector areas and based on six sample SNGs.

(i) Estimated to be very significant. The figure is based on expenditure from Accra where the revenues were increased more than 70 % due to a facilitating project within two years

1) Share of SNG expenditure of total public expenditure

A high share indicates a high level of decentralisation.

Stages 7-9: The SNG share is more than 20%

Stages 4-6: Between 10-20%

Stages 1-3: Less than 10%

2) Share of SNG recurrent expenditure to total public recurrent expenditure

A high share indicates a high level of decentralisation.

Stages 7-9: The share is more than 20%

Stages 4-6: Between 10—20%

Stages 1-3: Less than 10%

3) Share of SNG capital expenditure of total public capital expenditure

A high share indicates a high level of decentralisation.

Stages 7-9: More than 20%

Stages 4-6: Between 8% and 20%

Stages 1-3: Less than 8 %

4) Share of SNG revenues of total public revenues

A high share indicates a high level of decentralisation.

Stages 7-9: More than 15%

Stages 4-5: Between 7-15%

Stages 1-3: Less than 7%

- 5) Share of SNG expenditures of GDP
 This indicator is not unambiguous as a high level may indicate strong and important SNGs but also a large public sector. This has to be considered. Generally, a high share indicates a high level of decentralisation.
 Stages 7-9: The share of GDP is more than 7 %
 Stages 4-6: Between 3-7%
 Stages 1-3: Less than 3 %
- 6) SNG borrowing
 The indicator contains both the potential (within 1-2 years) and the actual possibilities for borrowing. The possibilities for the sub-national governments to borrow are evaluated. The indicator also focuses on the strong / weak relationship between SNGs and the financial markets. An indicator of this is the share of the local government debt of the total public debt and the level of new borrowing the most recent years. The indicator is not unambiguous, as a high rate may mean both lack of other resources for financing of ISP or lack of autonomy to take loans. Good links and appropriate possibilities to borrow = high stages.
- 7) Wage share of the total SNG recurrent expenses
 A high share of wage expenditures indicates lower possibilities for investments and service provision activities = low stages.
 Stages 7-9: Salary share = less than 30%
 Stages 4-6: Salary share between 30-50%
 Stages 1-3: Salary share = higher than 50%
- 8) Share of general public services expenses of total SNG recurrent expenses
 A high share of general public services indicates more administration and less ISP.
 Stages 7-9: General public services constitutes less than 30% of total SNG recurrent expenditures
 Stages: 4-6: The share is between 30-50%
 Stages 1-3: The share is more than 50%
- 9) Share of capital SNG expenses of total SNG expenses
 A high share indicates development of ISP, but is not unambiguous as it may indicate a huge need to a very low point of departure.
 Stages 7-9: The capital share is more than 20%
 Stages 4-6: The capital share is between 10-20%
 Stages 1-3: The capital share is less than 10%
- 10) Share of own revenue sources of total SNG revenues
 A high share indicates more autonomy of the SNGs = high stages. Generally, it is not safe to rely on one single revenue source and a proper composition of various types of revenues is preferable. This will be reflected in the framework indicators as no specific indicator can cover this.
 Stages 7-9: The own revenues constitute more than 50%
 Stages 4-6: Between 30-50%
 Stages 1-3: Less than 30%
 Own revenue sources are defined as: tax revenues, user charges and fees, non-tax revenues and revenues from single sources. Grants cover shared taxes and central government transfers (general, specific, capital grants) and donor contributions. This is a broad definition of “own revenues” as the SNGs might have limited influence on the level of revenues (base, rate, and administration/collection). The table indicates the vertical imbalances, i.e. differences in assignment of revenues and tasks.
- 11) The system of grants
 One of the objectives of a system of grants might be to ensure a relative equity among the SNGs in terms of possibilities for service provision, e.g. by support to the weaker SNGs. Central government grants may be based on objective criteria without inappropriate incentives or the opposite. Generally, general grants provide the SNGs with more autonomy than specific grants, but various types of grants with specific purposes exist and the stages is a composite result of a broad evaluation of the system. A system based on objective criteria for distribution, fixed and well known amounts, high share of general grants, transparency, predictability, clarity and dialogue on the amounts to be distributed point in the direction of a high stage.
 Stages 7-9: The system is well- developed, well known criteria for distribution exist, is adjusted for inflation rates and transparent, predictable etc.

Stages 4-6: This system is rather stable, but is still in its infancy, is not fully predictable, is only partly transparent
Stages 1-3: The system is based on non-objective criteria for distribution, non transparent, non stable, not predictable, not distributed in a timely manner etc.

12) Existence of a financial system to regulate for transfer of tasks between the levels

Stages 7-9: A proper system exists (legal set-up and practise), there is full compensation of transfer of tasks, the rules and procedures are well developed

Stages 4-6: The legal set-up has been made, some compensation is given in practise, but not full compensation, there is an incipient dialogue regarding these matters between the levels etc.

Stages 1-3: There is only very limited and poorly functioning systems taking care of these matters. Compensation is random or not existing.

13) Utilisation of revenue potential

Measure the efficiency of the tax evaluation, assessment and collection and the accountability of the collection system for revenues. A high stage indicates that the revenue potential is highly utilised.

Stages 7-9: The potential from extra revenue by using the same rate is less than 30% and a low level of tax-defaults prevail

Stages 4-6: The potential is between 30-50% and measures are developed to ensure a reduction in tax-defaults

Stages 1-3: The potential is more than 50% and insufficient (or not actually used) measures related to tax-defaults

14) Assignment of tax autonomy

The taxes, user charges, transfers and non-tax revenues compared to tasks are measured. An important component is the autonomy and discretionary power to adjust the revenue base and the tax/fee rates and the possibilities for increasing own (local) revenues, i.e. the margin for manoeuvre in local taxation, defined as the real ability of sub-national governments to change their own level of tax revenue by modifying one or more of the following: 1) the tax rates and/or the 2) bases of assessment or the 3) efficiency in revenue collection (administration). Good possibilities on components 1-3 increase the autonomy and the possibilities of financing of services and adjusting the revenue level to the service needs.

Stages 7-9: The SNGs have good possibilities of adjusting the major taxes in the desired direction, e.g. by having autonomy on the tax rates and the tax base

Stages 4-6: The SNGs have certain influence on the tax yield, e.g. by having certain influence on the tax rate, tax base and collection, but still with considerable central government control

Stages 1-3: The SNGs have very limited autonomy on the tax yield as both the rates, tax base and collection are controlled by the central government

15) Autonomy on the current expenditures.

Stages 7-9: The SNGs have autonomy to decide on the priorities across sector areas, have limited earmarked grants. The system is characterised by having no beforehand approval procures of the budget. Instead well developed general guidelines have been developed and implemented.

Stages 4-6: The SNGs have certain autonomy on the above-mentioned areas

Stages 1-3: The SNGs are almost fully restricted by the central government on the decisions on expenditures, most of the revenues are earmarked for specific purposes etc.

16) Autonomy on the capital expenditures.

Stages 7-9: SNGs have autonomy to decide on the priorities across the sector areas, have limited earmarked grants, the system has no beforehand approval procures of the budget but general guidelines

Stages 4-6: The SNGs have certain autonomy on the above-mentioned areas

Stages 1-3: The SNGs are almost fully restricted by the central government, most of the revenues are earmarked for specific purposes etc.

3.3 Indicators of Infrastructure and Service Provision (ISP)

Table 4: Indicators of Infrastructure and Service Provision (ISP) ***

	Stages 1-3 Incipient	Stages 4-6 Developing	Stages 7-9 Advanced
1. Degree of SNG responsibility for local ISP needs	Swaziland: 2	Zambia: 4 Zimbabwe: 5 Senegal: 6 Uganda: 6	
2. Degree of autonomy in SNG performance of ISP	Zambia: 2 Swaziland 3	Senegal: 4 Uganda: 6 Zimbabwe: 6	
3. Degree of ISP coverage of population needs concerning major community amenities	Zambia: 2 (approx. 40-50%)	Swaziland: 4 (60%*) Senegal: 5 (70%)	
4. Degree of ISP coverage of needs concerning major health services	Senegal: 2 (approx. 40%) ** Zambia: 2 (approx. 50%)	Swaziland: 4 (60%)*	
5. Degree of ISP coverage of needs concerning major education services	Senegal: 3 (45%)	Swaziland: 4 (60%)*	
6. Degree of ISP coverage of needs concerning economic services incl. Roads	Zambia: 3 (approx. 50%)	Swaziland: 6 (80%)*	
7. Degree of sustainability of ISP	Zambia: 2 Senegal: 3 Uganda: 2		Zimbabwe: 7
8. Degree of use of cost-recovery principle for user charges	Uganda: 2	Zambia: 4 Senegal: 4 Swaziland: 5 *	
9. Type of mechanisms to cope with ISP-affordability	Uganda: 2 Zimbabwe: 3	Senegal: 4 Zambia: 4 Swaziland: 4	
10. Degree of participatory decision-making arrangements related to ISP	Zambia: 3	Senegal: 5 Uganda: 6 Zimbabwe: 6 Swaziland: 6	
11. Degree of competitive environment for ISP		Zambia: 4 Zimbabwe: 4 Senegal: 5 Uganda: 6 Swaziland: 6	
12. Degree of private sector participation (PPI) in major fields of ISP	Zambia: 2 Uganda: 2 Zimbabwe: 3 Senegal: 3 Swaziland: 3 Ghana: 3		
13. Degree of sovereignty of SNGs in ISP-development within their territories	Zambia: 1 Swaziland: 2 Ghana: 3	Senegal: 4 Uganda: 4 Zimbabwe: 7	

*The figures on coverage of the needs are approx. average of the results from the sample SNGs and may vary greatly much from sample to sample. This is especially the case in Swaziland, where approx. 80 % of the basic ISP is covered within the two big cities Manzini and Mbabane, but where the coverage of population needs within the smaller SNGs generally is below 50%.

** The degree of coverage of population needs varies a lot from area to area, e.g. health centres have nearly 100 % of the population needs, but other areas are very much in need of extra ISP.

***All figures are rough estimates based on the evidence from the 6 – 10 sample SNGs.

Indicators on ISP

1) Degree of SNG responsibility for local ISP needs

Stages 7-9: Community amenities plus health and/or education and/or economic services are covered by the SNG ISP

Stages 4-6: Most community amenities covered + some of the tasks within education and health care

Stages 1-3: Only elements of community amenities covered

2) Degree of autonomy in SNG performance of ISP

Stages 7-9: Guidelines and/or minimum standards and/or systematic experiments on further delegation

Stages 4-6: Shared responsibilities, but some areas are not transparent and fully clear

Stages 1-3: Detailed CG regulatory framework plus special grants, with limited autonomy

3) Degree of ISP-coverage of population needs concerning major community amenities:

Stages 7-9: More than 80 per cent of the population basic needs are covered

Stages 4-6: 60 – 80 per cent

Stages 1-3: Less than 60 per cent

4) Degree of ISP-coverage of population needs concerning major health services:

Stages 7-9: More than 80 per cent coverage of the population needs

Stages 4-6: 60-80 per cent

Stages 1-3: Less than 60 per cent

5) Degree of ISP-coverage of population needs concerning major education services:

Stages 7-9: More than 80 per cent coverage of the population needs

Stages 4-6: 60-80 per cent

Stages 1-3: Less than 60 per cent

6) Degree of ISP-coverage of population needs concerning economic services incl. roads

Stages 7-9: More than 80 per cent coverage of the population needs

Stages 4-6: 60-80 per cent

Stages 1-3: Less than 60 per cent

7) Degree of sustainability of ISP

Stages 7-9: Resources generated enabling to adapt to future needs (incl. capital expenditures)

Stages 4-6: Resources generated to cover maintenance or most of this

Stages 1-3: Resources generated only to cover operating costs or parts hereof

8) Degree of use of cost-recovery principles for operations and setting of user charges concerning major types of ISP

A high degree of user charges, other things equal, (although it might be because of lack of other sources) indicates a well-developed system of financing of infrastructure.

Stages 7-9: High degree of cost recovery generated by user charges, combined with compensatory arrangements for weak groups. In addition the system is characterised by a clear and transparent regulations on user charges where the level is related to the actual use of resources, cover the majority of recurrent costs and the collection has a high level of efficiency

Stages 4-6: Constraints in the use of cost recovery principles, user charges are quasi-charges, i.e. the payment is based on a formula and not according to actual use of resources, the revenue covers less than half of the recurrent costs and/or the collection system is rather inefficient

Stages 1-3: No operating use of cost recovery principles in the setting of user charges. The user charges have very weak relation to the recurrent costs and there is reluctance to face the clients with the consequences concerning lack of sustainability

- 11) Type of mechanisms to cope with the issue of affordability in relation to ISP
 Stages 7-9: Short and medium term of policies for awareness of sustainability of ISP plus compensation arrangements for weak groups, affordability issues coped by use of differentiation of user charges for different groups
 Stages 4-6: Affordability issue coped with by use of differentiation of user charges for different groups, the awareness process has started, but is only in a preparatory stage
 Stages 1-3: User charges are set so low (or to zero) that approx. 90 per cent of population can pay, the ISP is unsustainable
- 12) Degree of participatory decision-making arrangements related to major fields of ISP
 Stages 7-9: Widely introduced systems of user-boards, public hearings, supplemented by good incentives to be involved in decision-making, etc.
 Stages 4-6: Initiatives for involvement of local population in some fields of ISP
 Stages 1-3: No systematic systems of participatory decision-making arrangements, low involvement of citizens in the decision-making
- 13) Degree of competitive environment for ISP related to community amenities and or economic services:
 Stages 7-9: Systematic use of tendering, fair procedures, most competitive bid are selected
 Stages 4-6: Regulatory framework in place for tendering, but the procedures are less developed
 Stages 1-3: Very limited or no use of tendering or other measures aiming at competitiveness of SNG, the regulations are not in place
- 14) Degree of private sector participation (PPI) in major fields of ISP
 Stages 7-9: Actual PPI in major fields of ISP
 Stages 4-6: PPI enabling framework under development concerning key areas of ISP
 Stages 1-3: Spread initiatives to create a PPI enabling environment in special ISP-sectors or no awareness of PPI
- 13) Degree of sovereignty of SNG in ISP-development within its territory.
 Stages 7-9: SNGs have autonomy in decisions concerning ISP-investments, no overruling or only formal approval procedures by central government, direct SNG involvement in donor investment-allocations on their territory
 Stages 4-6: SNGs have limited or complex influence on ISP-investment activities on their territory, detailed and/or non-transparent allocation principles concerning ISP-investments
 Stages 1-3: No or very limited autonomy for SNG related to ISP-investment activities

3.4 Indicators on the Regulatory Framework – Chapter 6

Table 5: Indicators Concerning the Comprehensiveness of the Regulatory Framework in Relation to the Autonomy of SNGs

	Stages 1-3 Incipient	Stages 4-6 Developing	Stages 7-9 Advanced
1. Existence of a developed and clear Law on Local Government	Swaziland: 3	Zambia: 5 Senegal: 5 Ghana: 5 Zimbabwe: 5	Uganda: 7
2. Constitutional guarantees for autonomy of SNGs	Zambia: 1 Swaziland: 1 Zimbabwe: 1 *	Senegal: 6	Ghana: 7 Uganda: 9
3. Degree of clarity of legislative and regulative framework for ISP in relation to SNGs	Swaziland: 3	Zambia: 4 Zimbabwe: 4 Ghana: 5 Uganda: 6 Senegal: 6	
4) Degree of clarity of legislative division of tasks and responsibilities	Zambia: 3 Swaziland: 3	Zimbabwe: 4 Ghana: 5 Senegal: 6	Uganda: 7
5) Division of tasks – implementation of the regulatory framework	Ghana: 2 Swaziland: 3 Zimbabwe: 3	Uganda: 4 Zambia: 4 Senegal: 4	
6) Autonomy in SNG priority setting concerning ISP areas	Zambia: 3 Swaziland: 3 Ghana: 3	Senegal: 5 Zimbabwe: 5	Uganda: 7
7) Degree of SNG-autonomy in issue of by-laws, amendments to by-laws and other regulation instruments	Zambia: 3 Swaziland: 3 Ghana: 3	Senegal: 4 Zimbabwe: 4	Uganda: 7
8) Degree of SNG-autonomy concerning budgeting competencies	Ghana: 2 Zambia: 3 Swaziland: 3	Senegal: 4 Zimbabwe: 5	Uganda: 7
9) Degree of SNG-autonomy concerning borrowing	Zambia: 3 Swaziland: 3 Zimbabwe: 3	Uganda: 4 Senegal: 4 Ghana: 4	
10) The comprehensiveness of budgetary accountability (audit, budgeting and auditing procedures)	Zambia: 2 Swaziland: 3 Ghana: 2	Zimbabwe: 4 Uganda: 6 Senegal: 6	
11) Comprehensiveness of regulatory environment for SNG involvement of the private sector in ISP	Senegal: 3 Swaziland: 3 Zimbabwe: 3	Uganda: 4 Zambia: 4 Ghana: 4	
12) Degree of SNG-Autonomy related to land management, land use, physical planning etc.	Senegal: 1 Swaziland: 1 Zambia: 2 Zimbabwe: 3	Uganda: 4 Ghana: 4	

*) Is under way. A new Constitution is being prepared.

Indicators on the Regulatory Framework:

1) The existence of a well developed Act on Local Government

A high clear stages indicates a definition of SNGs (and types of SNGs), division of tasks and responsibilities, clear rules on election and competencies, rules on the local government finance, structure of SNGs, relationship between politicians and the administration etc. = high.

Stages 7-9: Existence of a clear and well defined act on SNGs, with description the functions, competencies, responsibilities, financial set-up of SNGs, their relationship to the central government, relationship between politicians and administrators and other major conditions for the functions of the SNGs)

Stages 4-6: The law is established, but it is not as clear and consistent as for stages 7-9, the law lacks important definitions and contains some unclear sections

Stages 1-3: The law is fully or nearly fully outdated, is not relevant for the present functions and responsibilities of the local authorities, is unclear on important sections and types of SNGs

2) The existence of articles on SNGs in the constitution which guarantee the existence and the rights of SNGs

Stages 7-9: There are clear guarantees in the constitution for the existence of the SNGs, their major functions and competencies, financial resources etc. The constitution keeps an appropriate balance between the need for guarantees and the aim of not being too detailed with too many special regulations (these details should be included in the above-mentioned legislation). The constitution contains some indication of the autonomy of local governments

Stages 4-6: Certain broader guarantees exist in the constitution, but these are rather general and without sufficient specific guarantees and definitions

Stages 1-3: The constitution refers only to a limited extent to the system of SNGs and contains no clear guarantees

3) The degree of clarity of the legislative and regulatory framework for ISP in relation to SNGs

This indicator concerns the degree of autonomy for SNG decision-making in the specific legislation concerning the major components of ISP comprising harmonisation of content of the specific legislation with the general Act on SNGs, the consistence of the administrative regulatory set-up of the line-ministries with the decentralisation policy and general Law and the degree of details of control procedures of central government

Stages 7-9: The specific legislation of major fields of ISP and the regulatory framework of line ministries are in harmony with and supportive to the autonomy of SNGs

Stages 4-6: The level of SNG autonomy pursued in Act on SNGs is substantially constrained by the content of the specific legislation and/or the regulatory procedures of the line ministries

Stages 1-3: Very low level of harmony between the level of autonomy pursued in Act on SNGs and the content of the specific legislation or the procedures of the line ministries

4) The degree of clarity of the division of tasks in legislation between central and SNGs

Stages 7-9: The division of tasks and responsibilities in the legislation, first and foremost the Act on SNGs, is clear, with clear demarcation of the responsibilities and tasks

Stages 4-6: The division of tasks is outlined in the legislation, but not as clear as in the first group, there are some overlapping responsibilities and unclear sections

Stages 1-3: The division of task is unclear, with lack of demarcation of the responsibilities of each level of governments, overlapping responsibilities is generally a problem.

5) The division of tasks – the implementation of the regulatory framework on division of task

This indicator measures the extent to which the division in the law and other regulations is carried out in practise.

Stages 7-9: The laws/regulations are fully implemented

Stages 4-6: The laws/regulations on division of tasks are only partly implemented

Stages 1-3: The laws/regulations on division of tasks are not implemented or only to a very minor extent

6) The degree of Autonomy in SNG priority setting concerning ISP areas according to the preferences of the citizens within the territory

Stages 7-9: The regulatory environment is guideline-oriented and supportive to SNG autonomy in major fields of ISP, central government act as supporter, mentor and general supervisor, policy coordinator

Stages 4-6: The regulatory environment is control-oriented, detailed and/or contains major constraints on autonomy of SNGs, but certain stability exist and most control procedures are conducted by use of legislative transparent instruments

Stages 1-3: The regulatory environment disfavour autonomy of SNGs by heavy control and cumbersome procedures, often not transparent for the SNGs

- 7) Degree of SNG-autonomy in issue of by-laws, amendments to by-laws and other regulation instruments
The indicator measures the comprehensiveness of the regulatory framework concerning SNG ISP-implementation measures.
Stages 7-9: A high degree of SNG autonomy (no or only formal approval procedures) concerning SNG by-laws etc.
Stages 4-6: Complex, detailed and/or time-consuming approval procedures concerning SNG infrastructure and service provision-by-laws etc.
Stages 1-3: No or very limited autonomy for SNG related to ISP-implementation measures

- 8) Degree of SNG-autonomy concerning budgeting competencies
The indicator measures general regulation (opposite) specific control.
Stages 7-9: The SNGs have full autonomy within certain broad guidelines (e.g. balanced budgets) to adopt their budgets and to decide the priorities, the budgets are not going to be approved beforehand, and the central government interfere if certain decisions are clearly illegal
Stages 4-6: The central government has certain possibilities to interfere in the process, certain part of the budget, e.g. the capital budgets should be approved beforehand, and the SNGs feel some constraints in these areas
Stages 1-3: All parts of the budgets have to be approved beforehand often with long lasting budget approval procedures, there is a clear lack of general guidelines for approval, and the situation is non-transparent and unpredictable for the SNGs

- 9) Degree of SNG-autonomy concerning borrowing
The indicator measures comprehensiveness of the regulatory environment concerning external financing of ISP-investments
Stages 7-9: The regulatory environment is clear, transparent and the procedures supportive for external financing of ISP-investments, SNG may be able to prove creditworthiness, there are appropriate ceilings on the SNG borrowing adjusted to the financial situation and the capacity at the SNG level
Stages 4-6: The regulatory environment is in place, but still cumbersome and time-consuming and SNG external financing is in praxis rare
Stages 1-3: No regulatory environment in place and/or SNGs have no creditworthiness. In praxis SNGs cannot fulfil the formal requirements for obtaining external finance of ISP investments (e.g. no security can be given for mortgaging)

- 10) The comprehensiveness of budgetary accountability, audit, budgeting and auditing procedures
The existence of procedures of general audit of lawfulness of the use of expenditure (opposite control in concrete political cases).
Stages 7-9: Clear procedures for auditing exist based on clear guidelines for budgeting and accounting, unified system of budget classifications and procedures. The audit is based, first and foremost, on legal control and is independent from central and SNGs
Stages 4-6: Budget and accounting regulations are established, but the audit of the accounts are lacking behind or are not implemented on full scale
Stages 1-3: The budgeting and accounting system is far behind expectations, the SNGs use their own procedures, the system is characterised by limited or non-appropriate audit of the accounts

- 11) Comprehensiveness of regulatory environment for SNG involvement of the private sector in ISP
The existence or non-existence of a comprehensive regulatory environment allowing SNGs to involve the private sector to participate in ISP.
Stages 7-9: The regulatory environment is in place concerning major components of ISP for contracting out, adoption of commercial principles in ISP, enabling measures for linkages of ISP in place, possibilities for private operation and/or ownership, best practises for involvement of private sector shared among the SNGs
Stages 4-6: Issues concerning the regulatory environment is solved on an ad-hoc basis and/or not fully commercial compatible principles are in place, awareness of the importance of identification of strategic-partners, some SNGs have gathered experience in private participation in ISP
Stages 1-3: No formulated policy and no systematic experience for private participation in ISP

- 12) Degree of SNG-Autonomy related to land management, land-use, physical planning, development regulation etc
The impact of the rules, regulations and procedures related to land registration, land-use and zoning, physical planning and other regulation of development, of construction etc. is measured on this indicator.
Stages 7-9: SNG autonomy concerning regulation on land ownership and tenure, possibilities for SNG to use land for development purposes. SNGs have a high degree of autonomy in physical planning
Stages 4-6: The regulatory environment related to land is detailed, the system is centralised and SNGs have low influence on land-use (with heavy impact on the assessment of values of real property), SNG have little control over land for development purposes
Stages 1-3: Land is no resource of SNGs and the central government has the full control, registration and command over ownership/tenure, SNG autonomy in physical planning is constrained by approval and/or discrete decision-making by CG

3.5 Indicators on the Institutional Framework – Chapter 7 in the Country Reports

Table 6: Institutional Framework Indicators

	Stages 1-3 Incipient	Stages 4-6 Developing	Stages 7-9 Advanced
1. Degree of SNG-competence concerning human resources	Swaziland R: 1 Senegal: RU: 1 Ghana: 2 Zimbabwe: 3	Zambia: 4 Swaziland C: 4 Senegal R/C: 5	Uganda: 7
2. The appropriateness of the SNG civil service system	Senegal: RU: 1 Ghana: 2	Swaziland: 4 Zambia: 5 Uganda: 5 Senegal: R/C: 5 Zimbabwe: 5	
3. The clarity of the institutional environment for promoting managerial accountability – relations between politicians and administration	Zambia: 2 Ghana: 3	Uganda: 4 Zimbabwe: 4 Swaziland: 6 Senegal: 6	
4. The degree of managerial capacity of executive staff of SNGs	Swaziland RU:1 Zimbabwe RU:2 ***, Ghana: 3	Zambia: 4 Uganda: 4 Senegal: 4 Zimbabwe C: 6	Swaziland: C: 7
5. The Degree of SNGs capacity in financial management	Senegal: RU: 1 Swaziland RU:1 Ghana: 2 Zambia: 3 Zimbabwe: RU:3	Senegal C/R: 4 Uganda: 5 Zimbabwe C: 6	Swaziland: C: 7
6. Capacity in the field of ISP (technical management)	Swaziland: RU:1 Senegal: RU: 1 Zimbabwe RU:2 Zambia: 3 Ghana: 3	Senegal: C/R: 4 Uganda: 4 Zimbabwe C: 4	Swaziland C: 7
7. The Degree of SNGs capacity in handling land and territorial development	Swaziland RU: 1 Senegal: RU: 1 Ghana: 2	Senegal: C/R: 4 Zimbabwe: 4	Swaziland C: 7
8. The Degree of SNGs capacity for human resource development	Senegal RU: 1 Swaziland RU: 2 Zimbabwe RU: 2 Zambia: 3 Ghana: 3	Uganda: 4 Senegal C/R: 4 Swaziland C: 6 Zimbabwe C: 6	
9. The Degree of SNGs innovative capacity	Zambia: 2 Uganda: 2 Ghana: 2 Swaziland RU:2 Senegal: 3	Zimbabwe: 5	Swaziland C: 7
10. Existence of comparable and structured information (e.g. finance, tax etc.) applicable for SNG and CG in their daily work	Senegal: 1 Ghana: 1 Zambia: 2 Uganda: 2 Swaziland: 2 Zimbabwe: 3		
11. The degree of CG support to SNGs in the field of revenue generation, e.g. tax valuation, development of incentives to tax collection etc.	Zambia: 2 Uganda: 2 Swaziland: 2 Senegal: 3 Ghana: 3 Zimbabwe: 3		

12 Existence of a proper system of clearance between the interest of the central and subnational governments	Zambia: 1 Swaziland: 2 Ghana: 2	Senegal: 4 Zimbabwe: 4 Uganda: 5	
13. Consultation/co-ordination mechanisms among various levels of government	Zambia: 3 Swaziland: 3 Ghana: 3	Senegal: 4 Zimbabwe: 4 Uganda: 6	
14 The degree to which SNG can effectively represent themselves at the central government level	Zambia: 2 Ghana: 2 Swaziland: 3	Senegal: 4 Zimbabwe: 4 Uganda: 6	

*Swaziland: There is a great difference in capacity between the big cities (Mbabane and Manzini) and the other 10 SNGs in the country. The rural authorities are marked with "R", the big cities with "C".

** There is a great difference in Senegal between the rural authorities, the regions and the cities. The rural authorities have no own staff at all and no competence within human resources. The big cities have generally a large number of their own staff. The Regions have only very few staff as they have just been initiated from 1996/97. The rural authorities are marked: "RU", the regions: "R" and the cities: "C".

*** Zimbabwe: RU: Rural districts, C= larger SNGs/cities.

There are also considerably variations between cities and rural authorities in the other countries, but the above mentioned figures indicate the approx. average of all sample SNGs.

Indicators on the Institutional Framework:

1) The degree of SNG-competence concerning human resources

Measures the competence of SNG with respect to mobilise the human resources necessary to effectively fulfil their mandates

Stages 7-9: SNGs have competence to recruit, to dismiss and to promote all levels of a staff, including executive management and key levels of personal, of their own in a number flexible corresponding to their administrative requirements

Stages 4-6: SNGs have the competence to recruit and promote their own staff (or most staff) but in compliance with a set of regulations issued by central government, which are felt as a constraint, and face some problems concerning retrenchment of staff

Stages 1-3: SNGs may only recruit and promote staff with low level of skills

2) The appropriateness of the SNG civil service system

Stages 7-9: The system of civil service is accommodating the administrative needs of SNGs, the system is clear regarding rules hiring and dismissal of staff, and support a stable and appropriate system of operating of the SNGs

Stages 4-6: The system of civil service is developed by central government and does not in many fields comply with the needs of SNGs, especially in relation to dismissal and promotion of staff, no retrenchment policy is in place relevant for SNGs

Stages 1-3: The civil service system does not cover SNGs and the system is very rigid and/or outdated related to the needs of SNGs

3) The clarity of the institutional environment for promoting proper relations between politicians and the administration and strong managerial accountability:

An important precondition for the establishment of managerial accountability is a clear division of tasks and responsibilities between SNG politicians and the executive management of the administration, good co-operative environment where the politicians focus on the political issues and the staff on the administrative issues.

Stages 7-9: There are clear guidelines and practises for the division of tasks and responsibilities between the politicians and the chief administrators in the SNGs, the relationship functions well in the daily life and each part knows his/her competence enabling the chief executive staff to pursue target-performance oriented management

Stages 4-6: Certain guidelines and division of responsibilities exist, but in the daily life there is still a number of problems and overlapping responsibilities, i.e. the politicians are too heavily involved in administration and opposite and the level of professionalism in management is inadequate

Stages 1-3: The roles and responsibilities are mixed between the politicians and the administrators, the relationship is characterised by confusion and dispute, the working environment is in-secure and uncertain and there is no framework for establishment of managerial accountability

- 4) The degree of managerial capacity of executive staff of SNGs
Stages 7-9: The SNGs typically have executive management based on a formulated management policy, including self-governance components and/or delegation by use of a target –performance leadership orientation. The SNGs have a sufficient and appropriate number and job-profiles of staff
Stages 4-6: The SNGs typically have a traditionally control-oriented executive management and not quite satisfactory number of well-trained and qualified staff for their functions
Stages 1-3: The SNGs typically has substantial deficiencies in their executive management with little administrative capacity characterised by inadequate skills or frequent vacancies
- 5) The degree of SNGs capacity in financial management (budgeting, accounting, financial priority making, revenue generating)
Stages 7-9: Professionalism in budgeting and accounting, sufficient number and job-profiles of staff in these areas
Stages 4-6: Irregularities in current accounting activities in a substantial number of SNGs, insufficient number and/or job-profiles of financial staff
Stages 1-3: Inadequate skills or frequent vacancies of financial staff
- 6) The degree of SNGs capacity in technical management concerning ISP (technical management, maintenance, investment planning and implementation, service production and distribution)
Stages 7-9: Professionalism in engineering, contacting out etc., sufficient number and job-profiles of staff
Stages 4-6: Limited professionalism in engineering in a substantial number of SNGs, insufficient number and/or job-profiles of technical staff
Stages 1-3: Inadequate skills or frequent vacancies of technical staff
- 7) The Degree of SNGs capacity in handling land and territorial development (land management, land-use and territorial development, physical and implementation)
Stages 7-9: Professionalism in handling of land ad physical planning, sufficient competencies and job-profiles of staff
Stages 4-6: Inadequate competencies to control and influence territorial development, both formal and informal, in a substantial number of SNGs
Stages 1-3: No SNGs capacity in the field of territorial development, land planning and land use, including physical planning
- 8) The Degree of SNGs capacity for human resource development
Stages 7-9: Staff training programmes and facilities in place for sufficient number and professions of staff
Stages 4-6: No systematic training programmes, insufficient facilities or only for a few type of professions
Stages 1-3: No training policy or programme, limited concern of human resource development
- 9) The Degree of SNGs innovative capacity
Stages 7-9: The management of SNGs is innovative-oriented in a substantial number of SNGs. The management routinely examine innovative approaches to improve their management performance, examine work-routines or introduces new methodologies including information systems
Stages 4-6: Management in a few SNGs has an innovative approach in their leadership, computers are used foremost for word processing
Stages 1-3: No innovative approaches to SNG leadership. E.g. either in form of extra payment, extra training opportunities, better job positions etc.
- 10) Existence of comparable and structured information applicable for SNG and CG in their daily work
Stages 7-9: Comprehensive, uniform, comparable, appropriate information, important for SNG and central government is available and assessable for all stakeholders. The information is linked in an appropriate way and can be used to important purposes, e.g. tax valuation, budgeting purposes, demographic prognosis etc. The information is shared among all key stakeholders.
Stages 4-6: A lot of information is existing, but not as well structured and linked as in the upper level. The system lacks important data on e.g. finance, land management, demographic data, etc.

Stages 1-3: The information system is very weak and lacks data on most important areas, e.g. population figures, financial statistic etc. The data is hard to access and no common source is established and no links between the major stakeholders is established.

11) The degree of CG support to SNGs in the field of revenue generation

Stages 7-9: The CG supports the SNG in an appropriate way in order to increase the tax revenue at the local level, e.g. by delivery of support to the valuation of property, support to tax administration, development of efficient incentives to improve tax collection, exchange of information, guidelines on tax and charges collection, etc., etc.

Stages 4-6: The CG supports, but to a lesser extent than in the upper category, and not in a co-ordinated and timely way

Stages 1-3: The support from the CG is very weak and less developed. The arrangements in order to support the SNG revenue generation are generally not in place.

12) Existence of a proper system of clearance between the interest of the CG and SNGs

The indicator measures the existence or non-existence of a dialogue and co-operation between the different levels of governments on the level of the revenues, including grants from the upper level: The indicator contains an evaluation of the existence of: 1) Budget co-operation fora, yearly negotiations, 2) An environment of trust between central government and SNGs. 3) An understanding between the parties of the positions and of the opposite party and mutual respect, common discussions of the objectives for the economy of the coming years, multi year targets.

Stages 7-9: A well functioning system of budget co-operation exist, regular meetings, established fora where central and SNGs meet on a regular basis, good working environment and yearly agreements on the finance for the coming year

Stages 4-6: A system of budget dialogue has been initiated, the SNGs have some influence on the future finance, are involved in the preparation on new legislation etc., but not to the extent of stages 7-9, the system is still in its infancy and agreements are not fully kept

Stages 1-3: The dialogue between central and SNGs on fiscal and other matters is not appropriate, the SNGs are not involved in the dialogue on the financing of the coming years' tasks, are not included in the preparation of new legislation and not contacted

13) Consultation/co-ordination mechanisms among different levels of government to avoid non-acceptable disparities in ISP among SNGs

The regulatory environment is in place to balance the national priorities related to equity in ISP and the mechanisms to reduce disparities in ISP as a result of autonomy in SNG decision-making.

Stages 7-9: The regulatory environment comprises rules concerning minimum standards for ISP and the system of general grants allocates minimum financial resources for SNGs to comply with the standards

Stages 4-6: The regulative framework requires compliance with national priorities related to ISP

Stages 1-3: Very detailed rules comprised in the regulatory environment and/or a high share of special grants compared with general grants to ensure a high degree of equity in ISP

14) Degree to which the SNG can represent themselves at the central government level

Stages 7-9: Strong representation and a good co-operation between central and SNGs, e.g. mediated by strong a viable association(s) of SNGs representing all (or almost all SNGs) or through other means/types of representation. The SNGs has a strong say regarding the decentralisation, their voice is heard vis-à-vis the central government, the SNGs have influence on the major decisions, which have an impact on the SNG sector, are involved in the budget framework/finance for the coming years, the SNGs are also involved in supporting the SNG capacity building, e.g. by provision of training/consultancy/information, etc.)

Stages 4-6: The representation and co-operation is existing but is not as strong as in stages 7-9, the SNG representation is in the initial stages, but the SNGs have an certain role and the SNGs are involved in some of the important discussions at the central government level

Stages 1-3: The SNG representation is very weak or non-existing, have a very limited role in the existing system.

3.6 The Principle of Subsidiarity - Operational Capacity (Chapters 3 and 7 of the Country Reports)

Table 7: The Principle of Subsidiarity - Operational Capacity

	Stages 1-3 Incipient	Stages 4-6 Developing	Stages 7-9 Advanced
1. Assignment of tasks according to the principles of ISP Subsidiarity	Ghana Zambia Swaziland*	Uganda:6 Senegal:6	Zimbabwe
2. Appropriate number of units of SNGs	Ghana Swaziland	Senegal Zambia Uganda	Zimbabwe
3. Appropriate links between levels of SNGs (vertically) **	Senegal Ghana	Uganda	
4. Co-operation between SNGs (horizontally)	All six countries		

*, The system of SNG covers only the urban areas.

**, Zambia, Swaziland and Zimbabwe have various types of SNGs, but only one tier of SNGs.

1 Assignment of tasks according to the principles of infrastructure and service subsidiarity:

Stages 7-9: The SNGs tasks are assigned according to the principle of subsidiarity, where all the key considerations such as provision of IS as close to the citizens as possible (accountability/transparency/influence), capacity of the units compared to the need of the tasks, connection between the ISP areas and economy of scale have been addressed in an appropriate manner

Stages 4-6: The key areas of assignment follows the above- mentioned principles, but many areas are because of historical, politically or cultural reasons not assigned according to the principle of subsidiarity

Stages 1-3: The SNGs have only few tasks assigned compared to the principle of subsidiary, or are not the sustainable units for the present tasks (e.g. due to lack of capacity), there is a distorted balance between the size of the SNGs and the present SNG tasks

2. Number of units (related to No. 1)

Stages 7-9: The SNGs have sustainable units of SNGs on short or medium term compared to the size of the country and the SNG expected tasks

Stages 4-6: The number of units are either too low or high, but might be appropriate on the medium and longer term. At the moment they are not fully sustainable

Stages 1-3: There are a non-sustainable number of SNGs compared to the expected tasks and the size of the country

3. Links between levels of SNGs

Stage 7-9: The structure of SNGs (e.g. various tiers of SNGs) is appropriate to secure proper division of tasks, proper co-operation among the tiers of SNGs on the ISP

Stages 4-6: The structure of SNGs have a number of inherited problems, but is generally functioning, although not optimal

Stages 1-3: The structure of SNGs cause numerous of problems. There is generally a lack of support and cooperation among the various levels of governments and subnational units.

4. Co-operation between SNGs (inter-SNG) on ISP

Stages 7-9: The system of co-operation among the SNGs is well developed. There is appropriate co-operation among the SNGs on ISP, which demands larger territories, more citizens (capacity). The co-operation is clear in terms of accountability, obligation and rights and competencies for the parties involved and for the citizens

Stages 4-6: Co-operation among the SNGs is existing, but is still limited. There are still lack of clear co-operation patterns and practises

Stages 1-3: The co-operation is non-existing or poorly organised and cause a lot of ISP problems

Political and Managerial Accountability of the SNGs to their Citizens (Chapters 3-7 of the Country Reports)

Table 8: Accountability of SNGs to their Citizens

	Stages 1-3 Incipient	Stages 4-6 Developing	Stages 7-9 Advanced
1. Facilitation of citizen participation	Senegal:3	Swaziland: 4 Zambia: 4 Ghana: 4	Zimbabwe: 7 Uganda: 7
2. Local election of mayors and councillors	Swaziland: 3*	Ghana: 4 Zambia: 6	Zimbabwe: 7 Uganda: 8 Senegal: 8
3. Share of own revenue sources	Uganda: 2 Ghana: 2	Ghana: 4	Zimbabwe: 7 Senegal: 8 Swaziland C: 9 * Zambia:9
4. Assignment of tax autonomy	Zambia: 3 Swaziland: 3	Senegal: 4 Uganda: 5 Ghana: 5 Zimbabwe: 5	
5. Transparency in the allocation of tasks across levels of government	Zambia: 3 Swaziland: 3	Zimbabwe: 4 Senegal: 4 Ghana: 4	Uganda: 7
6. Autonomy in priority setting at SNG level	Zambia: 3 Swaziland: 3 Ghana: 3	Senegal: 5 Zimbabwe: 5	Uganda: 7
7. Autonomy of SNG in ISP investments	Zambia: 1 Swaziland: 2 Ghana: 3	Senegal: 4 Uganda: 4 Zimbabwe: 7	
8. Degree of SNG-autonomy concerning budgeting competencies	Ghana: 2 Zambia: 3 Swaziland: 3	Senegal: 4 Zimbabwe: 5	Uganda: 7
9. The comprehensiveness of budgetary accountability	Zambia: 2 Ghana: 2 Swaziland: 3	Zimbabwe: 4 Uganda: 6 Senegal: 6	
10. The degree of SNG-competence concerning human resources	Swaziland RU:1 Senegal: RU: 1 Ghana: 2 Zimbabwe: 3	Zambia: 4 Swaziland C: 4 Senegal: R/C: 5	Uganda: 7
11. Degree of SNG autonomy related to land management and development	Senegal: 1 Swaziland: 1 Zambia: 2 Ghana: 2 Zimbabwe: 3	Uganda: 4	

*, The system varies considerably across the various areas in the country, especially between the rural and the urban areas. RU: Rural areas, C: cities, Senegal C/R = larger regions and cities/municipalities.

1. Facilitation of citizen participation

Stages 7-9: The structure of the SNGs give access to democratic decision-making processes and the citizens have access to decision-making on key issues such as budget, tax setting and land management, strategic development of the territory. There is a well developed system of user boards, public hearings, supplemented by good incentives to be involved in the decision-making

Stages 4-6: The above-mentioned components are only partly fulfilled. The involvement of local population has started in some fields.

Stages 1-3: The citizens have hardly access to the decision-making processes at the local level, the political representation is weak, and the interest groups have observed constraints in their possibilities to make their voice known and considered, political parties/fractions are abolished or the political interests are not allowed at all. There are no significant user boards and representation of local interest.

2. Local election of mayors and councilors

Stages 7-9: Mayors and councilors are elected by the citizens within the territories for the SNG

Stages 4-6: Part of the councilors are elected, CG influence on the selection of mayors and councilors

Stages 1-3: Mayors and councilors are appointed by the central government

3. Share of own revenue sources of total SNG revenues (chapter 4)

A high share indicates more local autonomy.

Stages 7-9: The own revenues constitute more than 50%

Stages 4-6: Between 30-50%

Stages 1-3: Less than 30%

Own revenue sources are defined as: tax revenues, user charges and fees, non-tax revenues and revenues from single sources. Grants cover shared taxes and central government transfers (general, specific, capital grants) and donor contributions. This is a broad definition of “own revenues” as the SNGs might have limited influence on the level of revenues (base, rate, and administration). The figures indicate the vertical imbalances, i.e. differences in assignment of revenues and tasks.

4. Assignment of tax autonomy (chapter 4)

An important component of this indicator is the autonomy and discretionary power to adjust the revenue base and the tax/fee rates and the possibilities for increasing own (local) revenues, i.e. the margin for manoeuvre in local taxation, defined as the real ability of sub-national governments to change their own level of tax revenue by modifying one or more of the following: 1) the tax rates and/or the 2) bases of assessment or the 3) efficiency in revenue collection (administration). Good possibilities on components 1-3 increase the autonomy and the possibilities of financing of services and adjusting the revenue level to the service needs and create accountability. Stages 7-9: The SNGs have good possibilities of adjusting the major taxes in the desired direction, e.g. by having autonomy on the tax rates and the tax base

Stages 4-6: The SNGs have certain influence on the tax yield, e.g. by having certain influence on the tax rate, tax base and collection, but still with considerable central government control

Stages 1-3: The SNGs have very limited autonomy on the tax yield as both the rates, tax base and collection are controlled by the central government

5. Transparency in the allocation of tasks across levels of government (Chapter 5)

Stages 7-9: Tasks are well defined and clearly delineated across the levels of government. It is easy for the citizens to know exactly who to contact and to identify whom has the competence and the responsibility

Stage 4-6: Some tasks are not clearly defined, e.g. some areas of overlapping responsibility or lack of defined competencies

Stage 1-3: Many tasks are not clearly defined. It is hard for the citizens to know and understand the division of tasks and responsibilities across levels of governments. The responsibility and accountability is blurred.

6. The degree of autonomy in SNG priority setting concerning ISP areas according to the preferences of the citizens within the territory (Chapter 6)

Stages 7-9: The regulatory environment is guideline-oriented and supportive to SNG autonomy in major fields of ISP, central government act as supporter, mentor and general supervisor, policy co-ordinator. There are certain guidelines and/or minimum standards and/or systematic experiments on further delegation

Stages 4-6: The regulatory environment is control-oriented, detailed and/or contains major constraints on autonomy of SNGs, but certain stability exists and most control procedures are conducted by use of transparent legislative instruments

Stages 1-3: The regulatory environment disfavour autonomy of SNGs by heavy control and cumbersome procedures often not transparent for the SNGs

7. Degree of autonomy of SNG in ISP investment development within its territory. (Chapter 5)

Stages 7-9: SNGs have autonomy in decisions concerning ISP-investments, no overruling or only formal approval procedures by central government, direct SNG involvement in donor investment-allocations on their territory
Stages 4-6: SNGs have limited or complex influence on ISP-investment activities on their territory, detailed and/or non-transparent allocation principles concerning ISP-investments
Stages 1-3: No or very limited autonomy for SNG in ISP-investment activities

8. Degree of SNG-autonomy concerning budgeting competencies (Chapter 6)

The indicator measures general regulation (opposite) specific control.

Stages 7-9: The SNGs have full autonomy within certain broad guidelines (e.g. balanced budgets) to adopt their budgets and to decide the priorities, the budgets are not going to be approved beforehand, and the central government interfere if certain decisions are clearly illegal
Stages 4-6: The CG have certain possibilities to interfere in the process, certain part of the budget, e.g. the capital budgets should be approved beforehand, and the SNGs feel some constraints in these areas
Stages 1-3: All parts of the budgets have to be approved beforehand often with long lasting budget approval procedures, there is a clear lack of general guidelines for approval, and the situation is very non-transparent and unpredictable for the SNGs

9. The comprehensiveness of budgetary accountability, audit, budgeting and auditing procedures (Chapters 6 and 7)

The existence of procedures of general audit of lawfulness of the use of expenditure (opposite control in concrete political cases).

Stages 7-9: Clear procedures for auditing and supervision exist based on clear guidelines for budgeting and accounting, unified system of budget classifications and procedures. The audit is based first and foremost on legal control and is independent from central and SNGs. The citizens have easy access to the audited accounts
Stages 4-6: Budget and accounting regulations are established, but the audit of the accounts is lacking or not implemented on full scale
Stages 1-3: The budgeting and accounting system is far behind expectations, the local authorities use their own procedures, the system is characterised by limited or non-appropriate audit of the accounts. The budget and accounts are developed in a non-transparent manner

10. The degree of SNG-competence concerning human resources (chapter 7)

Measures the competence of SNG with respect to mobilise the human resources necessary to effectively fulfil their mandates

Stages 7-9: SNGs have competence to recruit, to dismiss and to promote all levels of a staff, including executive management and key levels of personal, of their own in a number flexible corresponding to their administrative requirements
Stages 4-6: SNGs have the competence to recruit and promote their own staff (or most staff) but in compliance with a set of regulations issued by central government, the regulations are felt as a constraint, and face some problems concerning retrenchment of staff
Stages 1-3: SNGs may only recruit and promote staff with low level of skills and have little influence on the personnel

11. Degree of SNG autonomy related to land management, land-use, physical planning, development regulation etc (chapter 6)

The impact of the rules, regulations and procedures related to land registration, land-use and zoning, physical planning and other regulation of development, of construction etc. is measured on this indicator.

Stages 7-9: SNGs have autonomy concerning regulation on land ownership and tenure, possibilities for SNG to use land for development purposes. SNGs have a high degree of autonomy in physical planning
Stages 4-6: The regulatory environment related to land is detailed, the system is centralised and SNGs have low influence on land-use (with negative impact on the assessment of values of real property), SNG have limited control over land for development purposes
Stages 1-3: Land is no resource of SNGs and the central government has the full control, registration and command over ownership/tenure, SNG autonomy in physical planning is constrained by approval and/or discrete decision-making by central government

The relationship between the specific indicators and the key framework composite indicators of decentralisation

Some of the indicators are more critical than others. The relationship between the indicator values of the underlying specific indicators from Chapters 3-7 and the indicator value of the framework composite indicators have to take into consideration the key significance of those specific indicators that refers to real barriers for functioning and operation of decentralisation. Thus, it is not possible simply to provide the specific indicators with a weighting system allowing some kind of pure arithmetic calculation putting high values to the most crucial specific indicators.

The matrix below indicates which of the specific indicators are “underlying” each of the different key framework composite indicators and which indicators are considered to be of “threshold” (key importance) character. The key indicators are marked with a grey colour.

The principle is the following: Values of non-threshold specific indicators cannot increase or decrease the key framework composite indicators away from the value-interval (1-3: less developed level, 4-6: Reasonable developed initiation/situation, 7-9: Very developed and dynamic system of autonomy/decentralisation), but only move it to the upper or lower end of the stage/value-interval in question.

The table below shows the relationship between the specific measurable indicator and the composite indicators:

Matrix on the Relationship between Specific and Key Composite Indicators

	<i>Central government policy on decentralisation (Chapter 3)</i>	<i>Financial sustainability at the SNG level Chapter 4 (and chapter 6)</i>	<i>Performance and Sustainability of Infrastructure and Service Provision (Chapter 5)</i>	<i>Appropriateness for SNGs of Regulatory framework (Chapter 6)</i>	<i>Appropriateness for SNGs of the Institutional Framework (Chapter 7)</i>	<i>Subsidiarity and operational capacity (chapters 3 and 7)</i>	<i>Accountability of SNGs to their citizens (chapters 4, 6 and 7)</i>
<u>Policy for decentralisation and division of tasks:</u>							
1) Existence of an official, adopted and clear strategy on decentralisation	⊗						
2) Existence of a policy implementation plan for decentralisation	⊗						
3) Current adjustment of the initiatives to address new challenges	⊗						
<u>Sub-national government finance:</u>							
1) Share of SNG expenditure of total public expenditure		⊗					
2) Share of SNG recurrent expenditure of total public expenditure		⊗					
3) Share of SNG capital expenditure of total public capital expenditure		⊗					
4) Share of SNG revenues of total public revenues		⊗					
5) Share of SNG expenditures of GDP		⊗					
6) SNG possibility for SNG borrowing (potential/ actual)		⊗					
7) Wage share of the total SNG recurrent expenses		⊗					
8) Share of general public service of total recurrent exp.		⊗					

	<i>Central government policy on decentralisation (Chapter 3)</i>	<i>Financial sustainability at the SNG level (Chapter 4)</i>	<i>Performance and Sustainability of Infrastructure and Service Provision (Chapter 5)</i>	<i>Appropriateness for SNGs of Regulatory framework (Chapter 6)</i>	<i>Appropriateness for SNGs of the Institutional Framework (Chapter 7)</i>	<i>Subsidiarity and operational capacity (chapters 3 and 7)</i>	<i>Accountability of SNGs to their citizens (chapters 4, 6 and 7)</i>
9) Share of capital SNG expenses of total SNG expenses		⊗					
10) Share of own revenue sources of total SNG revenues		⊗					⊗
11) Appropriate system of transfers from central government		⊗					
12) Existence of a financial system to regulate for transfer of tasks between the levels		⊗					
13) Utilisation of the revenue potential		⊗					
14) Assignment of tax autonomy		⊗					⊗
15) Autonomy on current expenditures		⊗					
16) Autonomy on the capital expenditures		⊗					
<u>Infrastructure and Service Provision (ISP)</u>							
1) Degree of SNG responsibility for local ISP needs			⊗				
2) Degree of autonomy in SNG performance of ISP			⊗				⊗
3) Degree of ISP coverage of needs concerning major community amenities			⊗				
4) Degree of ISP coverage of needs concerning major health services			⊗				
5) Degree of ISP coverage of needs concerning major education services			⊗				
6) Degree of ISP coverage of needs concerning economic services			⊗				

	<i>Central government policy on decentralisation (Chapter 3)</i>	<i>Financial sustainability at the SNG level (Chapter 4)</i>	<i>Performance and Sustainability of Infrastructure and Service Provision (Chapter 5)</i>	<i>Appropriateness for SNGs of Regulatory framework (Chapter 6)</i>	<i>Appropriateness for SNGs of the Institutional Framework (Chapter 7)</i>	<i>Subsidiarity and operational capacity (Chapters 3 and 7)</i>	<i>Accountability of SNGs to their citizens (Chapters 4, 6 and 7)</i>
7) Degree of sustainability of ISP			⊗				
8) Degree of use of cost-recovery principle for user charges			⊗				
9) Type of mechanisms to cope with ISP-affordability			⊗				
10) Degree of participatory decision making arrangements related to ISP			⊗				⊗
11) Degree of competitive environment for ISP			⊗				
12) Degree of private sector participation in major fields of ISP			⊗				
13) Degree of autonomy of SNGs in ISP-development within its territory				⊗			⊗
<u>Regulatory framework:</u>							
1) Existence of a developed and clear Act on Local Government				⊗			
2) Constitutional guarantees for autonomy of SNGs				⊗			
3) Degree of clarity of the legislative and regulative framework for ISP in relation to SNGs				⊗			
4) Clarity and transparency of division of tasks in legislation				⊗			⊗
5) Division of tasks-implementation of regulatory framework				⊗			
6) Autonomy in SNG priority setting concerning ISP areas				⊗			⊗

	<i>Central government policy on decentralisation (Chapter 3)</i>	<i>Financial sustainability at the SNG level (Chapter 4)</i>	<i>Performance and Sustainability of Infrastructure and Service Provision (Chapter 5)</i>	<i>Appropriateness for SNGs of Regulatory framework (Chapter 6)</i>	<i>Appropriateness for SNGs of the Institutional Framework (Chapter 7)</i>	<i>Subsidiarity and operational capacity (Chapters 3 and 7)</i>	<i>Accountability of SNGs to their citizens (Chapters 4, 6 and 7)</i>
7) Degree of SNG-autonomy in issue of by-laws, amendments to by-laws and other regulation instruments				⊗			
8) Degree of SNG-autonomy concerning budgeting competencies (chapter 4 and 6)		⊗					⊗
9) Degree of SNG-autonomy concerning borrowing (chapter 4 and 6)		⊗					
10) The comprehensiveness of budgetary accountability, audit, budgeting and auditing procedures (Chapter 4 and 6)		⊗					⊗
11) Comprehensiveness of regulatory environment for SNG involvement of the private sector in ISP (chapter 5 and 6)			⊗				
12) Degree of SNG autonomy related to land management, land use, physical planning etc.				⊗			⊗

<u>Institutional framework:</u>							
	<i>Central government policy on decentralisation (Chapter 3)</i>	<i>Financial sustainability at the SNG level (Chapter 4)</i>	<i>Performance and Sustainability of Infrastructure and Service Provision (Chapter 5)</i>	<i>Appropriateness for SNGs of Regulatory framework (Chapter 6)</i>	<i>Appropriateness for SNGs of the Institutional Framework (Chapter 7)</i>	<i>Subsidiarity and operational capacity (Chapters 3 and 7)</i>	<i>Accountability of SNGs to their citizens (Chapters 4, 6 and 7)</i>
1) Degree of SNG-competence concerning human resources					⊗		⊗
2) The appropriateness of the SNGs civil service system					⊗		
3) The clarity of the institutional environment for promoting managerial accountability					⊗		
4) The degree of managerial Capacity of executive staff of SNGs					⊗		
5) The degree of SNGs capacity in financial management (chapter 4 and 7)		⊗					
6) Capacity in the field of ISP (technical management) (Chapter 5 and 7)			⊗				
7) The degree of SNGs capacity in handling land and territorial development (Chapter 5 and 7)			⊗				
8) The degree of SNGs capacity for human resource development					⊗		

	<i>Central government policy on decentralisation (Chapter 3)</i>	<i>Financial sustainability at the SNG level (Chapter 4)</i>	<i>Performance and Sustainability of Infrastructure and Service Provision (Chapter 5)</i>	<i>Appropriateness for SNGs of Regulatory framework (Chapter 6)</i>	<i>Appropriateness for SNG of the Institutional framework (Chapter 7)</i>	<i>Subsidiarity and operational capacity (Chapters 3 and 7)</i>	<i>Accountability of SNGs to their citizens (Chapters 4, 6 and 7)</i>
9) The Degree of SNGs innovative capacity					⊗		
10) Existence of comparable and structured information applicable for SNG and CG in their daily work					⊗		
11) The degree of support from CG in the field of revenue generation					⊗		
12) Existence of a proper system of clearance between the interest of the central government and SNGs					⊗		
13) Consultation/co-ordination mechanisms among different levels of government					⊗		
14) The degree to which SNG can represent themselves at the central government level					⊗		
<u>Principle of subsidiarity – operational capacity</u>							
1) Assignment of tasks according to the principle of subsidiarity						⊗	
2) Appropriate number of units of SNGs						⊗	
3) Appropriate links between SNGs (vertical)						⊗	
4) Co-operation between SNGs (horizontally)						⊗	
<u>Accountability of SNG to their citizens (cf. the indicators above in column 8*)</u>							
Local election of mayors and councillors							⊗

*This indicator cuts across some of the other indicators. Column 8 shows the indicators under the “umbrella” of this composite indicator. SNG = Sub-National Governments, CG = Central Government

ANNEX NO. 4 (A): Tables on Sub-National Government Finance

Table 1: Share of the Sub-National Government Expenditure of GDP (*)

Country	1995	1996	1997
Zambia	0.7	0.7	0.5
Senegal	1.5	1.6	1.8
Uganda	3	5	4
Swaziland	0.5	0.5	0.6
Ghana	1.7	2.6	N/A
Zimbabwe	3.8	2.7	3.0
Total (Non-weighted)	1.9	2.2	2.1 **

*Figures from the Study on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision (ISP), (Uganda 1995 = 1995/96, 1996= 1996/97, 1997= 1997/98, 1998= 1998/99), the figures differs from the country report measure SNG's share of central government expenditure, this table show the share of the total public expenditure). Senegal: The 10 regions are included from 1997.

** Ghana figures from 1996 (2.6%) used in the calculation of the average.

Table 2: Share of the Sub-National Government Expenditure of General Government Expenditure (*)

Country	1995 (%)	1996 (%)	1997 (%)	1998 (%)
Zambia	4	4	3	N/A
Senegal	6	6	7	N/A
Uganda	20	28	21	17
Swaziland	2	2	2	2
Ghana	4	4	N/A	N/A
Zimbabwe	11	8	8	N/A
Total (unweighted)	8	9	8 **	N/A

*Figures from the Study on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision (ISP), Uganda 1995/96, 1997/98, 1998/99 etc. Senegal: The 10 regions are included from 1997.

**, Ghana figures from 1996 (4%) included in the calculation of the average

Table 3: SNG Disbursement of GDP in Various Countries

Country	Disbursement in % of GDP
Zambia (1997)	0.5
Ghana (1996)	2.6
Senegal (1997)	1.7
Uganda (1997/98)	4.0
Swaziland (1998)	0.6
Zimbabwe (1997)	3.0
Non-weighted average for the six countries	2.1
Australia	4.1
Austria	7.1
Belgium	7.0
Canada	11.2
Finland	18.4
Denmark	24.4
France	7.9
Greece (94)	3.8
Germany	5.8
Iceland	7.7
Ireland (94)	10.6
Italy	12.0
Japan	12.8
Korea	10.1
Netherlands	14.0
Norway	16.9
Portugal (93)	3.9
Spain	9.8
Sweden	22.2
UK	10.1
US (93)	13.7
Unweighted average for the OECD countries	11.1

Source: The table is based on OECD National Account Statistics (based mostly on 1995 status). The figures show net of fees and charges for the OECD countries and gross expenditure for the African Countries. The figures from the six African Countries are drawn from the country reports on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision, 1998-2000.

Table 4: Composition of SNG Expenditures – Recurrent and Capital Expenditures (*)

Country	Recurrent expenditure (%)				Capital expenditures (%)			
	1995	1996	1997	1998	1995	1996	1997	1998
Zambia	97	89	95		3	11	5	N/A
Senegal	85	79	69		15	21	31	N/A
Uganda	82	94	84	94	18	6	16	6
Swaziland	93	88	96	96	7	12	4	4
Ghana	27	31	Est. 30	N/A	73	69	Est. 70	N/A
Zimbabwe	79	80	80	N/A	21	20	20	N/A
Unweighted Average	77	77	76	N/A	23	23	24	N/A

*Figures from the Study on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision (ISP), Uganda 1995/96, 1997/98, 1998/99 etc. Senegal: The 10 new regions are excluded from 1997. Ghana: Recurrent expenditure is estimated to 30 % and this figure is used in the calculation of the average for 1997.

Table 5: Composition of SNG Recurrent Expenditures (*)

	General public services			Education			Health			Social security and welfare			Housing			Community amenities			Culture and recreational			Economic services			Other tasks		
	95	96	97	95	96	97	95	96	97	95	96	97	95	96	97	95	96	97	95	96	97	95	96	97	95	96	97
Za	60	32	33	0	0	1	13	25	21	0	0	0	15	18	18	0	3	3	1	1	1	8	11	15	3	9	7
Se	27	32	43	7 **	9 **	9 **	7 ***	10 ***	15 ***				1	2	2	5	8	9	0	0	0	0	1	1	51	39	19
Ug	14	41	21	63	45	60	17	9	13	0	0	0	0	0	0	1	0	0	0	0	0	5	5	5	1	0	0
Sw	33	38	35	0	0	0	11	10	11	0	0	0	0	0	0	13	14	11	8	5	7	39	42	32	3	1	0
Gha	73	75	77	0	9	1	0	5	7	0	0	1	0	0	0	18	1	1	0	0	0	0	0	0	8	9	13
Zim	36	25	29	1	1	1	3	4	4	2	1	1	7	11	10	30	37	40	11	10	5	10	12	10	0	0	0
Av.	41	41	40	12	11	12	9	11	12	0	0	0	4	5	5	12	11	11	3	3	2	10	12	11	11	10	7

*Figures from the Study on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision (ISP), Uganda 1995/96, 1997/98, 1998/99 etc. Senegal: The 10 new regions are excluded from 1997. ** Including expenditure on sport and culture *** Both health and social welfare. Ghana based on figures from the six sample SNGs. Swaziland: 1995 covers only the three mayor cities. The other years cover all sample SNGs.

Za= Zambia, Se=Senegal, Ug= Uganda, Sw= Swaziland, Gha= Ghana, Zim= Zimbabwe, Av. = unweighted average of the six countries.

Table 6: Wage and Non-Wage components of Recurrent SNG Expenditure (*)

Country	Wage (%)				Non-wage (%)			
	1995	1996	1997 (**)	1998	1995	1996	1997	1998
Zambia	59	59	59		41	41	41	N/A
Senegal	N/A	47	N/A	N/A	N/A	53	N/A	N/A
Uganda	59	28	59	N/A	41	72	41	N/A
Swaziland	58	75	52	50	42	25	48	50
Ghana	N/A	75	N/A	N/A	N/A	25	N/A	N/A
Zimbabwe	30	35	36	N/A	70	65	64	N/A
Unweighted Average	52	53	54	N/A	48	47	46	N/A

*Figures from the Study on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision (ISP). Senegal 1996 based on only three sample SNGs. Ghana : Based on review of the six sample SNGs 1996. Uganda: 1995 = 1995/96 etc. Swaziland: 1995 covers only the three mayor cities: Mbabane, Manzini and Nhlango. The other years cover all sample SNGs (i.e. more than 95% of the total SNG expenditures). Average for 1997: Senegal and Ghana: Figures from 1996 are used as the basis.

Table 7: Composition of SNG Revenues – Own Revenues and Grants (*)

Country	Own revenue sources (%)				Grants, donor contributions and shared taxes (%)			
	1995	1996	1997	1998	1995	1996	1997	1998
Zambia	97	99	97	N/A	3	1	3	N/A
Senegal	94	91	77	N/A	6	9	23	N/A
Uganda	30	29	23	N/A	70	71	77	N/A
Swaziland	81	78	86	83	19	22	14	17
Ghana	35	36	31	N/A	65	64	69	N/A
Zimbabwe	92	76	67	N/A	8	24	33	N/A
Unweighted Average	85	75	64	N/A	15	25	37	N/A

*Figures from the Study on Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision (ISP). Own revenue sources are defined as: tax revenues, user charges and fees, non-tax revenues and revenues from single sources. Grants cover shared taxes and central government transfers (general, specific, capital grants) and donor contributions. This is a broad definition of “own revenues” as the SNGs might have limited influence on the level of revenues (base, rate, and administration). The table indicates the vertical imbalances, i.e. differences in assignment of revenues and tasks. Uganda: 1995=1995/96, 1996= 1996/97 etc. Ghana: Based on six sample SNGs.

ANNEX No. 4 B: Financial Capacity and ISP Expenditure per Inhabitant in the Six Countries

Table 4B 1: Financial Capacity and ISP Expenditure per Inhabitant in the Six Countries - Local currency

Country	Total revenue per inh. in all SNGs	Total revenue per inh. in average in the sample SNGs	Total <u>own</u> revenue in all SNGs per inh.	Total <u>own</u> revenue per inh. in the sample SNGs	Total revenue from user fees per inh. in all SNGs	Total revenue per inh. from user fees in the sample SNGs	Total expenditure per inh. in all SNGs	Total expenditure per inh. in the sample SNGs	Total expenditure on <u>ISP</u> per inh. in all SNGs (2)	Total expenditure on <u>ISP</u> per inh. in the sample SNGs (2)
Zambia (1997)	4214	9965	4069	9464	963	3350	2698	9382	1764	6348
Senegal(1996)	3355	9646	3010	9329	658	1706	3116	8488	N/A	6235
Ghana (1996)	6289	10811	N/A	3794	N/A	1897	6417	12929	N/A	7471
Swaziland (1998)	274	274	246	246	15	15	241	241	187	187
Uganda (1997/98)	15805	14263	3644	4186	1214	930	14150	14747	11086	9995
Zimbabwe (1997)	234	612	159	611	83	237	239	658	164	531

The figures on number of inhabitants are based on best estimates. The following figures have been applied: Zambia: 9.215 mill (1996), sample SNGs: 1.963 mill. inh., Senegal: 8.534 mill, sample SNGs = 1.503 mill. inh... (1996), Ghana: 17.522 mill, sample SNGs = 1.455 mill. inh. (1996), Uganda: 19.741 mill inh., Sample SNGs: 4.156 mill inh. (1996), Swaziland: Only the urban areas are involved here. The sample is assumed to cover approx. 100 % of the urban areas, as the SNGs outside of the sample is very small Swaziland: Sample SNGs = 157.900 inhabitants. Zimbabwe: 11.248 mill. (1996). Sample SNGs in Zambia have in total 1.963 mill. inh., Senegal: Exc. Louga region, sample SNGs = total 1.503 mill. inh.. Zimbabwe: 12.4 mill. inh. , sample SNGs= 2.597 mill. inh. Sample, based on population estimates for 1999. These estimates probably overestimate the figures compared to the other countries, but is not expected to have a severe effect on the aim to compare across countries.

(1) Expenditure on ISP: Defined as total expenditure , excluding expenditure on general services (administration)

Table 4 B 2 : Financial capacity and ISP Expenditure per Inhabitant in the Six Countries in USD (1)

Country	Total revenue per inh. in all SNGs	Total revenue per inh. in average in the sample SNGs	Total <u>own</u> revenue in all SNGs per inh.	Total <u>own</u> revenue per inh. in the sample SNGs	Total revenue from user fees per inh. in all SNGs	Total revenue per inh. from user fees in the sample SNGs	Total expenditure per inh. in all SNGs *	Total expenditure per inh. in the sample SNGs *	Total expenditure on <u>ISP</u> per inh. in all SNGs (2)	Total expenditure on <u>ISP</u> per inh. in the sample SNGs (2)
Zambia (1997)	3.2	7.5	3.1	7.2	0.7	2.5	2.0	7.1	1.3	4.8
Senegal(1996)	6.5	18.6	5.8	18.0	1.3	3.3	6.0	16.4	N/A	12.0
Ghana (1996)	3.6	6.2	N/A	2.2	N/A	1.1	3.7	7.4	N/A	4.3
Swaziland (1998)	51.1	51.1	45.8	45.8	2.8	2.8	45.0	45.0	34.8	34.8
Uganda (1997/98)	12.9	11.6	3.0	3.4	0.99	0.8	11.6	12.0	9.0	8.2
Zimbabwe (1997)	18.9	49.5	12.8	49.4	6.7	19.2	19.4	53.3	13.2	43.0

The figures on number of inhabitants are based on best estimates. The following figures have been applied: Zambia: 9.215 mill (1996), sample SNGs: 1.963 mill. inh., Senegal: 8.534 mill, sample SNGs (excl. Louga Region) = 1.503 mill. inh., (1996), Ghana: 17.522 mill, sample SNGs = 1.455 mill. inh. (1996), Uganda: 19.741 mill inh., Sample SNGs: 4.156 mill inh. (1996), Swaziland: Only the urban areas are included here. The sample is assumed to cover approx. 100 % of the urban areas, as the SNGs outside of the sample is very small Swaziland: Sample SNGs = 157.900 inhabitants, Zimbabwe: 12.4 mill. inh. , sample SNGs= 2.597 mill. inh. Sample, based on population estimates for 1999. These estimates probably overestimate the figures compared to the other countries, but is not expected to have a severe effect on the aim to compare across countries.

1) Average exchange rate for the year used in the table:

Ghana: 1996: 1 USD = 1740.4

Swaziland: 1998: 1 USD = 5.37 E

Uganda: 1998: 1 USD = 1225 Sch.

Zambia: 1997: 1 USD = 1321 Q

Zimbabwe: 1997: 1 USD = 12.35 Z Dollars

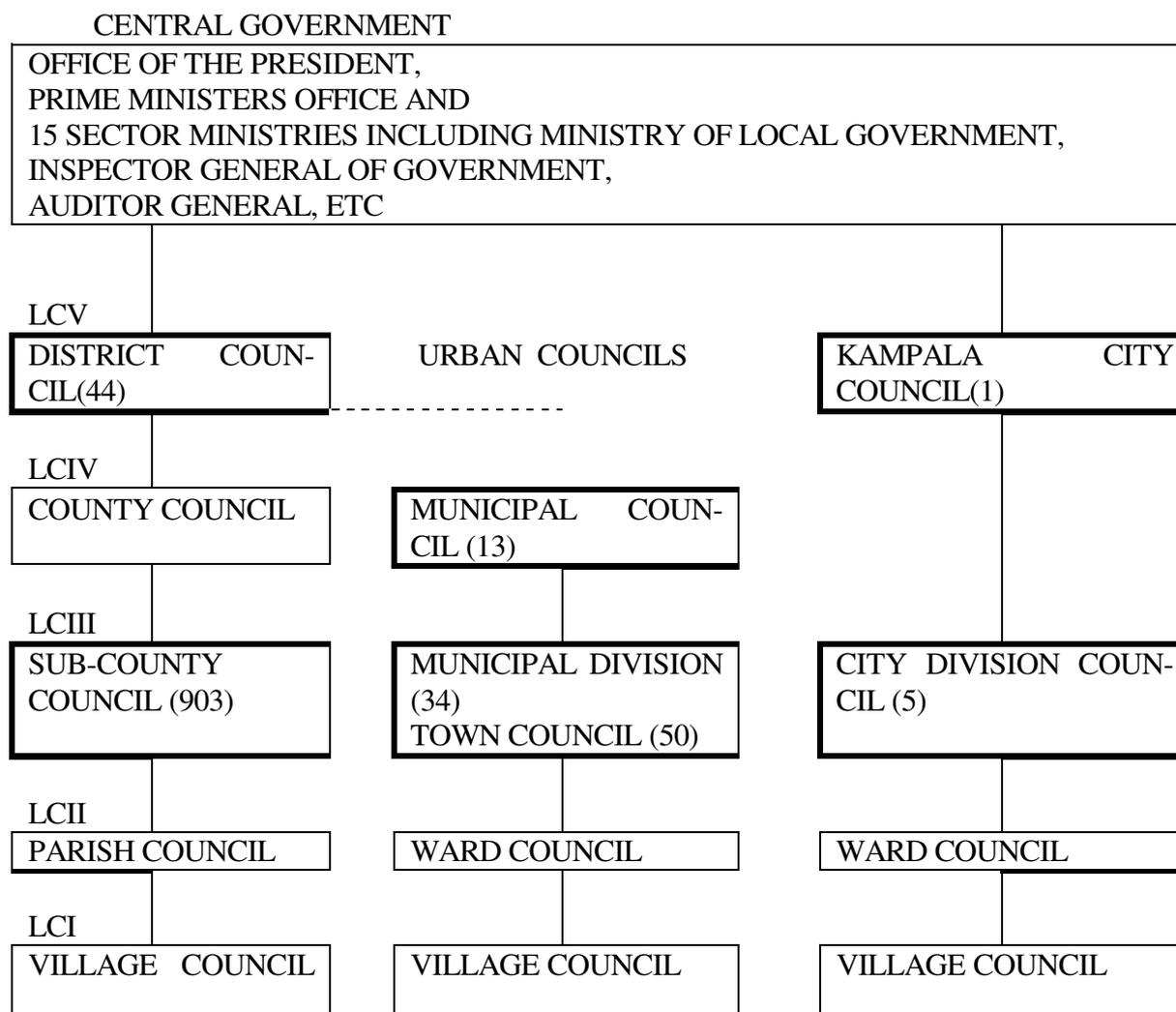
Senegal: 1997: 1 USD = 598.2 CFA

(2) Expenditure on ISP: Defined as total expenditure , excluding expenditure on general services (administration)

ANNEX No. 5: Structure of Sub-National Governments in the Six Countries

Below is shown an overview of the structure of government in the six countries. Only levels and institutions relevant for the sub-national government are included, i.e. not all the central government administrative levels (deconcentrated administration).

Uganda: Structure of Government



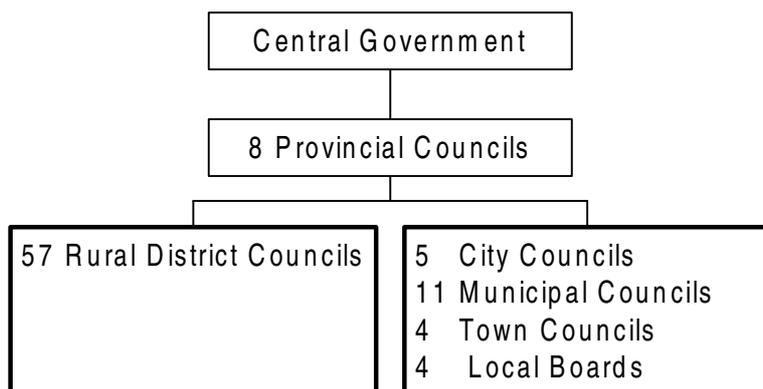
Note: The bold councils are local Governments while the remainders are administrative units.

There are basically two types of local governments, the district rural area and urban. Below the district council there are other local governments, sub-county, municipal and town councils. The County, Parish/Ward and Village Councils are administrative units with no legislative powers although they have some limited political and judicial powers for example they constitute their own courts to settle minor disputes and elect their committees to guide their development programs. The table below shows the number of each type of SNGs.

Category	Number
(a) District Councils	44
(b) City Council	1
(c) City division council	5
(d) Municipal Councils	13
(e) Municipal division councils	34
(f) Town Councils	50
(g) Sub-county Councils	903
Total	1,050

Zimbabwe: Structure of Government

Figure 3 (a) Intergovernmental relations



Ghana: Structure of Government

Office of the President

Council of State

Nat. Dev. Plan. Com. (NDPC)

18 Cabinet Ministers

Ministry of Local Govt. & Rural Dev. (MLGRD)

10 Regional Co-ordinating Councils

Regional Departments

3 Metropolitan Ass.

16 Departments

4 Municipal Assemblies

13 Departments

103 District Assemblies

11 Departments

13 Sub-Metro DAs

Town Councils

Zonal Council Urban Councils

Unit Committees 16,000

Zambia: Structure of Government

Parliament/
Government

Provinces/Provincial Development Co-ordinative Committees (not SNGs)

SNGs: 72: Divided in: City Councils (4)

Municipal Councils

District Councils

Swaziland: Structure of Government

The King

Parliament

Central Government

Prime Minister
Dep. Prime Minister

Administrative regions (4)

Two Cities Town councils (3) Town Boards (7) +
1 new Board

Tinkhundla (55)
Chiefdoms appr.250

Senegal: Structure of Government

Parliament

President

Central Government /ministries

Regions (10)

60 Municipalities 320 Rural SNGs (communities)

47 Arrondissements