

Local Governance for Poverty Reduction in Africa

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(AGF-V)**

**Local Governance for Poverty
Reduction in Africa**
Concept Paper



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Executive Summary

Introduction

Facilitated jointly by UNDP and ECA, The African Governance Forum (AGF) is an activity within the framework of the United Nations system-wide Special Initiative on Africa (UNSI). The Forum brings together African leaders, donors, and representatives of civil society and the private sector to discuss a thematic subject that is considered to be pivotal in the advancement of Good Governance on the African continent. With four Meetings so far held, the 2002 meeting scheduled for Maputo in Mozambique, focuses on *Local Governance and Poverty Reduction in Africa*.

Conceptual Challenges

The Concept Paper begins with Part One that looks at the conceptual challenges that shall face participants to the AGF-V Meeting. *Poverty* is singled out as constituting such challenges and an attempt is made to define and contextualize it within the African realm. Acknowledging that the definition of poverty is often as elusive as the phenomenon itself, it is noted that there is, nevertheless, a general appreciation that poverty fundamentally entails lack of access to income, employment opportunities, normal internal entitlements by the citizens to such things as freely determined consumption of goods and services, shelter and other basic needs of life. In the light of the difficulties to effect meaningful impact on the plight of poor people, there is mounting search for ‘the missing link’ in poverty-focused interventions and, in the process, the multi-dimensional nature of poverty is explored. In particular, the Paper maintains that economic growth (that predominated the definition of poverty for decades) is not sufficient to bring about the needed poverty reduction. The Paper argues that, in most African countries, economic growth has been unable to register a significant impression on poverty, either because it is insufficient or too slow or, more importantly, it has been insufficiently pro-poor in both its *quality* and *structure*.

The conceptual challenges in defining *Local Governance* are also addressed in the Paper, with particular attention being focused on decentralization perceived as a gradual process that is expected to enhance the opportunities for participation by placing more power and resources at a closer, more familiar, and more easily-influenced level of government. The Paper argues that in environments with poor traditions of citizen participation, decentralization is an important first step in creating regular, predictable opportunities for citizen-state interaction. Notwithstanding its virtues, decentralization has shown limited application and success record in Africa and an attempt is made to explain why this is so. In particular, the general reluctance of central government authorities to give popular voice by surrendering power, authority, and resources to local-level structures and strengthening local-level institutions (particularly institutions that enhance the democratic tradition at the grassroots level) receives particular attention in the Concept Paper. Where decentralization has been attempted, it has mostly stopped at the level of sub-national authorities/municipalities and rarely does the concept sufficiently extend to civil society/grassroots institutions that are the real agents of local governance. In this respect, the Paper recommends that the main challenge in any meaningful discussions of local governance is to ensure that decentralization moves hand in hand with a deliberate effort to mobilize and strengthen civil society structure, processes and institutions at lower levels in a manner that would allow their relationship with central and sub-national governments to be more interactive and mutually reinforcing.

Furthermore, the Concept Paper maintains that a functional decentralized local government system is of particular importance to the flourishing of a strong civil society and, similarly, a

strong civil society is an important prerequisite to any meaningful, vibrant, democratic, and decentralized governance system. But for this to work, it is argued that the political environment ought to be perceived to be supportive of people's welfare through, for example, a demonstrated transparent, accountable and fair system of sharing resources and opportunities amongst the citizens to avoid the poorer members of civil society being more preoccupied with basic economic survival issues. Examples of successful interventions that bring governments and civil society together in poverty reduction interventions are cited, such as the UNDP-supported Local Initiative Facility for Urban Environment (LIFE). The importance of providing civil society with user-friendly information is cited as an important stimulus for its proactive involvement.

As to whether decentralization does guarantee poverty reduction, the Concept Paper does not give a straightforward answer. Nevertheless, it does highlight important issues worthy of consideration during the AGF-V meeting. One important assumption is that the reduction of poverty is more likely to be assured when the people for whom pro-poor interventions are meant are allowed, through empowerment, to effectively participate in these interventions. Nevertheless, the Paper cautions that while this assumption may be generally valid, its applicability under the conditions currently prevailing in an average African state must be re-examined more critically, for experience on the continent provides limited proof in support of this. Citing examples from South African and Senegal, the Paper demonstrates that unless there are strong oversight-cum-accountability institutions, decentralization can, and often has reinforced the power of local elites and has worsened spatial inequalities, a phenomenon that has adverse implications for poverty reduction itself. The case of Uganda, nevertheless, does give considerable hope where, under conditions of high-level political commitment, positive progress could be made. The Concept Paper highlights fiscal decentralization as one of the pivotal routes through which local governance could be assured and, when added to a well-designed development and resource equalization strategy, poverty reduction better addressed.

Structural/Organizational Challenges

Part Two of the Concept Paper looks at the structural and organizational challenges of local governance and poverty reduction. Several points are made here. Firstly, it is maintained that the constitutional and legislative framework must be sufficiently clear. In this regard, the virtue of providing an enabling environment to empower local-level structures in service delivery is cited as being important, as is the adoption of a legal framework that determines the powers and functions of the different actors and sets the functional limits of their respective autonomy. The Paper, nevertheless, cautions against the danger of uniformly decentralizing power and authority to lower-level organs that may possess varying levels of capacity to productively accommodate new mandates and management challenges. Hence, the Paper advises that when designing policy or legislating for the various functions, decentralization should not be applied uniformly in a manner that pre-supposes that all local-level structures have equal capacity and political will to take on board devolved functions, much as the Paper acknowledges that such *asymmetric decentralization* can lead to complex legal and regulatory difficulties.

Secondly, to broaden the capacity of lower-level structures, public-private partnership (PPP) is recommended. To utilize this partnership better, effective administrative and management structures and systems within the public and private sector (including civil society organizations) are seen as being important prerequisites. The Paper, nevertheless, cautions against blind faith in the power of the private sector to correct the inequalities in service provision especially in the light of the experience in Africa and elsewhere that suggests that, if not properly regulated and monitored through effective legislative support, the entry of PPP could relapse into inefficiencies that could introduce an additional fiscal burden on the generally poor local level communities. It is in this light that the Concept Paper discusses the importance of effective project monitoring and inter-sectoral co-ordination. Intra-country linkages (e.g. inter-municipality collaboration in service provision) and

cross-border cooperation efforts (e.g. Growth Triangles and Spatial Development Initiatives) are also discussed in the context of resource use optimization.

Implementation Challenges

Part Three of the Concept Paper focuses on the implementation challenges. Emphasis is placed on the strategic importance of decentralized modes of delivery to the extent that it improves access to decision making for local communities. Notwithstanding this, experience in developing countries reveals that few decentralization initiatives have managed to engage local communities in effective, ‘bottom-up’ planning mechanisms. For the most part, ‘planning’ and ‘decentralization’ seem to be mutually incompatible and a lot is yet to be done to design more participatory and inclusive mechanisms in the planning sphere. The main challenge in this regard is, therefore, to design ways and means to involve local communities without losing the central role governments still have to play in directing the more global macro challenges of development. Similarly, the Paper argues that the donor-preferred sector-wide approach (SWAP) to development finance does emphasize centrally planned sectoral blueprints for given sectors with little, if any, allowance being extended to the more decentralized, community-determined project choices. To ensure quick delivery of the projects they finance, many donors still continue to create parallel *ad hoc* implementation structures. And yet such structures jeopardize sustainability and can, and often do undermine accountability, an aspect that the Concept Paper urges participants at the AGF-V meeting to fully discuss and resolve.

Moreover, the paper postulates that the sectoral composition of growth is important for poverty reduction and that the agricultural sector deserves particular attention in the average African country. Guarded liberalization is also said to hold great promise and the market integration of outlying areas (where the majority of poor people reside in Africa) is seen as strategic in addressing the poverty concerns of the disadvantaged communities. Notwithstanding this realization, the Paper argues that all this will come to naught if the infrastructure of rural finance is not developed and accessed by the poor.

Finally, by way of conclusion, the paper makes specific recommendations on the basis of the above conceptual issues in five areas that are critical to the question of local governance and poverty reduction. These are political leadership and participation; social service delivery for increased access and equity; fiscal decentralization and financial management; linkages and integration; and the framework for action linking local governance and poverty reduction. Overall, the Paper concludes that in order to overcome poverty, AGF-V may have to face the fact that the framework of action and the accompanying strategy for poverty reduction would have to be designed and implemented as a rolling and dynamic programming tool; should possess a clear vision; and articulate the respective countries’ long-term developmental goals. Similarly, the framework would have to build, in a participatory and inclusive manner, the requisite consensus around sustainable institutions while remaining accountable, transparent, and responsive to the needs of the citizenry.

1. Introduction: The Poverty Challenge

Facilitated jointly by the United Nations Development Programme (UNDP) and the United Nations Economic Commission for Africa (ECA), Africa Governance Forum (AGF) was created within the framework of the United Nations system-wide Special Initiative on Africa (UNSI). It is a process that brings together African leaders, donors, and representatives of civil society and the private sector to discuss a thematic subject that is considered to be pivotal in the advancement of Good Governance on the African continent. With four Meetings so far held,¹ the May 2002 meeting that is to be held in Maputo, Mozambique, focuses on *Local Governance for Poverty Reduction in Africa* and is billed to stimulate the exchange of views and experience among the representative group of personalities coming from 16 African states.² The AGF process places a high premium on the broad-based participation character for it is through this that countries can optimally exchange their experiences - and learn from them. Indeed, the AGF process consists of four interrelated activities and staged. The process is initiated by the preparation of a Concept Paper by a team of consultants³ that work very closely with UNDP, UNCDF, UNDESA and UNECA. The Concept Paper is intended to serve as a reference material that introduces the subject, raises the fundamental issues, and highlights good practices on the chosen topic. The Paper, thus, serves as a tool during the second stage of the AGF process, namely, national consultations in the participating countries involving all stakeholders. The third stage is the international meeting where country representatives table and exchange their country experiences around the chosen theme and an effort to arrive at some level of consensus on key issues is made. Emerging from the meeting are some broad programmes that countries agreed to implement and, during the fourth stage, national stakeholders, in partnership with external development partners, fosters the consolidation and implementation of the programmes agreed upon during the AGF process.

The topic for AGF-V that focuses on local governance for poverty reduction is quite timely considering the declining levels of social welfare on the African continent and the limited involvement of local communities in the processes that are meant to address their plight. In Sub-Saharan Africa (SSA) that accounts for a quarter of the world's 1.2 billion people living on less than \$1 a day, poverty is evidently pervasive. Out of the 20 countries classified by UNDP as possessing the lowest human development index, 19 are in Africa. Although a number of poverty-reducing programmes are being implemented in almost all SSA countries, little positive impact has been recorded. The region's poverty indicators are represented in Table 1.

Whatever explains the low success record of current poverty reduction efforts in Africa, the continent's worsening degree of vulnerability to life and welfare-threatening calamities is unmatched. Poverty in Africa is characterized by lack of access to income, employment opportunities, normal internal entitlements by the citizens to such things as freely determined consumption of goods and services,

¹ The first AGF was held in Addis Ababa, Ethiopia, in 1997 and focused on a multiplicity of issues that included constitutional reforms, the media, capacity building, and decentralization. The second AGF, held in Accra, Ghana in 1998, focused specifically on 'Accountability and Transparency', while the third was held in Bamako, Mali in 1999 and addressed Good Governance and Conflict Management. The fourth AGF was held in Kampala, Uganda and looked at the Contribution of the Parliamentary Process in Strengthening Good Governance in Africa.

² These are Botswana, Cape Verde, Ethiopia, Liberia, Mali, Mauritania, Mozambique Niger, Rwanda, Senegal, South Africa, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

³ This Concept Paper has been prepared by Professor Oliver S. Saasa (as Team Leader), Mr. Alfredo Teixeira, and Prof. Othman. It benefited from comments from personnel at UNDP, UN/ECA, UNCDF, and UN/DESA in New York.

shelter and other basic needs of life. The majority of the people suffer from weak purchasing power, homelessness, and insufficient access to basic social services and necessities such as education, health, food and clean water.

Table 1: Poverty Indicators in Select Sub-Saharan African Countries

	Life expectancy	Infant mortality rate (Per 1,000 live births) 1999	Net Primary (Ratio %)	Under 5 Mortality (Per 1,000)	Maternal Mortality ratio (Per 100,000 live births)	Births attended by skilled health staff (%) 1995-99	People living with HIV/AIDS (% Age 15-49) 1999	Gender empowerment Measure (GEM)	Population below income poverty line (%)
Botswana	39	46	81	59	330	...	35.80	17.0	33.3
Cape Verde	69	54	98	73	55	...	...	11.1	30
Ethiopia	42	118	35	176	...	...	10.63	7.8	31.3
Mali	43	143	31	235	580	24	2.03	12.2	72.8
Mauritania	54	140	55	142	930	58	0.52	3.0	28.6
Mozambique	43	146	40	117	1,100	44	13.22	30.0	69.4
Niger	46	162	25	275	590	18	1.35	1.2	61.4
Rwanda	40	110	...	180	...	...	11.21	25.7	35.7
Senegal	52	68	60	118	560	...	1.77	14.0	26.3
South Africa	48	54	96	69	...	84	19.94	27.9	11.5
Sudan	...	67	...	109	550	...	0.99	9.7	...
Tanzania	45	90	48	141	530	35	8.09	22.2	19.9
Togo	49	80	83	143	480	51	5.98	4.9	...
Uganda	42	83	...	131	510	38	8.30	17.8	...
Zambia	38	112	75	202	650	47	19.95	10.1	63.7
Zimbabwe	40	60	...	90	400	84	25.06	9.3	36.0

Source: UNDP, Human Development Report 2001-Making New Technologies Work for Human Development, UNDP, New York; The World Bank, World Development Report 2002-Building Institutions for Markets, World Bank, Oxford University Press, Washington D.C.

The HIV/AIDS pandemic is perhaps the worst ‘disaster’ that is currently affecting the continent. How it impacts national development, in general, and poverty prevalence levels, in particular, needs to be better contextualized and appreciated as part of the continent’s poverty-reduction effort. Sub-Saharan Africa accounts for more than 70 percent of all HIV/AIDS cases globally, and is the only region where women living with HIV/AIDS outnumber men. In the 30 Sub-Saharan African countries that have registered the highest HIV/AIDS prevalence levels, the average life expectancy has already started to decline, standing at about 47 years, roughly 7 years lower than what would have been the case in the absence of the pandemic. The challenges of HIV/AIDS on the public and private sectors of Africa are obvious. Principally, AIDS threatens Africa’s capacity-building effort: unlike most other communicable diseases, AIDS strikes the educated and skilled as well as the uneducated. Consequently, it reverses and impedes the continent’s capacity by shortening human productivity and life expectancy. The complex relationship between economic growth and HIV/AIDS is increasingly being recognized: the epidemic is as much likely to affect economic growth as it is affected by it. In most African countries, the economic shock of AIDS on the labour market has translated into severe loss in economic productivity. Of particular concern is the agriculture sector: The average African country employs a large percentage of the labour force in this sector, which accounts for a major portion of the GDP and export earnings in many of these countries. The effects of HIV/AIDS on this sector are, therefore, likely to reverberate throughout the national economies.

Part One

2. Conceptual Challenges

2.1 Poverty

The definition of poverty is often as elusive as the phenomenon itself for it is seen differently from different disciplines; different perspectives (e.g. donors governments, recipient governments, project staff, beneficiary communities at the grassroots, etc.); and different country circumstances (e.g. extremely poor countries, moderately poor countries, fairly well-off countries, etc.). How poverty is perceived is also often influenced by the *reason* for defining it (e.g. if it is for merely understanding it or for actual direct intervention). There is, nevertheless, a general appreciation that poverty fundamentally entails lack of access to income, employment opportunities, normal internal entitlements by the citizens to such things as freely determined consumption of goods and services, shelter and other basic needs of life. In the light of the difficulties to effect meaningful impact on the plight of poor people, there is mounting search for ‘the missing link’ in poverty-focused interventions and, in the process, the multi-dimensional nature of poverty is slowly being appreciated. Poverty, for instance, is no longer viewed as primarily material-cum-income deprivation. For an increasing number of observers, it also means powerlessness, voicelessness, vulnerability, exposure to risk and fear, humiliation and social exclusion. The laws, rules and regulations that govern the interaction of various actors in the political arena are slowly being recognized as significantly influencing the nature of the relationships that emerge in countries’ attempts to find solutions to the poverty dilemma.

Increasingly, the impact of governance is acknowledged as critical for unleashing national energies for poverty reduction. Good governance in all its dimensions (i.e. functioning democratic institutions, rule of law, transparency and accountability, participatory decision making) is more likely to reinforce poverty-reduction policies. Effective relationships between institutions at national and sub-national levels undoubtedly will improve responsiveness of the public sector. Conversely, bad governance is an additional burden borne by the poor in society.

For a long time, the worsening poverty levels in Africa were explained principally in terms of poor economic performance and externally prescribed economic remedies predominated the policy prescriptions. Emerging evidence, however, shows that economic growth alone is not sufficient to bring about, in a sustainable way, the needed poverty reduction. What is particularly worth observing is that SSA countries possess extremely low growth elasticities of poverty reduction. Elasticities in the developing economies of Asia are, on average, much higher than those that obtain in SSA. What this means is that while economic growth in Asia has tended to result in some degree of poverty reduction, this is rarely the case in SSA. In fact, for a good number of countries in Africa, the reverse is the case: GDP growth has been greeted with worsening social indicators.

Why is it that the successes in many regions outside Africa contrast significantly with the realities on the continent? AGF-V may wish to address this question squarely. Existing literature does provide some clues, though. In most of African countries, so it has been argued, growth has been unable to register a significant impression on poverty, either because it is insufficient or too slow or, perhaps more importantly, it has been insufficiently pro-poor in both its *quality* and *structure*. This has led to the argument that while economic growth is important for poverty reduction in SSA, it is definitely *not* sufficient. This conclusion suggests that there may be certain specificities

that are uniquely African in character that ought to be taken into account in the definition of poverty and in considering interventions that target the poor. This recognition does not minimize the importance of economic growth in poverty reduction. For poor countries, rapid growth is an essential and powerful tool for poverty reduction in the medium to long-term. Without growth, the objective of increasing the capacities and expanding the opportunities for the poor will continue to be severely constrained by the lack of public and private resources. Growth does raise the poor people's productivity and incomes and it expands their opportunities and choices in a number of important ways. Sustained national GDP growth, combined with rising wages and productivity, largely explained the unprecedented leap from poverty in the now industrialized countries. But, evidently, there are missing links that explain Africa's lack of responsiveness to economic stimulus. Governance, in general, and Local Governance (the focus of this Concept Paper), in particular, do seem to give one of the answers to the missing link.

In interventions that target poverty, one of the primary conceptual hurdles is to define who the poor are and, consequently, how to target them. Proper targeting of the poor has generally proved to be elusive and it is one area where more work is still required. The other challenge regards how best to ensure that there is local ownership of the interventions. This consideration brings to the fore the issues of local governance. One of the lessons from the past failures of poverty-focused interventions is the importance of avoiding 'top down' approach to project design and implementation as this invariably results in ineffectiveness of the interventions.

2.2 Local Governance

Decentralization enhances Local Governance...

As part of the emerging concerns of 'good governance,' the policy of devolution of power and authority to sub-national governments, commonly referred to as 'decentralization,' has been popularized in developing countries and many aid agencies support it. Decentralization is a gradual *process* and is expected to enhance the opportunities for participation by placing more power and resources at a closer, more familiar, and more easily influenced level of government. In environments with poor traditions of citizen participation, therefore, decentralization is perceived to be an important first step in creating regular, predictable opportunities for citizen-state interaction. Within Africa itself, decentralization has also been opted for as a solution to political challenges that seem to threaten national cohesion. Countries with a history of linguistic, ethnic/tribal, and religious tensions have often found the federal approach to national governance as most suited for national harmony. Both **Ethiopia** and **Uganda**, for example, derive their initiation and commitment to decentralization from past history of political upheaval. In this regard, a good number of African countries, including **Mozambique**, **Cape Verde**, **Mauritania**, and **Zimbabwe** see decentralization as a solution not only to the enhancement of the state's capacity to accelerate local development but also as a way to enhance the poor's voice and power in the continuing fight against poverty.

...but experience shows limited positive trend

Despite the political ideals around decentralization, however, African political systems show little record of success in this sphere. To understand why this is so, a number of fundamentals ought to be appreciated. Irrespective of the political pronouncements in favour of decentralization, a given country's laws, rules and regulations that govern the interaction of various actors in the political arena significantly influence the nature of the relationships that emerge and whether those relationships adhere to the people's defined norms of good governance. Good governance, a canon that is associated with decentralization, is also about power and authority. Although people are the means and the end of development, they have different amounts of power and resources, and different interests. In nearly all societies, the needs and preferences of the wealthy and powerful are well reflected in official policy goals. But this is rarely true of the poor and the

marginalized, who struggle to get their voices heard. And yet democracy, in general, and decentralization, in particular, must accommodate the interests of the majority and minority, the poor and the rich, the privileged and the disadvantaged. In the above context, a government that ignores the needs of large sections of the population in setting and implementing policy is not perceived to be a capable government. The process of strengthening institutions, particularly institutions that enhance the democratic tradition, must, thus, begin by bringing the government closer to the people. Basically, this means bringing *popular voice* into policy making. In the right setting, it also means greater decentralization of central power, authority, and resources. In the average African country, these ideals are still far from being appreciated and achieved.

Local government vs. local governance

Experience worldwide, however, point to the reality that decentralization has usually meant the deconcentration or devolution of power and authority from the central government to sub-national (local government) authorities, be they provincial or district administrations, urban municipalities, local/rural councils, county authorities, etc. In most cases, decentralization stops at this level and rarely do governments recognize that civil society/grassroots institutions may suffer as much from the centralization of power at the sub-national level as they did under the country's central government command. Because of this recognition, the main challenge now in discussions of local governance is to ensure that the strengthening of local government through decentralization moves hand in hand with a deliberate effort to mobilize and strength civil society structure, processes and institutions at lower levels in a manner that would allow their relationship with sub-national authorities more interactive and mutually reinforcing. Civil society is located below sub-national governments and includes actors and structures that initiate social or political action, ranging from individuals, organized pressure groups, associations, and agencies, to the media. It also encompasses private sector bodies, parent-teachers associations, trade unions, neighborhood organizations, and, rarely appreciated in the so-called 'modern' governance systems, an array of formal and informal organizations that, in the African context, include local and informal structures and systems of traditional leadership that are located outside the realm of the formal political domain. In short, decentralization in Africa has rarely been extended to civil society.

One important aspect worth observing is that a functionally decentralized local government system is of particular importance to the flourishing of a strong civil society. Similarly, a strong civil society is an important prerequisite to any meaningful, vibrant, democratic, and decentralized governance system. Experience in Africa has revealed that overcentralized systems of governance do compromise the development of civil society structures of popular participation in national development. It is clear that conscious efforts at both the policy and strategy levels ought to be effected for the enhancement of the symbiotic relationship between the 'formal sector' governance and the less formalized systems of civil society. Here lies the distinction between local *government*, on the one hand, and local *governance*, on the other, in discussions of political and social action. While it is true that the decentralization of power and authority from central to local government is important for the empowerment of local people, this, in itself, does not guarantee the emergence of enhanced local governance, in general, and effective involvement of civil society in municipal level developmental activities, in particular.

What does the above entail? In essence, effective civil society involvement at the municipality level does not come easily as it calls for a deliberate effort to reach out to local communities beyond the decentralized structures of sub-national authorities. One important message from this is that effective participation requires enlightened intervention, including the improvement of the institutional environment in which varying interest groups co-exist. The other important lesson, equally as fundamental but often overlooked, is this: bringing the decentralized sub-national

authorities closer to some civil society actors can risk taking them ever further away from others. It is a reality everywhere in the world but perhaps more so in Africa, that not all organizations of civil society (e.g. political parties, NGOs, lobby groups, etc.) are adequately accountable, either to their own members or to the public at large. And although some groups may be quite vocal, the interests they represent may not be widely shared. In reaching out to groups in civil society, the governance system must be conscious not only of the interests those groups represent, but also of those they do not. Otherwise national pro-poor interventions could risk creating new disparities between the newly accommodated and those whose voices remain unheard: women, the urban and rural poor in informal human settlements, ethnic minorities, for example, or people whose interests have not been adopted by, say, an active NGO.

Similarly, although the relationship between local government and civil society should be a mutually reinforcing one, there is a paradox that often complicates the realization of the desired collective goals. In countries where NGOs, for example, were initiated by external agents as a way of going around an over-bureaucratic government system, it is not uncommon to witness some level of rivalry between these civil society bodies and governments. This state of affairs has often compromised the realization of the needed harmony between the state and civil society.

A related challenge in empowering civil society concerns the extent to which the political environment is perceived to be supportive of people's welfare. For civil society to be effective, a supportive social, institutional, and policy environment must be created as this is usually required for the development of a sustainable social trust that is so fundamental for continued civil society engagement in social welfare issues/interventions. In the absence of a transparent, accountable and fair system of sharing resources and opportunities amongst the citizens (e.g. employment opportunities that guarantee minimum standards of living) the poorer members of society become more preoccupied with basic economic survival issues than with the more societal common good/pursuits.

Notwithstanding the above realities, Africa should find ways in which central and local governments can restructure or reform their institutions so as to facilitate the development of civil society. A number of good experiences with local governance capacity strengthening exist for possible replication and AGF-V could reflect on these. In a number of countries, for example, individuals at the local level have been empowered (through civic awareness and organizational and personal skills development) to productively attend to their local level developmental challenges. The UNDP-supported Local Initiative Facility for Urban Environment (LIFE), for example, has played an important role in the enhancement of local governance through, inter alia, the building of sustainable networks in the targeted communities.

Information is power

The existence of community-relevant educational programmes and free and open press are among the requisite empowerment tools for community involvement in their own development. Civil society actors can effectively influence government policy and actions if they are well informed. The rapid exchange of information for enhancing civic participation in governance issues becomes important for under such conditions, endogenous knowledge base and practices become meaningful to both the development of the communities and to the better appreciation of the broader national challenges and their implications. In order to cater for the neglected portions of the community that are rarely covered in the national media, the concept of *community media* has been found to be the answer in several communities. Local groups, for example, could own their newsletters that could be in locally spoken language. These would stand a better chance of reaching more local people and, thus, enhance their involvement in local governance.

In the light of the above, the media could play an empowering role of shifting the responsibilities around governance and democratization process to local communities. One of the fundamental challenges of the media is how to deal with negative consequences of globalization: the increasing marginalization of the poor from being active participants and decision makers in their own development.

2.3 Decentralization for Poverty Reduction

Does decentralization guarantee poverty reduction?

It is generally held that the reduction of poverty is more likely to be assured when the people for whom pro-poor interventions are meant are allowed, through empowerment, to effectively participate in these interventions. Decentralization, for example, is generally assumed to facilitate redistribution and poverty alleviation since it brings greater grassroots level control over resources and their utilization. While this assumption may be generally valid, its applicability under the conditions currently prevailing in an average African state must be re-examined more critically for experience on the continent provides limited proof in support of this. In most cases, unless it is carefully and comprehensively handled through, for example, strong oversight-cum-accountability institutions, decentralization can, and has often reinforced the power of local elites and has worsened spatial inequalities, a state of affairs that has adverse implications for poverty reduction itself. In **South Africa**, for example, current efforts to use decentralization to achieve poverty reduction have generally been disappointing. In that country, the restructured ‘developmental local government’ was specifically remodeled to attend to the country’s resource redistribution and poverty concerns but the structural deficiencies of the country’s municipal system have effectively checked the realization of these ideals. The resource deficiencies of South African municipalities (particularly the non-metropolitan ones), compounded by the management capacity constraints in these ‘new-look’ sub-national authorities, have compromised the anticipated redistributive gains. The poverty reduction efforts of **Uganda’s** and **Senegal’s** decentralized approach provide further interesting illustration (Box 1).

Notwithstanding the obvious merits of the **Ugandan** DDP/LGDP approach to decentralization, a number of issues can still be raised with respect to its poverty ability to result in poverty reduction. The Programme’s resource allocation formula, while it does take into account some relevant poverty-reducing factors (such as child mortality), is perceived not to be as yet sufficiently sensitive to a good number of poverty-defining variables (such as poverty depth and its profile as measured in, say, gender terms). Even worse, the allocation of grants under LGDP employs only two parameters (land area and population) that are hardly sensitive to the poverty prevalence attributes of the recipient localities.

On a more positive note, further lessons could be derived from the Uganda experience. The monitoring and evaluation reviews so far undertaken on the **Uganda** initiatives have demonstrated that considerable capacity improvements in the direct involvement of local communities has been enhanced in such fields as project planning, resource allocation, management and accountability, and improved poverty-focused social investments. With respect to the Senegalese experiment, one observes that only 28 percent of local communes in that country have prepared their local development plan, a phenomenon that suggests that the system is not working as anticipated due to a host of reasons, not excluding local capacity considerations. The **Senegalese** government has recognized this problem and is currently working on the strengthening of local participative planning procedures under PADMIR, a programme that seeks to improve local governance through sustainable human development in rural areas.

Box 1: Decentralized Planning and Implementation: Lessons form Uganda and Senegal

In **Uganda**, the implementation of the World Bank-funded Peri-Urban Infrastructure Project (PUIP), a two-year pilot project covering four municipalities; the UNCDF/UNDP-funded District Development Project (DDP), another pilot project involving five districts, 106 Sub-Counties, and over 400 Parishes; and the nation-wide Local Government Development Programme

(LGDP) funded by the World Bank collectively offer useful lessons in the novel attempt by an African country to engage communities in participatory planning and poverty reduction. These projects were/are being undertaken in the context of Uganda's decentralization policy that came into effect in 1992. PUIP, initiated in 1995, covered the water, sanitation, access roads, drainage and solid waste management. DDP, also started in 1995, focused on budget support for the devolution of discretionary development budget in the 5 districts with a view to making a 'policy experiment' in decentralized planning, financing and service delivery. It was this experiment that constituted the basis of LGDP that is currently transferring to the whole country development funds to sub-national authorities via the Local Development Grant (LDG) and Capacity Building Grant (CBG).

The DDP/LGDP Programmes provided non-sector specific development grants to local governments using pre-determined formulae. Local governments are expected, under these arrangements, to contribute 10 percent, in cash, of the total resources received, in addition to direct contribution to the implementation of their local projects. DDP/LGDP - funded projects are subjected to annual assessments using pre-set governance criteria, namely, '*minimum access conditions*' that determines whether a local government is eligible to access the grant, and '*performance criteria*' that determines whether the recipient qualifies for a reward or a penalty (i.e. determination of whether or not, in the following financial year, the local government's grant is to be increased or decreased by 20 percent). Like in the Senegalese case (see below), the *access criteria* encompass demonstrated development planning capacity.

In Senegal, Article 102 of the Constitution recognizes local communities and structures as the participatory conduits of both governance and development. The country has multiple-layer structure of mechanisms for participation, based on decentralized planning and implementation. Beyond the Constitution, Senegal has facilitated the development of a legislative, regulatory, and institutional framework that facilitates decentralized interventions, encompassing national, regional and communal levels of planning and implementation. National-local alignment in both planning and implementation of pro-poor programmes is being tried in Senegal. The centrally initiated Fund for Local Development (FDL) in that country provides policy guidance through a decentralized and pragmatic approach, targeting poverty reduction in the poorest regions of the country and covering areas such as social and educational, and environmental infrastructures. Moreover, under the Municipal Adjustment Programme (PAM), the Senegalese government demands for a strong commitment from beneficiary municipalities that are expected to contribute towards the cost of the identified projects. In this regard, a beneficiary commune must contribute at least 3 per cent of the project cost.

Uganda's unique experience provides additional lessons. Firstly, in the past four years, the increase in the heavily donor-supported conditional grants under **Uganda's** Poverty Action Fund (PAF) from debt relief does seem to negatively affect the community participatory gains registered in the field of sub-national fiscal independence. Secondly, it is increasingly being debated as to whether local governments' choices of investments are necessarily in tune with **Uganda's** national Poverty Eradication Action Plan (PEAP) especially when the approach being used leaves little scope for the input of sector ministries that, in a number of cases, do complain against a process that seems to exclude them. Presently, channels of contact for coordination of effort between the sectoral ministries and sub-national authorities are weak, something that raises concern with respect to the need for inter-sectoral coordination. There is also the somewhat contradictory trend in Uganda where the volume of conditional grants is progressively overshadowing the non-conditional grants as the implementation of PEAP gains momentum.

Thirdly, there is the issue of '*quality of choice*.' While it is undisputable that community participation in planning and implementation of their own development is a welcome phenomenon as it improves the quality of investment choices, this 'democratic' and 'participatory' ideal does not always obtain in localities that still suffer from insufficient access to the requisite knowledge and information that is strategic to arriving at informed choices. Because of its being linked to the principles of democracy and majority rule, the concept of decentralization often tends to place a higher premium on the *process* used to reach a decision than on the *quality of outcome* from that process. And then, in a rather illogical manner, an assumption is made that because the choice has been reached in a participatory and democratic manner, then that choice must be good (meaning it will better serve the interests of those that made it). And yet, it is not unrealistic to visualize a situation whereby a whole community with insufficient information on alternative choices and the likely outcomes and impact of various options could unanimously and democratically settle for a *wrong* choice of priorities. The moderating role of central authorities is, thus, still important even under decentralized systems.

In many cases, fiscal equalization is desirable

To the extent that resource endowment differences between a given African country's constituent jurisdictions are quite significant, equalization measures have to be taken to avoid the ever so present potential of fiscal decentralization perpetuating greater developmental disparities. A number of African countries have recognized this important consideration and equalization formulae have included the application of discriminatory fiscal transfers based on the poverty profile of the recipient regions/municipalities. Agricultural aid policy that favours the less privileged agrarian communities in remote rural areas has often been used as part of the poverty reduction strategy. What is important to observe is that there exists many guiding principles for the formulation of fiscal equalization and that the choice of what to consider should reflect the actual situation on the ground. Equalization could be either vertical (paid from the center to the benefit of the poorer members - the most common one in Africa) or horizontal (richer members finance an equalizing fund to the benefit of poorer members). In **Uganda**, the governments introduced in 1999 an equalization grant that aims to correct the economic disparities between the different jurisdictions.

Moreover, **Uganda's** District Development Programme(DDP) and the Local Government Development Programme (LGDP) have tried to adopt some form of fiscal equalization formula in the allocation of central government transfers.⁴ Thus, annual allocations to districts are based on population-based formulae, with weighted adjustments that incorporate development factors such as poverty indicators and land area and attempts to reflect national priorities. Similar efforts are also operational in **Cape Verde** where the Government introduced in 1998 the Fund for Financial Equalization that aimed at correcting financial disparities among different municipalities. Annually, all municipalities receive the general municipality endowment that is based on resident population, area of Council and an equally grant for all municipalities. However, the endowment is received only by those municipalities that collected lower municipal taxes in the preceding three years than the general average. It is noteworthy that the **Cape Verde's** fund for financial equalization is based on a rate that should not be lower than 7 percent of the direct and indirect revenues estimated for the financial year. In **Ethiopia**, a federal system is adopted whereby nine regional states with fully fledged government structures are in place. Budgetary allocations to regional governments use a formula that has equalization elements.⁵ The advantage of having a reliable fiscal equalization formula is that it ensures that allocations are fair and, thus, reduces the general tendency by local leaders to lobby central government authorities for discretionary increases.

⁴ Four variables were used, namely, population (20%), land area (15%), school-going age children (25%), and child mortality (40%). Sub-county allocations were based on land area (35%), population (25%) and ratio of school-going age children (40%).

⁵ The resource allocation formula is based on the following: population (60%), revenue generation effort/capacity (15%), implementation capacity (10%), and development gap/level of development (15%).

Part Two

3. Structural/Organizational Challenges

3.1 Legal and Management Issues

Constitutional and legislative frameworks must be clear

Decentralization is intended to ‘bring government closer to the people’ by providing citizens with greater control over the decision making process and allowing their participation in public service delivery. Most African countries have adopted a legal framework that determines the powers and functions of sub-national structures and sets the functional limits of their autonomy. In legislating the power and relational structures between the centre and lower level decision-making, consideration of how much power is devolved must be weighed against the need for central control over expenditure, staffing costs and levels, and tight scrutiny over budgets to prevent over-expenditure and corruption. Thus, when enacting laws that govern inter-governmental relations in service provision, there is always the tension between the desire to create autonomous local structures that are accountable to their local constituencies, and the need to exercise central control to prevent corruption and mitigate against incompetence. While such countries as **Ghana** and **Nigeria** have adopted a permissive approach that grant a high degree of autonomy to sub-national governments, others have opted to retain central control in many important respects. The role of the constitution and related enabling legislation is to provide basic principles and rules for governing inter-governmental relations and to create a legal framework that ensures legitimacy, accountability and transparency of institutional structures. In the countries such as **Ethiopia**, **Uganda**, **Senegal** and **Zambia**, the country constitutions, with varying degrees of detail, spell out the expected locus of control between central government and sub-national governments. Some of these countries have legislated with sufficient detail the roles different layers of government are expected to perform. Schedule 2 of **Uganda’s** Local Governments Act of 1997 and **Senegal’s** law number 96-06 of 1996 (the Senegal Local Communities Code) distinguish clearly between the roles played by the central government, on the one hand, and local authorities, on the other.

South Africa’s approach is subtle and even more complex. In that country, in the determination of inter-governmental relations, the constitution defines the powers and functions of each of the three levels of government (national, provincial and local) whilst asserting the ‘relative autonomy’ (independence yet interdependence) of the three ‘spheres’. The constitution appears to provide for a permissive approach to inter-governmental relations in which the rights and autonomy of municipalities are ‘protected’. These rights, however, are refined and restricted through subsequent legislation. In reality, the autonomy of South Africa’s municipalities over a range of powers and functions is quite narrow and their autonomy is dependent upon their performance. In **South Africa**, municipalities that fail to achieve the national standards of performance in core municipal competencies risk sanction from the provincial or national sphere, with the prospect of the removal of their powers in under-performing areas. This state of affairs, as earlier shown, is similar to what obtains in **Uganda** where poor performers, in terms of the nationally determined minimum standards for performance, suffer a 20 percent deduction from their share of development finance in the following year’s grant from the central government. In theory, this system should provide the maximum benefit for local communities as it rewards performing municipalities with increased autonomy and ‘punishes’ failing councils by removing their ability to further damage their local areas. In reality, the sophisticated checks and balances built into the system of inter-governmental relations is dependent upon complex performance monitoring by central authorities who may themselves not possess the requisite capacity to

meaningfully undertake this function and the **Ugandan** case does reveal this frailty, to some extent.

Equally important, a government has to recognize the various capacities of sub-national governments and institutions so that, when designing policy or legislating for the various functions, decentralization is not applied uniformly in a manner that pre-supposes that all local level structures have equal capacity and political will to take on board devolved functions. Thus, in countries where municipal jurisdictions have significantly different levels of capacity, the speed and content of devolving functions ought to be aligned to their respective competencies. Sub-national governments that possess stronger resource base (financial, technical and human resource) should be able to mobilize sufficient resources and accept and manage more responsibilities than their poorer counterparts in the less resource-endowed jurisdictions. Hence, the decentralization of services within sectors should be such that the most capable localities are given the political authority and legal latitude to operate independently of central government whereas the delivery of the same services could be done through central (or deconcentrated) arrangements in other locations. Such *asymmetric decentralization* can lead to complex legal and regulatory difficulties, granted, but to the extent that the 'one-size-fits-all' approach can compromise the quality of service delivery, it is better to attend to the needed complex technicalities than trying to standardize things.

The level of private sector development, and its responsiveness to market opportunities should also be considered in making choices about who should be expected to deliver what. Africa is full of examples whereby, due to the obsession with externally-induced structural reforms, governments have broken the speed limits in withdrawing from their original responsibilities, only to discover rather belatedly and regrettably that the expected response from the private sector to fill the void left open by the retracting state is insufficient or altogether nonexistent. The qualitative and quantitative implications of such miscalculations have often adversely affected the poor much more than the non-poor. The challenge for African governments is, therefore, to determine and legislate for their respective modes of decentralization at the production level in the light of their own level of resource endowment and capacities (both financial and human) and in line with their present level of political commitment to decentralize.

Strong administrative structures matter...

For the average African government to effectively attend to poverty reduction challenges, it has to restructure itself in a manner that puts it in a better position to deliver. Civil Service reforms are currently on-going in a number of African countries, including **Ethiopia**,⁶ **Uganda**, **Mozambique**, **Cape Verde** and **Zambia**. In countries that are decentralising, civil service reform principally works towards the modification of rules and incentives to obtain a more efficient, dedicated, motivated, and performing government labour force. It is imperative that when civil service functions and structures are devolved to lower level organs of the state, new locally based bureaucratic structures are created, covering both service delivery and accountability functions.

A number of African countries are yet to make the first important step towards meaningful decentralization, namely to adopt a decentralization policy. For the average African country with chronic capacity problems, the twin task of building civil service and local level capacity (as demanded by the average public sector reform programme) and accommodating the emerging challenges of intergovernmental coordination can be quite taxing even where political will to decentralize is present and budgetary provisions are facilitated. For changes as mammoth as restructuring the civil service, the typical mixed support (particularly from the central government

⁶ Currently being undertaken under the Civil Service Reform Programme Coordinating Office, encompassing both the Federal and regional civil service institutions focusing on expenditure management and control, human resource development and improvement, service delivery enhancement, ethics, and management systems improvement.

bureaucracies that stand to lose from decentralization) usually result in long drawn-out, quasi-incremental process that rarely respects the desirable pace towards fully fledged devolution to sub-national bodies.

From the above analysis, it is clear that there is an urgent need for every country in Sub-Saharan Africa to develop a decentralization policy that should specifically define, in operational terms, the extent and limits of actions by central government; provincial administrations; local government authorities; and other stakeholders at the provincial, district, and sub-district levels. Complementary to this is the need to develop pieces of legislation to bring into effect the policy and procedures to guide the expected intergovernmental relations. The development and strengthening of planning and financial management systems at the different levels of government is equally essential.

... and so are effective management systems

Decentralization alone would not transform an inefficient public sector into an efficient one. One of the pivotal issues in decentralization is to put in place a management system at national as well as sub-national levels that assure accountability in decision making and service delivery. In addition to the facilitation of functioning budget and accounting systems, indicators must be developed for service provision/performance. Audit and tax systems must also be developed. For decentralization to serve its purpose, functional management systems demand that focus is targeted at both compliance with the legal, regulatory and procedural framework during service provision as well as at the quality of both administrative performance and actual output. The delegation of competence under decentralization entails division of power and responsibilities between the main actors, namely, the *political leadership* (that are in charge of setting policies and priorities) and the *administrative leadership* (the implementers of the expressed policies). The clearer the division of responsibility between the two categories of leadership actors, the less the conflict during service delivery, and the higher the probability of effective management.

Proper strategic planning is woefully weak in many African management systems of public sector service delivery. Studies in six African countries⁷ revealed that most of sub-national governments/municipalities would greatly benefit from additional managerial and technical skills development through training in new systems of management. Many of the management functions at the sub-national level are routine and responsive to day-to-day challenges, with very few countries exhibiting signs of strategic thinking by way of projecting into the future and designing alternative strategies and approaches to doing things. This state of affairs signals the need for both central and sub-national governments to recruit – and retain – human resources with the capacity to be innovative.

Similarly, capacity building for strengthened management systems ought to be considered at levels beyond state sector providers. This is particularly important in Africa where the availability of well trained and experienced managers for highly centralized agencies is limited and where group effort and community action through NGOs and Community-based Organizations (CBOs) are entrenched. The growth of local NGOs in many African countries has been quite rapid in the past 20 years. This fast growth has meant that their capacity to effectively work with the communities is still limited. As is the case in the public sector, there is need to strengthen the management skills of NGOs in areas that may include financial mobilization and management, project planning, appraisal and implementation, as well as the monitoring and evaluation of their own activities. The institutions of traditional chiefs/leadership in countries where they exist could be

⁷ See World Bank (1999), Fiscal Decentralization and local government finance in relation to infrastructure and service provision, World Bank, Washington DC.

another conduit of community involvement in both decision-making and implementation if the legislative system is sufficiently inclusive to accommodate all the major stakeholders. In many African countries, however, the role of the traditional leaders is assigned rather *ad-hoc* and ceremonial functions and rarely is it legislated with sufficient clarity to make it an important factor in both decision-making and service provision.

Effective management of service delivery also depends on the availability of policy and planning-relevant information and data generation that is sufficiently broad to bring to the surface both the interests of all the actors as well as their capacities for informed involvement. As is true at the central government level, sound policy-making, economic forecasting, programming and strategic planning at the sub-national and community levels is impossible to achieve without the existence - and availability in a user friendly manner - of timely, reliable, and accurate data on such aspects as services demand profile, the level and quality of the service being delivered; population size and its growth projections; ability and willingness of the consumers to pay for the services rendered; land availability and utilization; natural resources base; etc. Under the current decision-making arrangements in the average African country, the demands and requirements of the users of the services delivered are rarely absorbed into the planning processes. Consequently, it is not uncommon for sub-national authorities' decisions, even in countries that are assumed to be fully decentralized, being founded upon the municipality managers' extrapolation of unmet community needs instead of upon a rational assessment of service demand and affordability.

3.2 Service Delivery Issues

Partnerships in service delivery is essential...

An important element in ensuring the sustainability of local level interventions is the involvement of the various stakeholders in both the decision-making and implementation processes. Such involvement is expected to pool together locally available resources, experiences, creativity and energies of a diversity of partners and stakeholders. There is need to recognize the distinction between *provision* and *production* activities related to the delivery of social services. Provision activities, though they are an integral aspect of implementation, involve decisions generally associated with 'governing.' They include decisions regarding (a) what services to provide and to whom, (b) the quantity and quality of services to be provided, (c) how to finance those services, and (d) how to ensure that the services are produced. Production, on the other hand, is the process of converting inputs into outputs. A variety of arrangements are possible for both provision and production activities with local level involvement differing in each instance. Provision decisions are often categorized into seemingly mutually exclusive categories - centralized, deconcentrated, devolved, or delegated. Under deconcentration, locally-based agents of the central government are responsible for provision decisions. For the purpose of actual implementation, *devolving* a public service means that a local government is the provisioning unit although central government can also determine what arrangements are to be used for production of the service. Under *delegation*, the center again retains the bulk of all provision decisions but may provide the locality with some autonomy regarding its production.

A variety of combinations of inputs and arrangements obtain at the level of actual *production* and it is here where partnership options could be unlimited. Under different circumstances and varying resource endowment conditions, the same service may be delivered using, say, labour intensive or capital intensive techniques. In the same way, a service can be produced by the government using government equipment or by the private sector using government equipment, in which case all that the private sector is providing is labour. It is also conceivable to have a situation whereby a local authority teams up with a sectoral ministry of central government to deliver a service. Perceived in this manner, what ultimately would determine the value of decentralization in a given African country is not so much who is actually delivering the service (i.e. production) but how the choice of mode of delivery was arrived at (which is provision). One advantage of conceptualizing service delivery in this interactive and multi-dimensional

manner is that it opens stakeholders to unlimited combinations of delivery options that could maximize the harnessing of available skills, energies, and interests that obtain in a given locality. Indeed, this conceptualization opens up real partnership in service delivery in a manner that enhances the opportunities of involvement by the generally marginalized local level communities.

Broadly, there are four institutional options to choose from in the area of ownership and provision, namely, public ownership and operation; public ownership with operations contracted out to the private sector; private ownership and operation; community and user provision. These four institutional options only provide, on a much wider continuum, what are non-exhaustive representative points. As such, a number of combinations and mixes can easily be opted for by a country depending on what it needs to realize and what is possible given its special institutional capacities and resource endowments.

...and the Private Sector is one of the Main Candidates

Given the liberalization of the African economic systems, one of the main candidates in the production of services is the private sector. However, the current state dominance in social services provision in Africa has continued to adversely compromise private sector participation in this area. Although the financial, organizational, and manpower capacities of the average state in Africa now demand that a considerable burden of services provision should be shared with, or transferred to the beneficiaries, the culture of free services provision is yet to be changed not only among the consumer communities themselves but also among those that are given the tasks to influence people's attitudes. But positive change is emerging on the continent: there is a growing recognition that in poor economies suffering from fiscal constraints, public-private partnership has the advantage of leveraging additional private sector resources (both administrative and financial) to address qualitative and quantitative service shortfalls.

...But Caution is called for

In spite of the merits of PPP, a word of caution needs to be sounded. Experience in Africa and elsewhere suggests that if not properly regulated and monitored through effective legislative support, the entry of PPP, while providing opportunities for improved social service delivery, could relapse into inefficiencies that could introduce an additional fiscal burden on the generally poor local level communities. It is in this regard that a good number of developing countries feel that PPPs should be cautiously introduced, initially on a pilot basis, and adopted as part of quality improvement in local government structures rather than as a sudden and radical departure from the direct involvement of municipalities. This is particularly the case in the poorer communities where income levels are insufficient to meet the full cost clearing prices often demanded by the average private sector provider.

Competition and Commercial Principles improve Delivery

To allow for the smooth entry of other stakeholders in service provision, African policy makers may wish to take into account three important elements in liberalized service provision: (a) the adoption of commercial principles in service provision; (b) the introduction of competition; and (c) more participation of beneficiaries in service provision especially when the adoption of commercial principles and competition are not easily forthcoming. Competition in this regard allows consumers to have choices over who could better meet their demands among alternatives. Competition also possesses the capacity to exert pressure on service agencies to be efficient, responsive and accountable to users. Regulatory innovations in a number of developing countries, particularly outside Africa, have facilitated the 'unbundling' of services whereby various activities that previously operated under a sheltered and unified state-dominated structure are detached from each other and opened up to competition (the principle of 'divided they stand'). It is increasingly being recognized that monopolistic public sector provision of infrastructure, social

services, and other goods and services (be it by central or local government) are unlikely to succeed in their responsibilities. Carefully designed strategies of private sector entry, thus, hold promise as it enhances the growth of markets in services.

Project Monitoring

The ultimate goal in any social service delivery intervention is to achieve results that benefit the target communities. It is, thus, important to determine whether the interventions do result in quantitative and qualitative assurance and it is in this regard that monitoring is important. It is, however, quite difficult to assess organizational performance in the public sector. First, unlike private organizations, public organizations rarely have a single performance indicator, e.g. profit or market share, that would enable those engaged in monitoring to compare achievement across different types of organization or product. Rarely do state organizations operate for profit and where this takes place in Africa, the commercial principles are often riddled with political interference. Second, the public sector is usually engaged in the delivery of services/goods with low contestability and measurability. Consequently, it is not easy to measure performance based on ideal qualities of consistency, comparability, clarity, controllability, comprehensiveness, boundedness, relevance, and feasibility. Although there is an on-going debate regarding how best to enhance the performance of the public sector through the development of time-bound benchmarks, little progress has been realized in solving the problem of comparability between different agencies and sectors. Notwithstanding the difficulties involved in monitoring performance, generally, and involving the community in doing this, in particular, it is still a truism that measuring efficiency (i.e. measuring the expended resources relative to the produced outputs) is a crucial aspect of monitoring. To bring in community input in monitoring, representative advisory panels could be instituted to provide oversight regarding quality assurance. Client surveys are also important as they can generate useful information on users' views of the quality of service as well as customer satisfaction.

Inter-sectoral Co-ordination

Inter-sectoral co-ordination could be looked at from two different perspectives, namely, the rural urban sector and the operational sectors in service provision. (e.g. the water and sanitation sector, the education and health sector, etc.). Unless there is effective co-ordination in the models of decentralization that are adopted by the different providers of services and unless their speed of implementation is aligned to what takes place elsewhere in the same field, the needed harmonization of efforts would be foregone. In countries where there is an absence of a clear policy framework in support of inter-sectoral coordination and social service delivery, this has allowed donor agencies and NGOs to set parallel structures in service provision. A clear definition of what different actors and sectors are expected to perform, either individually or in collaboration with each other, is an important prerequisite to effective co-ordination of effort among actors and across sectors.

3.4 Fiscal Decentralization and Financial Management

Money is Power...

The level of fiscal autonomy is quite central and the degree to which central authorities extend fiscal discretion over resource generation, planning and utilization has important implications for the success of decentralization. Fiscal decentralization generally entails the devolution of power to independent local government authorities that are, in turn, given responsibilities and latitude to determine the level and quality of service to be provided; the manner in which those services are to be provided; and the source and funds to finance the delivery of those services. In fiscal federalism, centralization is seen basically as a negative policy measure in which a higher level of government takes over public local services. From the economic perspective, the principal rationale for decentralizing public services is the efficiency gain that is anticipated from such arrangements. The principle of *subsidiarity* is used in the allocation of tasks amongst the various

levels of government. This principle maintains that, under fiscal federalism, the bottom-up approach should be developed and retained at the local level and that their transfer to the higher level of government should not be effected unless the lower level is no longer in a position to *efficiently* continue to provide the service.

Africa faces many hurdles in the field of fiscal decentralization. The decentralization initiatives that have taken shape in Africa have generally failed to realize the desired impact principally because the necessary fiscal resources have not been transferred from the center at the same time that power, functions, authority and responsibilities have been devolved and/or deconcentrated, a phenomenon that has resulted in unfunded mandates. Moreover, in many countries in Africa, the central government not only determines the level of transfers to sub-national governments but, importantly, much of what is transferred in conditional grant. Even in **Uganda**, which is currently one of the most advanced countries on the continent in the area of fiscal devolution to sub-national governments, over 90 percent of the central government transfers are conditional grants, thus, signaling a problem that ought to be addressed. The **Zambian** case is perhaps more revealing than what obtains elsewhere in Africa. Firstly, although the former government of Chiluba claimed to pursue a decentralized mode of services delivery, the state fiscal transfers to councils consist of mainly conditional, recurrent expenditure grants. Although councils are, by legislation, entitled to a share of national sales tax, this is rarely disbursed. Thus, on average, sub-national governments receive less than 4 percent of the total central government expenditure, a very insignificant share even by African standards. Even more revealing, in a country with 72 local authorities/councils, two of them (the cities of Lusaka and Ndola) received more than 90 percent of central government transfers to sub-national governments over the 1995-1998 period and the situation has not changed since. And yet the most needy areas (where poverty is highest) are elsewhere in the remote rural **Zambia**. Secondly, most of the flows from central government to councils in **Zambia** are effected on a case-by-case *ad hoc* basis and in response to cash crises as they emerge. The small size of the funds made available and delays in releasing them have always led to intense frustration within the local government system in the country. The frustration is compounded by lack of information made available to councils about funding policy; the amounts available for distribution from various sources; the criteria/formula adopted in disbursing grants; the reasons for the delay in releasing funds; and an indication of when funds expected to become available would arrive. The central government grants' unpredictability regarding the timing of disbursement has rendered sub-national governments' proper planning and utilization of the scarce fiscal resources difficult, if not impossible.

What explains the general reluctance across the continent to decentralize financial resources when the political rhetoric seems to suggest overwhelming support for decentralization? While it is clear that fiscal over-centralization is hardly politically and economically 'correct,' it ought to be appreciated that there is, in many cases, a well-argued case for retaining centralized structures. It has been maintained that centralized control of financial resources is justified in countries where resources are inadequate and where cross-subsidization of the poor areas is perceived to be desirable to minimize major income disparities between regions. Furthermore, it has been argued that to realize the desired redistributive results, inter-governmental transfers ought to be conditional especially for regions with inadequate capacity to plan, manage, and account for the resources transferred to them. And this is the paradox: to secure the efficient application of fiscal transfers through conditionalities, the central government necessarily erodes the autonomy of lower level authorities.

...but Money produces little results if it is not better managed

One lesson that seem to emerge from the above is that although decentralization should, under the right conditions, provide considerable benefits to a country through the enhancement of local

governance, it can, if mismanaged, further marginalize minority groups, and exacerbate income inequalities. If this paradox is to be better managed, it would be necessary for African governments to understand the conditions that need to prevail to facilitate successful fiscal decentralization, and how the absence of these conditions could undermine efforts towards improved local governance. Most African countries have an acute shortage of trained and qualified financial managers/administrators to manage devolved functions. The rural-urban divide in qualified human resources, particularly in the technical and financial management fields, has complicated the process of fiscal decentralization. The lack of qualified staff is often compounded by the oversupply of under-qualified staff. This problem is particularly prevalent in those African countries where the public service has been seen as a generator of employment opportunities rather than a service provider.

Administrative weaknesses are frequently exacerbated by financial weaknesses within devolved administrations that, in a typical African sub-national government, include poor financial and budgetary management with the inability to maintain and monitor budgetary procedures. Lack of adequate financial record keeping frequently leads to significant mismanagement of scarce financial resources, with attendant problems of fraud, misappropriation, and poor value for money. In **Uganda**, for example, notwithstanding the enthusiastic embracing of the decentralization policy by districts, counties and sub-counties' capacity constraints that include shortage of equipment and qualified personnel, lack of effective management information systems, and absence of accurate and comprehensive local level data on which to base precise planning, have collectively compromised the realization of desired results. Furthermore, local governments have severe resource constraints owing to their narrow revenue bases, in addition to getting inadequate fiscal transfers from the center, and cannot reasonably be expected to discharge their responsibilities in such circumstances. There is evidence of reluctance on the part of the Ministry of Finance, Planning and Economic Development in **Uganda** to set up the statutory national planning authority, and the tendency by central government to increase rather than decrease the conditionalities in its grants.⁸

Financial transparency and accountability is pivotal

In most developing countries, it is very difficult to devise incentives and sanctions that guarantee accountability in public sector management given the fact that institutions and legal frameworks that are needed to promote accountability are still underdeveloped and corruption quite high. To ensure accountability by sub-national governments of central government transfers, African leaders may have to face a number of challenges. Firstly, the rules and procedures that governments adopt for decentralized planning and financing must be made very clear from the outset and to this must be added a clear statement on the punishments and rewards for lapses in accountability. Secondly, if the accountability process is to be inclusive in a way that allows communities to hold their political leaders accountable, independent and reliable information must be made available to the people regarding the level and forms of resources that are transferred to them through established structures. In the case of **Uganda** that has gone quite far in this regard, central government immediately announces to the country through a multiplicity of channels, including radios, how much it has transferred to which district/county and for which institution and what purpose. Consequently, the local authorities' latitude to corruptly divert resources away from their intended purposes is significantly reduced as the people do call upon politicians to account. Under these conditions, the only thing that still compromises accountability is the general weak central government institutional capacity especially with respect to proper accounting procedures and timely auditing and follow-up of audit recommendations.

⁸ Personal interview with C.G. Kiwanuka-Musisi, President, Uganda Local Authorities Association and Chairman, Mukono District Council, Uganda, 24 September 2001

The role of donors in enhancing accountability, much as it is commendable, sometimes fails to better complement nationally agreed processes, thus, bringing in avoidable conflict of interest. Donors ought to be as flexible as they expect recipients to be on the question of accountability and understand that it would compromise local ownership (a fundamental prerequisite for decentralization) if, with their uncoordinated multiplicity of accounting and reporting formats and procedures, are unprepared to operate within fairly acceptable accounting systems in the recipient country. Accountability procedures and systems that donors put in place to monitor their resources need to be realistic and related to national capacity. The need for a unified set of requirements would go a long way to addressing capacity deficiencies. For many donor-supported programmes, fairly elaborate resource monitoring and accounting processes are often prescribed with little consideration of the country's capacity to make good these expectations. It is evident, for example, that although there is a requirement in **Uganda** that all districts that receive central government grants must submit quarterly returns on expenditure, there is no evidence that there exists sufficient capacity to critically and systematically examine what is submitted and use the findings as both the basis of central government sanctions and better resource planning by central authorities. As a result, there are reports that the routine submission of returns is threatening to be a mere bureaucratic formality.

Capacity to generate revenue must be strengthened

Revenue generation at the sub-national level is one of the critical areas that has so far not received sufficient attention as African governments tinker with the challenges of fiscal decentralization. A policy orientation of wealth creation, tax collection and efficient resource utilization needs to find the optimal mix at municipal levels. It is evident that while externally-supported efforts are currently on-going in a number of African countries in the field of strengthening the planning functions of both the central and sub-national governments (mainly in the context of public sector/civil service reform programmes), there is still a lot to do in strengthening the capacity of municipalities to expand and/or improve upon their existing revenue base. Legislative and regulatory constraints still continue to check positive developments in this area. One of the main problems is that the tax base and tax powers that are delegated or devolved to sub-national bodies is extremely narrow, static, and it is often politically difficult to ensure compliance. The introduction of appropriate user fees and charges has remained at the center of the challenges of revenue generation in the average African sub-national authority. The awareness by the population of the necessity of payment for services is important as this is a prerequisite for private sector entry into social service provision. But capacity to pay for the services must be analysed properly in communities whose level of poverty calls for special, yet better targeted welfare arrangements.

To assure budgetary autonomy and fiscal sustainability, sub-national governments should be facilitated to gain direct access to as many revenue sources as possible, as well as to provide them with regular, stable, reliable and commensurate appropriations from the state budget that would inject predictability into local budgets. In developing countries where direct access to a number of diversified fiscal or non-fiscal sources of revenue has been enabled either through legislation or capacity strengthening, this has secured regular annual receipts for those municipalities. In fiscal decentralization, taxation is another important single source of revenue: it determines the volume of proper financial resources which can be used by municipalities themselves away from financial transfers, thus, the extent of their financial independence. Yet the question of fiscal autonomy seems to bring new challenges in the field of tax coordination and harmonization, a phenomenon that calls for serious reflection in most African countries.

Whatever its design, fiscal autonomy should be able to allow each level of government to finance its own budget with minimum influence or control. To realize this, African states would have to facilitate the development of the requisite capacities at the different levels of service delivery in a manner that would positively respond to the preferences of their respective electorate (the “*choice*” model) as well as address of the minimum standard goods and services determined and set by central government (the “agency” model).

3.5 Linkages and Integration

One important aspect of decentralization regards the degree to which there is collaboration and linkages that facilitate co-coordinated effort between the different levels of service providers. Such linkages can be conceived at the following levels: (a) between the central and local governments; (b) between the local level municipalities/councils and community; (c) between one sub-national authority and another within the same country; and (d) between one sub-national authority and another between different countries (i.e. inter-municipal cooperation across national borders). These linkages could be for the purpose of either strategic collaboration for the advancement of a common cause or functional ones with respect to concrete project implementation. An example of inter-municipal linkages is where a number of local governments establish a formal or informal confederation to provide a service component through, say, a jointly owned regional transportation authority. Similarly, local governments can combine efforts to provide a more specialized form of education, e.g., secondary schooling, which, due to economies of scale and insufficient demand in any single jurisdiction, would be better provided by a confederation of sub-national governments. Similar arrangements are also feasible between central government and one or more local governments.

At the cross-border level, the concept of Spatial Development Initiative (SDI), an approach that is within the development corridor principles, holds promise in Africa as one effective way of enhancing linkages and integration between sub-regions within a given country or across borders within a catchment area. The history of the SDIs in Sub-Saharan Africa was given more currency with the Maputo Development Corridor (MDC) in 1996 and since then, several SDIs have sprang up in the Eastern and Southern African region. During its formative days, MDC concerned itself with a range of issues that included the broader issues of regional economic integration and cooperation, trans-boundary collaboration, the promotion of growth of selected sub-national regions, and project-specific policy issues that included how to better integrate public-private partnerships in its cross-border infrastructure development. The South African SDI programme is another initiative using the corridor principle in which the country targets certain specific geographic locations that have been identified on the basis of inherent economic potential that was not fully exploited due to apartheid era.

The SDI approach also ought to be understood in the context of international boundaries and border regions since most of the activities being promoted are trans-boundary in character. Although traditional economic analysis and theory for a long time tended to view international boundaries as barriers to trade and regions along borders as being highly disadvantaged, more recent analysis has identified great potential for growth and development for these neglected areas. Although sub-regions adjacent to international borders are generally asymmetrical with respect to geographic,⁹ demographics,¹⁰ economics,¹¹ politics,¹² and culture,¹³ it is these very

⁹ in terms of resources, topography, built environment.

¹⁰ size, growth, ethnicity, density.

¹¹ factor endowments, inputs and output structure, as well as general level of development and long term growth rates.

¹² structure, organization of government functions, and legal systems/common practices.

¹³ history, language, customs.

asymmetries that give rise to positive trans-boundary flows in commerce/trade through formal/informal business networks. Similarly, sub-regions across international boundaries in Africa do possess complementarities and opportunities regarding, for example, the structure and cost of both inputs (labour force character, capital, entrepreneurship and resource base) and outputs (production of goods and services). All these asymmetries, complementarities, linkages and obstacles collectively offer challenges and opportunities that could be harnessed for the cross-border common good.¹⁴

How does the SDI approach promote cross-border local governance? Firstly, many SDIs have facilitated the development of local capacity at provincial and local government levels, thus, contributing to the strengthening of local governance. Examples of effective local level community involvement can be found in the Richards Bay SDI and in the Maputo Development Corridor's Barberton, Mbombela, Belfast and Komatipoort local government areas. Secondly, SDIs generally use the project-driven approach and, thus, easily open up the participation of the locally-based private sector operators and, through spill-overs, generates employment opportunities for the local communities. Thus, SDIs have enabled the coming together of local government authorities and other local stakeholders, particularly the private business sector, by way of partnerships in infrastructure development and service delivery. To the extent that it is much easier to reach agreement on specific projects between countries than it would take countries to agree on broad collaborative strategies, the SDI approach has also resulted in faster promotion of cross-country inter-linkages. Such projects include the Tazara Railway line, Tanzam Highway, Maputo Development Corridor key infrastructure projects, and the Swaziland/South Africa tourism and Biodiversity Corridor.

The Growth Triangle concept also operates along similar principles to the extent that it functions at the sub-regional level and facilitates private sector entry in the projects that it supports. Growth Triangles are developed as localized economic co-operation zones aimed at exploiting the complementarities between geographically contiguous areas of different countries in order to gain a competitive edge in export promotion. The underlying rationale for the growth triangles is that by removing barriers to flows of inputs and capital, and by co-operating with one another, geographically contiguous countries or regions are able to maintain export competitiveness. The UNDP is currently supporting the development of a Growth Triangle arrangement covering **Mozambique, Malawi and Zambia**. It is noteworthy that both the Growth Triangle and SDI concepts aim to, *inter alia*, enhance local capacities for planning and regional development co-operation, thus, facilitate the development of more comprehensive international co-operation that serves to stimulate greater economic linkages between cooperating states.

¹⁴ In Southern Africa, regional development corridors include Maputo Development Corridor (South Africa and Mozambique); Beira Development Corridor (Zimbabwe and Mozambique); Coast to Coast SDI (Namibia, Botswana, RSA, Swaziland and Mozambique); Lobito Development Corridor (Angola, Zambia and Democratic Rep. of Congo); Lubombo SDI (Mozambique, Swaziland and South Africa); Malange Development Corridor (Angola and Democratic Republic of Congo); Mtwara Development Corridor (Tanzania, Malawi and Zambia); Nacala Development Corridor (Malawi and Mozambique); Tazara Development Corridor (Zambia and Tanzania); Zambezi Valley SDI (Mozambique, Zimbabwe and Malawi); Swaziland Tourism and Biodiversity Corridor (RSA, Swaziland and Mozambique).

Part Three

4. Implementation Challenges

4.1 Decentralization lessons

Decentralization matters but it is problematic...

One of the perceived advantages of decentralization is that it is intended to improve access to decision making for local communities by bringing planning closer to the grassroots. Empowering local communities to be involved in planning is expected to improve the opportunity for their demands to be met, increases their control over the decision-making and resource allocation process, and enhances transparency and accountability. In this regard, principles of decentralized planning work towards ensuring the plurality of community involvement in project/programme design and implementation through, inter alia, the strengthening of the relationship between the state and local communities. Notwithstanding this, experience in developing countries reveals that few decentralization initiatives have managed to engage local communities in more effective, 'bottom-up' planning mechanisms. For the most part, 'planning' and 'decentralization' seem to be mutually incompatible and a lot is yet to be done to design more participatory and inclusive mechanisms in the planning sphere. The main challenge for Africa in this regard is, therefore, to design ways and means of involving local communities without losing the central role governments still have to play in directing the more global macro challenges of development.

...and SWAPs do not help matters either

Another dimension to the above concerns is the realization that the donor-preferred sector-wide approach (SWAp) to development finance does emphasize centrally planned sectoral blueprints for given sectors with little, if any, allowance being extended to the more decentralized, community-determined project choices. In a number of African countries today, although donors have supported government in many creative district-focused projects, the policies of some of them are reportedly undermining effective decentralization because they prefer sectoral financing as opposed to the integration of their grants into the established government planning and budgeting process. To ensure quick delivery of the projects they finance, many donors still continue to create parallel *ad hoc* implementation structures and negotiate projects with line ministries without regard to the impact on fiscally strapped local governments. It is now being understood globally that donor-created parallel structures jeopardize sustainability and can, and often do undermine accountability. The potential clash between SWAp and decentralized mode of resource planning and management, thus, seems eminent and it is one of the focal issues that the AGF-V meeting could address fully. One conscious initiative on the part of a development partner in **Uganda** regards the UNCDF. In its effort to be consistent with the block grant model strategy, UNCDF in that country is currently addressing the question of how best to channel its funds to local authorities through the established government channels, instead of creating shortcuts that do ultimately complicate the government's own accountability protocols. The UNCDF efforts need to be supported in this regard.

4.2 Information system and Pro-poor decision-making

Formal and informal channels of communication are strategic

One of the main constraints that compromises effective implementation of projects in Africa today is inadequate policy and planning-relevant information and data generation. For governments to arrive at meaningful pro-poor decisions and strategies, the existence of timely,

reliable and relevant information flowing among and between all stakeholders is essential. The current poor state of national agricultural information systems in countries like **Zambia, Mozambique, Ghana, Mauritania** and **Ethiopia**, to mention a few countries, confirms this reality. The World Bank's World Development Report for 2002 states that, in a survey of 120 developing countries, only 53 had market information systems and of these, most were barely functional due to inadequate financing, inability of bureaucrats to collect reliable market information, and the reluctance of traders to divulge information for fear of being taxed. In **Ghana**, the exchange of market information was boosted when the government made the provision of cellular networks in rural access a condition for granting licenses to mobile telephones companies. Some NGOs, particularly in **Uganda, Zimbabwe** and **Zambia**, are also increasingly entering the agricultural extension service delivery process, thus, complementing the government-based agriculture information system. This development does signal the importance of the government putting in place a more facilitative policy environment for the entry of more private sector actors in this field. In this regard, the development of the Agricultural Marketing Information System is crucial. One important consideration here is the degree to which the emerging systems of information generation and dissemination in African countries have to take account of the poor people's informal networks, since they operate outside the formal structures and channels. The building of bridges between the emerging formal institutions and processes, on the one hand, and the local level informal structures, on the other, is important.

4.3 Reducing vulnerability through income generation

Sectoral composition of growth is important for poverty reduction

Multi-dimensional poverty concerns *vis-à-vis* local governance brings in the issue of who should be involved in service provision. While choosing the mechanism to tackle poverty depends on the economic, socio-political, and structural context of a given country, it is generally understood that well-functioning markets are important in generating growth and expanding opportunities for poor people. But the pattern of growth also matters. The *sectoral composition of growth* does possess major implications for poverty reduction and alleviation and the degree to which the poor are to be facilitated to fully participate in local governance. Thus, in African countries where the poor are predominantly in the agricultural sector, national growth/development strategies that minimize this sector would rarely improve the welfare of a larger segment of the poor that depends on it. This suggests that in Africa, the recorded poor growth of the agricultural sector remains as one of the major factors that explain the worsening poverty conditions and, consequently, poor people's further marginalization from local governance. The primary message here from the African experience is that growth in agriculture has a much higher immediate and direct impact on poverty reduction than is the case with most other sectors. What then are the major policy/governance considerations that would support the development of the agricultural sector?

Liberalization is important for the poor's economic empowerment but...

There is growing realization that government withdrawal and the subsequent take-over by the private sector of tasks that were previously the monopoly of the state sector often takes time especially under conditions where private initiative is held hostage to a legacy of past inhospitable state-market relations. Taken together, the initial impact of liberalization on Africa's smallholder farmers, for example, has been negative. Under such conditions, the main national challenge at the policy level is to work out how best to help smallholders, particularly those in the outlying areas, to benefit from inputs and credit under conditions that are evidently uncertain regarding the degree to which market forces, at least during the transition, would automatically correct this imbalance in delivery. The case of **Mozambique** is quite illustrative. In that country, farmers find it difficult to dispose of their produce due to a host of constraints that include the failing trade network in the countryside; poor transportation network; and the absence of an effective financing mechanism for the land sector. In a country where rural credit is very weak, having declined from 39 percent in 1997 to 20.5 percent in 1999, the rural poor that possess

land as their main asset are left with no prospects for financial intermediation. The situation is aggravated by the fact that land in rural **Mozambique** cannot be transferred, thus, it cannot be used as collateral. This state of affairs is quite common in many other African countries and the challenge here is to find out how land-based assets can be transformed into income generating livelihood security for the poor.

Equally important, targeting the poor even under liberalization is crucial and Africa should explore the experiences on the continent on what works. The Oxfam-GB supported Integrated Development Project in **Mauritania**, focusing on the poorest region (Hod el Gharbi in Affole) and targeting about 25,000 beneficiaries that are food insecure offers some useful lessons. Under this programme, the youth, in particular, have been targeted and, consequently, the rural-urban exodus has been contained as their agriculture-based livelihood began to show signs of improvement. Sanitation facilities have also been improved through the Project's activities while women have also been empowered. As a way of ensuring the Project's sustainability, Oxfam has facilitated its replacement by a community-based and led NGO (SLODA).

...and the role of private sector entry is important

Notwithstanding the above caution with respect to the speed of smallholder integration into the market, African governments must strive towards the enhancement of private sector participation in agricultural development. Considering that under a liberalized environment, all producers, including smallholder farmers, must be competitive, they have to access investment capital; engage in efficient and profitable processing functions; market their produce; and acquire new technology and related knowledge for them to remain productive, profitable, and competitive. For a smallholder who is investment resource-poor, this calls for the need to attract private sector resources into their activities in a manner that best meets the interests of both parties. For smallholders to be competitive, a substantial increase in their on-farm investment is crucial, an aspect that calls for improved access to capital. But the actual amount of the required resources could be reduced through the adoption of more cost-conscious approaches that take advantage of locally available techniques, skills, and materials rather than those that depend on externally derived resources. It is at this level where the importance of farmer organization and mobilization, an important element of local governance, finds expression. But success in establishing broad-based and farmer-led processes of investment largely depends on the demonstration of approaches that are perceived by the farmers themselves to be sufficiently cheap and productive to attract their own limited resources. For this approach to be successful, African governments ought to avoid the temptation, regardless of their political attractiveness, to return to unsustainable subsidy-based interventions masquerading as incentives programmes.

Finally, availability of rural finance is also strategic for poverty reduction

The facilitation of rural finance seems to be at the core of any meaningful strategy of empowering smallholders to steadily enter a liberalized and commercialized agricultural sector. In a nutshell, rural finance programmes in Africa should provide smallholders, emergent farmers and entrepreneurs financial services on a sustainable basis and be able to channel it through organized farmer groups. This would lead to the establishment of monitoring and co-ordination system for rural financial services; mobilization of rural savings and loan schemes; sensitization of gender on rural credit and micro-financing; and establishment of accounting system for agricultural financial institutions. To operationalize this, the focus should be on reorganizing and strengthening existing institutions at grassroots level, credit unions, multi-purpose co-operatives and self-help groups, with potential to be sustainable tools for delivering rural finance. To enhance local governance in pro-poor resource management, micro finance could be operated on a revolving fund basis through microfinancial institutions and NGOs. This would be a much more participatory and inclusive way of triggering a takeoff process away from poverty.

5. Conclusions

This Concept Paper has raised a number of issues that deserve the attention of the fifth African Governance Forum (AGF-V) meeting in Maputo. While the Paper has covered a much wider field in the area of local governance, this concluding section, based on the discussion thus far, highlights the more pertinent challenges in five areas of particular relevance to the AGF-V meeting, namely,

- Political Leadership and Participation
- Social Service Delivery for increased access and equity
- Fiscal Decentralization and Financial Management
- Linkages and Integration
- Framework for Action linking Local Governance and Poverty Reduction

5.1 Political Leadership and Participation

Under political leadership and participation, the following issues are noteworthy and deserve the attention of AGF-V:

- a) An enabling and clear constitutional, legislative and regulatory framework is important for decentralization to the extent that it provides a fairly understood division of responsibilities between the various levels of government and civil society and clarifies the relationship between these levels.
- b) One of the most fundamental challenges for the African leadership borders on the need to inculcate the requisite *Political will* to decentralize. Irrespective of the amount of political pronouncements about a country's willingness to devolve power, the African experience seems to point to the reality that, ultimately, it is the actual level of *real* commitment from the country's political leadership to decentralize that matters. The development of a clear and consistent *decentralization policy* is worthy of consideration at this level.
- c) In designing and applying decentralization, African governments are currently faced with the tension between the desire to create autonomous local structures that are accountable to their local constituencies, on the one hand, and the wish to exercise central control. In this regard, it is imperative that governments address the challenge of balancing these somewhat contradictory realities in a manner that recognizes both the virtue of devolution of power, authority and resources to lower levels and the importance of realizing the mundane goals of national development as defined by central authorities.
- d) The challenge of how to empower local government authorities to enhance local governance ought to be faced by African leaders. In this regard, AGF-V participants may wish to address how, beyond the promotion of participatory planning, implementing and improving public services to local citizens, local governments could better assume the role of facilitator or catalyst of real partnership that promotes cooperative approaches to urban and rural development. In countries where community-based organizations are well developed and networked, there still are challenges yet to be refined - perhaps during the AGF-V, regarding the optimization of citizens' access to government decision-making, community goal-setting, establishment of community consultation process and advisory committees that help generate a widely accepted set of major developmental goals. Consideration of a national capacity building programme for community based organizations, for example, could be considered.

5.2 Social Service Delivery for increased access and equity

The following are worth noting with regard to how best to facilitate for an enabling environment for effective social service delivery.

- a) With regard to local government reforms, many African countries recognize that decentralized systems of vulnerability management hold great promise. African governments should, thus, consider how best to develop integrated organizational structures that are empowered, through institutional capacity strengthening, to prepare for, and respond promptly and positively to the causes and effects of poverty that currently ravage the continent. Such decentralized structures may involve, not just on paper, a diverse range institutions and the target communities from the national down to the grassroots level.
- b) Considering the fact that activities that are related to poverty alleviation and the reduction of vulnerability in Africa are increasingly being performed by organizations other than government, African governments may have to address the processes and management structures that better integrate the activities of relevant NGOs, the private sector, and other community-based institutions into their frameworks of action for poverty reduction.
- c) Due to varying capacity endowment, African experience shows that decentralization need not be applied uniformly across sub-national governments. Thus, in countries where municipal jurisdictions have significantly different levels of capacity, African governments may wish to ensure that the speed and content of devolving functions are aligned to the respective competencies of these jurisdictions.
- d) Many African governments see the development of a reliable fiscal equalization formula as a way of ensuring that allocations that target poverty reduction are fair. One of the challenges, thus, borders on how to define the poor and how to better target them at the macro level. Exchanging of country experiences could be a worthwhile exercise in this regard.
- e) In many countries, donors have not effectively coordinated their interventions at the levels of direct relief and capacity building effort. African leaders should, thus, consider the exploration of how best to ensure that external support is in harmony with the nationally-defined policies and intervention agenda. The issue of the effectiveness of donor assistance ought to be discussed with enhanced zeal especially in the light of the weaknesses of structural adjustment programmes and the on-going development in many African countries of the Poverty Reduction Strategy Papers.
- f) Africa is slowly liberalising its social service delivery and is recognising that in poor economies suffering from fiscal constraints, public-private partnership (PPP) has the advantage of leveraging additional private sector resources to address qualitative and quantitative social sector shortfalls. In this respect, one of the AGF-V challenges could be the identification of the preconditions for effective PPP application with a view to promoting more effective social service delivery systems.
- g) With respect to state-community partnership enhancement, there is mounting evidence in Africa to the effect that informal institutions such as community networks are a more effective route to reach the poor. One major challenge for African leaders is, therefore, to work out how best to build bridges between, and networks among, existing formal and informal institutions as a means of enhancing the success of formal institutions and empowering poor people to take advantage of social service delivery structures and market opportunities.

5.3 Fiscal Decentralization and Financial Management

- a) Experience in Africa suggests that in legislating the power and relational structures between the centre and lower level decision-making, consideration of how much power is devolved ought to be weighed against the need for central control over expenditure,

- staffing costs and levels, and tight scrutiny over budgets to prevent over-expenditure and corruption. The main challenge for African governments is, thus, to ensure that there is a realistic balance between fiscal decentralization, on the one hand, and centralized regulation and monitoring, on the other. In this respect, governments may have to explore how best to develop the requisite financial management capacity among sub-national governments that are to take on board new and enlarged mandates.
- b) In the area of economic governance-cum-financial management, there is need to recognize the importance of accountability and efficient public expenditure management; participatory budgeting, greater transparency in public procurement and contracting procedures, including enhancement of government finance, accounting and internal audit systems and procedures; and improved financial management and expenditure tracking effort. How best to address these challenges ought to be considered as one of the preoccupations of AGF-V.
 - c) Revenue generation at the sub-national level is strategic in improved service delivery and so is sub-national governments' budgetary autonomy. In this regard, African leaders need to explore how best to address the challenges of fiscal sustainability through, *inter alia*, allowing sub-national authorities to gain direct access to as many revenue sources as possible, as well as to provide them with regular, stable, reliable and commensurate appropriations and in a predictable manner.

5.4 Linkages and Integration

- a) collaboration and linkages between the different levels of service providers facilitates co-ordinated effort. In this regard, both vertical and horizontal integration among the key players ought to be considered at four inter-related levels, namely, between the central and local governments; between the local level municipalities/councils and community; between one sub-national authority and another within the same country; and between one sub-national authority and another between different countries (i.e. inter-municipal cooperation across national borders).
- b) Opportunities that are offered by spatial development initiatives (SDIs), development corridors, and growth triangles could be explored as a way of promoting cross-country/cross-border interlinkages and collaborative initiatives in both social service delivery and poverty reduction. Similarly, although there is considerable informal (and 'illegalized') cross-border commercial, cultural and trade interaction between peoples living in border areas, much of this is not recorded and encouraged, a phenomenon that has continued to check the smooth development of local level cross-border linkages and integration that are pro-poor. African leaders could see how best these informal linkages could be transformed into positive instruments of cooperation and collaboration.
- c) To promote local level linkages both within countries and across borders, there is a recognition of the need to build the requisite capacity for strengthened management systems at levels below the state sector. African leaders may, thus, wish to explore how best to strengthen management skills and implementation capacities of such non-state actors as NGOs and CBOs.

5.5 Framework for linking Local Governance to Poverty Reduction

- a) To the extent that PRSP offers an opportunity for African societies to take the driver's seat and potentially involves the direct participation of civil society organizations, this promises to be a worthwhile framework for action linking local governance to poverty reduction. The approach has the potential to catalyze national ownership of interventions in a manner that is inclusive, consultative, and participatory. Notwithstanding the merits of the PRSP framework, it is imperative to establish the degree to which real participation is possible/feasible under the PRSP framework in the light of the current governance

- conditions on the continent. In this regard, the current conditions in the average African government structure; the degree to which non-governmental/civil society interest groups are equipped and organized for the needed policy dialogue; etc. ought to be addressed *vis-à-vis* mechanisms for bottom-up planning and accountability.
- b) Emerging evidence in Africa confirms that income poverty is reduced faster where equality is greater. One important issue that has to be addressed in this regard concerns the degree to which the PRSP process can - and would - target the most needy and vulnerable people. In this regard, a point has to be made that the test of good governance for poverty reduction shall be how equipped and politically prepared African governments and civil society are to target resources to those social services that are fundamental to poverty reduction and alleviation (e.g. education, health, water, sanitation); those categories of people that are more vulnerable (e.g. women, children, disabled, and small-scale peasant farmers in rural areas); and those rural regions/districts that are most neglected, bearing in mind, nevertheless, that urban poverty is fast catching up with rural poverty in Africa. Consideration of an 'equalization formula' in resource allocation seems to be important and deserve consideration by AGF-V.
 - c) Lastly, in order to overcome poverty, the framework of action and the accompanying strategy for poverty reduction would have to be designed and implemented as a rolling and dynamic programming tool; should possess a clear vision; and ought to articulate the respective country's long-term goals. In this regard, one of the challenges of AGF-V is to determine how best the framework of action can build, in a participatory and inclusive manner, the requisite consensus around sustainable institutions while remaining accountable, transparent, and responsive to the needs of the African nations.