

RURAL POVERTY, DECENTRALISATION AND DEVELOPMENT

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INTRODUCTION

Poverty continues to permeate rural areas in many developing countries. This situation arises from inappropriate public policies and ill designed programs and projects which have both served to impoverish rural communities. For this initiatives aimed at bringing a transformation of the rural standards of living have not had the desired impact on rural poverty reduction. As part of the problem trade and fiscal policies have often discriminated against agriculture¹. Public expenditure allocations for agriculture are often inadequate and frequently misdirected, providing perverse incentives to producers, in the form of tax and subsidy programs.

Recent initiatives designed to put in place-decentralized mechanisms for rural development offer possibilities for building on. However, they need to avoid problems associated with an over centralization of functions and responsibilities, which are often carried out with little or no input from the affected communities.

This paper examines the rationale for a specific pro-poor rural development and reviews attempts made to encourage development in rural areas. It also examines the potential role of decentralization in designing improved rural development programs. It further examines some of the recent efforts to implement programs of decentralized rural strategies.

POVERTY AND RURAL AREAS

The social dimension of poverty is manifested in lack of basic needs, food, health, shelter and education together with inability to engage in productive endeavour, among a host of other problems which the poor people struggle with². The social and economic consequences of poverty permeate the entire society afflicting even the well off, such that not even the wealthy are able to live in peace and comfort where widespread poverty exists.

Therefore, there is an urgent need to engage all the Stakeholders in dealing with this problem. In particular, to ensure policy formulation is more inclusive. Policies in many developing countries

¹ Agriculture is the main stay sector in rural economy

² Poverty extends beyond material needs for instance exclusion from decision making process is one of many facets of poverty (poverty can take physical / material dimension, social dimension and intellectual / knowledge poverty)

have, in many cases, depended on which group of people has the greatest influence in articulating its interests. For instance, structural causes of poverty in Kenya include poor market conditions and access arising from liberalisation of the economy which was carried out without adequate consultations with farmers, small-scale traders and other grassroots groups (Njuguna Ndung'u 2001). Often, organised, well-connected groups including traders, get their way to the detriment of poor and marginalized people who are the majority and who mostly reside in rural areas. This is because most poor people spend most of their time and survival, are not well organised, and have little influence over decisions at the local and national levels.

Poverty distribution in some developing countries

Country	Year	National	Urban	Rural
Kenya	1992	42	29	46
Ghana	1992	31	27	34
Tanzania	1993	42	20	51
South Africa	1993	44	40	86

Source: School of Public Policy University of Birmingham

The spatial dispersion of rural population increases the cost and difficulty of providing basic goods and services effectively. Specific economic conditions in rural areas also result in fewer development opportunities being available than in urban locations, where agriculture is generally the most important economic sector. This makes rural areas highly dependent on the performance of a single, crop where investments are risky due to weather and other conditions. In addition, the tax base is limited, resulting in local governments, in rural areas, often being unable to mobilize sufficient resources to finance their own development programs.

Rural areas are often politically marginalized, leaving little opportunity for the poor to influence government policies, including policies regarding what they produce. In many developing countries, policies have consistently discriminated against agriculture through high levels of taxation and other macroeconomic policies. As a result such policies adversely affect agricultural performance together with the rural economic base, resulting in a net transfer of resources out of rural areas. Combination of these factors result in high incidence of poverty and low level of

development as manifested in low income levels, illiteracy infant mortality etc. However, poverty varies by regions, countries, and by socio-economic characteristics of households in one region.

Social profiles show that poverty is concentrated among small farmers, pastoralists, unskilled workers, polygamous families and is particularly high on female headed rural families. Education is strongly associated with poverty reduction, consequently, poverty decreases dramatically as the schooling of the household head increases. In Kenya incidence of poverty in households where the family head has no education is 57.4%, with primary education 45.5%, and 26.8% for those with secondary education (Karingi 2001).

The Kenya participatory poverty assessments suggest that the poor cannot be treated as a single homogeneous group and that income poverty is not necessarily the aspect of most significance to poor households. Lack of access to productive assets such as land, basic social and economic services, and exclusion from economic, social and political processes, that affect poors' lives may be of at least as much significance. Other dimensions of poverty include the impact of malnutrition and illness, illiteracy, social exclusion and lack of empowerment to improve one's situation.

Empirical evidence shows that poverty is relatively more sensitive to distributional changes than to economic growth. Therefore, policies to improve the distribution of income would therefore be as crucial as growth in poverty alleviation. This suggests the need to address the distribution of initial assets if welfare inequality is to be addressed sustainably. Therefore, without a systematic attention to the issues of distribution, the economy cannot fully capture the benefits of economic growth for poverty alleviation.

At a minimum, policies need to be put in place to promote growth with redistribution. This requires support for labour intensive production techniques, without adversely affecting both efficiency and competitiveness of the domestic economy in the export markets. The bottom line is that re-distribution can only work well if supported a combination of pro-poor measures in taxes, spending decisions, and targeted initiatives both by the government and the civil society.

Urban Bias policies

In most developing countries the agricultural sector employs up to 70 percent of the labour force and generates 40-45 percent of GNP. It is also induced to contribute considerably more to public savings and tax revenues. Unfortunately, it receives less than 20 percent of public investment. This situation is exacerbated by an apparent urban alliance forged between urban and rural elite that explains much of the inequality within rural areas. The result is that allocation of resources between urban and rural areas is unfairly biased against rural areas and is economically inefficient. Without an effective policy to address this bias, it is unlikely that the high levels of poverty, in many developing countries, will be substantially reduced.

Urban elites, by organizing, centralizing and controlling political and economic power, have been able to control substantially policies and the distribution of resources in poor many developing countries. It is therefore possible that the falling standards of living and poverty can be attributed to a deliberate process of misallocation of resources between rural and urban areas.

Most of the resources allocated by state action to city-dwellers would have earned higher returns if better targeted to rural areas. Moreover private individuals are indirectly induced by administrative decisions and price distortions to transfer resources from countryside to towns, thereby reducing the social rate of return. Ultimately, inadequate investments and transfer of resources, substantially reduce even the efficient use of urban resources. For example the 1977 coffee boom in Kenya, the terms of trade between the rural and urban changed so that most of the savings found themselves invested in real estate in urban centres. Since then, many rural/producer cooperatives have invested in urban areas, both in residential and office blocks.

Thus, lack of investment in rural areas is the result of the surplus transfers to cities which is manifested in the low level of services provided to the rural poor. Besides, the general tendency in rural areas is for services to be concentrated in local administrative centres, and with outlying villages operating without basic services, even when forced to pay fees and user charges to local authorities.

However, technical change through sustained growth in agriculture can begin to make the rural sector more influential, as its contribution to economic growth expands China, (Varshney 1999), but this requires very deliberate policies on the part of the Government.

In the normal practice, the agricultural sector is taxed in order to subsidize urban workers and industrialists via low food prices. As a result, consumers no longer spend a large part of their budget on food which means returns to farming do not rise fast enough to facilitate farmers' participation in general growth unless agriculturists³ lobby for protection. This can be a possible explanation of why urban bias in developing countries transforms into rural bias in developed countries. This situation is made worse by pressure from both multilateral and bilateral agencies to developing countries to liberalize trade in agricultural products.

Fiscal Impact on Rural Areas

Public investment in agriculture and subsidies for agricultural inputs aim to provide compensation for the negative impact of government interventions. However, whether by design or other factors inherent in the instruments chosen e.g. credit, such interventions tended to benefit scale large farmers and did not compensate, or compensate very little, for the substantial income outflows. The result has been a net outflow of resources which public investment in agriculture has not reversed.

Differential protection and negative protection of individual commodities led to significant reallocations within the agricultural sector that were not in line with the governments' proclaimed aims and policies of food security and poverty reduction. Thus, the poverty situation in many rural areas, especially in Africa has worsened which continues to encourage rural urban migration.

Inadequate Resource Mobilization

It is difficult to mobilize sufficient resources in rural areas to finance the components of rural development. This is due to a combination of factors, first raising taxes is more difficult in rural than urban locations because taxation reduces already low levels of rural income which depresses

³ Agriculturist faces a lower cost of organisation facing lower costs of organization. In most developed countries there is rural biased policies to improve the welfare of the farmers

purchasing power. Second, even where this is not the case, the tax base is usually small and cannot generate enough revenues. Third, due to a higher level of self-sufficiency in rural communities, trade in taxable goods and services is often limited. Finally, the technical capacity, of many local governments, to enforce tax compliance, is in majority of cases not there.

From studies conducted by rural developmentalists, it has been argued that the local tax base should be characterized by:

- The presence of a fixed tax base to permit location-specific variation in tax rates,
- A visible tax base to ensure accountability,
- A perception of the tax as being fair,
- Stable tax yields that are not eroded by inflation,
- Tax revenues that is adequate to meet needs as they expand.

Sources of revenues for rural based governments

Agricultural Taxes. In most developing countries taxation of exported agricultural commodities has been one of the most important source of government revenue, both local and central levels. Most of the revenues from export taxes accrued to central governments; with the rural communities, at best, receiving only limited direct benefits from the product of their own labour. In some cases they often receive no benefit at all. However, in some instances, local authorities charge small levies in form of cesses. Where the commodities are subject to international quotas, these taxes and levies usually fall on producers.

Land taxes and stamp duties are considered to be the highest-yielding tax instruments available to local governments, in both rural and urban areas. Though these taxes have high potential of revenue generation, in most developing countries, and particularly in rural areas, they are often under-utilised or their potential have not been fully realised, mainly due to limited capacities of local authorities.

User Charges and Fees. The use of user charges and fees as sources of additional local resources has a greater potential of increasing rural governments' revenues but their usage have been characterised by inefficacies and sometimes have been abolished due to non delivery of services.

This potential is also limited by the over-riding powers of Central Governments to control the rates and also to demand exemptions on some of the potential payers.

Grants and transfers from the central government

These are the single most important source of revenues to local governments. Usually these are administered by the central government and given on an ad hoc basis. The two main types are;

- Specific grants: given for a specific project or purposes,
- General or unspecified grants: their usage being at the discretion of the local governments.

They are therefore, disbursed without any condition pegged to their usage.

Rural areas, thus, face a dual problem of having insufficient revenue bases to generate resources, while, at the same time, their products meet excessive levels of taxation levied by central governments.

Rural Politics

Bringing government closer to the people would make it more responsive and more likely to develop policies and outputs, which meet the needs of ordinary citizens of whom the majority are the poor. However, responsiveness to the poor is a rare outcome, determined mainly by the politics of local-central government relations. This is usually the case because, the poor, being rarely well organized have no political muscle. They therefore get ignored by both levels of government. For reasons, positive outcomes are mainly associated with strong commitment by a national government or political parties which are focused on promoting the interests of the poor at local level. The degree and type of decentralisation found in a political system is one of the structural variables relevant to the question of what kinds of regimes are likely to be most pro-poor in their policies and policy-outputs. Therefore, politics of central-local relations explain what interests might gain or lose from a particular set of institutional opportunities, policy initiatives, resource allocations and how these factors relate to the political purposes of the decentralisation process.

For decentralization to benefit the poor government should not only have an ideological commitment to pro-poor policies, but be prepared to engage, actively, with local politics, to

challenge local elite resistance, if necessary and to ensure implementation of policies. If this is not done, pro-poor policies may be made but not implemented.

If the wealthy influential classes capture elected councils while the landless, the poor and marginalized are excluded and even middle peasants achieve only minority representation. While the structure of local society also influences variations in outcome within a particular country, these variations are clearly associated with local political dynamics, particularly in areas where local government reforms has re-empowered semi-feudal landed elites. According to some analysts, these local power structures in turn influence the behaviour of officials both of the local governments and of field agencies of central departments. In most of the cases, 'elite capture' of local power structures has been facilitated by the desire of ruling elites to create and sustain power bases in the countryside as part of their political survival.

The central governments, acting on behalf of particular elite interests, use local governments or decentralised services funding either to create from the start, or to consolidate, an alliance with local elites based on the availability of opportunities for patronage.

Problems of Rural politics

Vote buying has a pernicious effect. Quite apart from the effect on electoral outcomes, it means that candidates require substantial funds for their campaigns. Thus, their primary concern, once elected, is to secure financial benefits from the council, whether through higher allowances or corrupt manipulation of procurement systems contracts or jobs for their supporters, etc to recoup their outlays. Since many are not re-elected, they may see their term as a councillor as their only opportunity to recoup these costs. This situation runs the risk of degenerating into fierce competition to accumulate personal wealth.

Pro-poor Rural Development policies

World Bank defines rural development as growth strategy for a particular target population—the rural poor. It involves extending the benefits of development to those whose futures lie in the pursuit of a livelihood in rural areas.

As high poverty rates are found in certain regions and social groups, targeting anti-poverty measures to such areas and groups may be a cost-effective way of reducing and alleviating poverty in those areas. Policies and strategies that would increase consumption of the poor in general⁴ are key components of a pro-poor development programme

Poverty is likely to be associated with activities that have negative externalities on growth. These include unsustainable exploitation of natural resources, crime, and spread of diseases, social unrest and political instability. A decomposition of changes in poverty levels suggests that poverty measures are highly sensitive to changes in inequality. This may suggest that growth policies without effective redistribution will have only a limited impact on poverty. This is consistent with the contrasting trends in poverty and inequality

There is a broad consensus that economic growth leads to a reduction in poverty. However, the impact of growth on poverty is not automatic and depends on the extent of income inequality. The argument is that even when growth happens, the effect on poverty is dependent on quality of growth. It has been shown that to a large extent, the efficiency of growth on poverty reduction and its sustainability will crucially depend on the extent of inequality.

In this political-economy argument, less equal societies are likely to be more prone to distributive policies, which reduce growth by fostering more distortionary policies. The recognition is that growth is a necessary condition, and the impact on poverty reduction is dependent on the extent of initial inequality, which would determine the presence of a virtuous or a vicious circle.

For Pro-poor outcomes to be successful they should in fact be a product of the synergy between local and central factors: centrally funded, poverty-relevant programmes implemented in cooperation with local governments, and given a strong ideological and organisational impetus at the local level from the commitment of local employees and political activists. To achieve this it is necessary to have either a strong political party, which mobilised an electoral coalition in favour of

⁴ Policies to enhance growth and provide a broad based employment

such policies, or elites who, in the process of competition, see the policies as a way of achieving popularity.

STRATEGIES FOR RURAL DEVELOPMENT

Concern over the high level of rural poverty led donor agencies to develop specific interventions aimed at rural areas. The most recent of which was the integrated rural development model. Through its Area Development Projects, the World Bank attempted to target the rural poor by providing a detailed, multi-sectoral package for rural development. However, poor project performance and the failure to bring about a sustained improvement in the living standards of rural people led to a significant reduction in the number of Area Development Projects and the abandonment of the approach to rural development.

Integrated rural development programs typically contained similar components and emphasized increased agricultural productivity as the basis for raising rural incomes, while recognizing the synergistic contribution of better education, health and other basic services to further improvements in people's quality of life and their overall productivity. Projects were sometimes based on single agricultural products accompanied by other services that received a much smaller proportion of project funds, e.g., tea in Kenya,

Failure of Rural Development policies

Failures of the Rural Development Policies were attributed to many factors. For example, government line agencies were perceived as inefficient, technically incompetent, understaffed and philosophically conservative and unable to implement the necessary programmes. Dissatisfaction with their performance as program-implementing agencies led administrators to advocate the creation of new autonomous implementation units designed to by-pass the line agencies. However, experience suggests that almost nowhere have these new administrative units been able to survive in the local political and bureaucratic establishment. In addition, financial arrangements for implementing rural development programmes were also problematic and characterized by excessive delays in the release of funds and lack of counter-part funding from local agencies, both of which severely retarded project implementation.

In other situations, Sub-projects for rural development were usually small, often quite simple, and always widely dispersed. Central planning for hundreds of differentiated projects and localities was likely to fail because of the location-specificity of conditions and needs. Furthermore, access to the higher decision-making levels of government and the administrative freedom to tailor programs precisely to local conditions were frequently sacrificed for administrative convenience when projects were generalized. Highly centralized administration of national programs made it difficult to carry out the experiments with program content and delivery methods that were essential if rural development programs were to meet the diverse needs of these areas

Adverse and inconsistent policy environment: It quickly became apparent that integrated rural development projects, when pursued in an adverse and inconsistent policy environment⁵, were unlikely to succeed. Therefore, reforms the policy environment were seen as a prior condition for success. The greater success rate of integrated rural development projects in Asia compared to Latin America and Africa supports this diagnosis.

Lack of government funding: Often governments did not provide the counterpart funding required for implementation of the donor programs, to ensure the entire programs or to vital components thereof moved together, despite assurances given in negotiations. The very tight financial situation of the most Governments over most of the period has also been a general constraint on establishing sufficient administrative capacity at the district and sub-district levels. Thus, implementing several programs strained the little available capacity leading to poor implementation.

Lack of appropriate technology: This proved important in un-irrigated areas, especially of Africa, where there was no history of past commitment to agricultural research, or where colonial research efforts had decayed. Irrigation programs usually succeed where there is a history of long standing community discipline in the use of the common resources. In majority of this their discipline did not exist.

⁵ Particularly unstable monetary and fiscal policies and perceived violence and the risk of political instability were contributing factors of their failures

Neglect of institutional development: By setting up project coordination units, sometimes staffed by expatriates, and using central or regional government line agencies, the development of local and district level institutional capacity to plan, execute and monitor rural development was neglected, and sometimes seriously undermined. As a general rule, rural development programs require local ownership to succeed which was not the case in most situations.

Lack of beneficiary participation: The programs were often designed in atop-down approach within which beneficiaries were not given any authority for decision-making or program execution. Even if they were consulted in advance, they could not be sure that their preferences were being given adequate weight.

The complexity or coordination problem: It is ironic that complexity should have become the myths of rural development. After all, building rural roads, small-scale infrastructure or providing agricultural extension must be dramatically simpler tasks than the construction of large-scale irrigation infrastructure or ports, where donors did not encounter a coordination problem.

The coordination problem emerged as a consequence of delegating subprogram execution to government bureaucracies or parastatals⁶ that were typically highly centralized and had their own objectives. Many of them were out of touch with beneficiaries, who could have coordinated relatively simple tasks at the local level much more easily. At the community level, project implementation is often quite straightforward and information is readily available to local decision-makers.

Way forward for Rural Development

The failure of integrated rural development models left experts, involved in rural poverty reduction, in confusion. As a result, the World Bank has retreated from the ambitious agenda of the 1970s into the support of more traditional sector-specific programs or projects, each dealing with a specific component of rural development, such as agricultural extension, small-scale irrigation, and rural roads. By withdrawing from an integrated approach to rural development, donors left the complexity and other implementation problems in the hands of the country governments.

⁶ Here a parastatals refers to a quasi state owned enterprise or a kind of partnership between state and private sector

New approaches to rural development have been advocated, the most promising one is Medium Term Expenditure Framework. (MTEF). The MTEF process involves such main steps as:

- Estimating resource availability over the medium term, either a three or five year period,
- Prioritising projects and programs in a ranked manner to facilitate selection of the best option,
- Estimating the actual costs of existing government policies programs, and targets in each sector,
- Putting the information together in an expenditure framework as the basis for making decisions on how resources will be allocated to the line ministries and what outcomes will be expected.

Thus the Medium Term Expenditure Framework consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy, and, ultimately, the matching of these costs with available resources. Matching of costs should normally occur in the context of the annual budget process, which should focus on the need for policy change to reflect changing Macroeconomic conditions as well as changes in strategic priorities of the government. In this case the focus is budget sustainability which avoids starting projects and programs which do not get completed.

The main objective of the MTEF macroeconomic strategy is to create a favourable macroeconomic environment for private sector-led growth and to enhance improvement in public sector service delivery. While higher economic growth is a necessary condition for increasing employment and reducing poverty, specific policies and measures are needed to ensure that the benefits of growth are widely shared and that they will reach the poor. These are the key linkages between the Medium Term Expenditure Framework and the poverty reduction strategy.

The Medium Term Expenditure Framework has the objective of addressing the weaknesses of macroeconomic management in order create an environment which would support efficient production, thereby attracting both foreign and domestic investment. Equally important is the need to improve public sector performance by concentrating resources on a focused range of activities

to support a pro-poor growth strategy. A crucial element in the MTEF strategy is to determine the resource envelope available during the specific period, usually three years.

Three important steps in the process are that:

- Projections have to be made on the likely growth pattern during the period;
- A prognosis has to be made on expected domestic revenue collected by the tax authorities, together with the sustainable debt resources,
- Projections have to be made on the amount of external aid or resources entering into the government budget.

Practical strategies have to be put in place to ensure that given the limited resources, hard choices, based on the top priorities, are made. Measures to shift funding from personal emoluments to operations and maintenance in the civil service are crucial. In a nutshell, political correctness should not be the criteria for allocating resources but rather, national priorities outlined in the country's development plans and strategies should form the basis for government expenditure.

The success of this method in rural development lies in:

- Establishment of a legitimate institutional framework for rural development at the national, district and sub-district levels,
- Assessment and enhancement of the institutional and organisational capacity of government and stakeholders to effectively engage in resource allocation for rural development efforts,
- Appraisal, mobilisation and use of resources to achieve development projections,
- Negotiation and implementation of an effective framework for participatory development and evaluation.

As with other strategies, the root cause of policy failure is likely to be mainly due to lack of political will together with weak or absence of institutional framework to implement policies, and programs, monitor progress, and take corrective action in a timely fashion.

Policy formulation has to adequately consultative and inclusive and implementation has, in all cases, to be organised without policy reversals. People and their representatives have to influence

decisions and allocation of resources and not to leave central government administrators as the sole decision makers, in pertinent matters at the national, local authorities, and community level.

Rural development can be achieved if the following key implementation and monitoring tasks are carried out properly:

- Facilitating development of an institutional arrangement for people to identify their own priorities,
- Establishment of a legitimate institutional framework for rural development at the national, district and sub-district levels. The institutions thus created should facilitate engagement between government, civil society, private sector and other stakeholders and ensure participation of poor and marginalized. An appropriate policy and legislative framework to ensure this has to be put in place,
- Assessment and enhancement of the institutional and organisational capacity of government and stakeholders to jointly and effectively engage in rural development efforts. This should be geared towards ensuring that the institutions and organisations involved in the process demonstrate improved capacity to carry out development tasks and strategic partnerships with other stakeholders are developed
- Appraisal, mobilisation and use of government resources, both at national and local levels private sector and civil society resources should also be incorporated to achieve rural development. Support should also be lend to efforts to organise people around common interests to influence decision making and resource allocation
- Analysis and dissemination of the development strategies to national and local levels to empower people to understand and influence resource allocation and use,
- Intervention and implementation of an effective framework for participatory rural development. A framework for participatory monitoring and evaluation should be established, engagement broadened and information systems developed to ensure effectiveness,
- Regular evaluation of expenditure outcomes and taking corrective action when and where needed.

DECENTRALISATION

Decentralization as a mechanism for transforming society is not new. In an effort to mobilize efforts for nation building. In this regard, Africa borrowed heavily from the philosophy of central state planning, in the 1950s and 1960s. This often led to highly centralised regimes in a number of countries, in Africa, Asia, and Latin America. The result was a centralised administration with powerful Provincial and District Administration being the local division of the Office of the President. These agencies operate, principally without much input from the local communities.

Elements of decentralisation

Devolution: this involves transferring of political power and administrative autonomy to local government units with locally elected politicians. This systems gives local authorities autonomy within clearly demarcated areas of decision-making through constitutional rights. Devolution can lead to dominance by local elites and to regional imbalances between areas rich in rich resources and those poor in resources. It is therefore necessary to strike a balance between legitimate local interests on the one hand and legitimate national interests on the other. This balance can be effectively addressed through needs based revenue transfers from central to local governments.

Deconcentration: deconcentration of the administrative system involves setting up region or district offices of the central ministries and other state agencies followed by delegation of work and authority from the centre to these local representations of central authorities. Thus deconcentration of the administrative system to bring operations closer to the people. This in reality increases centralisation, because, if effective, it extends control of the central authorities over local matters, which may result in frustrating people's participation.

Delegation. Delegation is a more extensive form of decentralization. Through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-

autonomous school districts, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints of regular civil service personnel and may be able to charge users directly for services. They may also have freedom to pay their personnel market wages.

Role of decentralisation

Decentralisation is a political process, and therefore requires commitment of the country's top leadership. But it is not a one-shot affair, but a process of developing and managing change on a long-term basis. It also involves democratisation and involving the people in their own development. The ultimate objective of decentralization is to transform people's lives and eradicate poverty by devolving political, administrative, and financial powers to the people so that they can effectively control their own destiny and thus render the whole process sustainable.

Decentralisation is also about good governance. In the final analysis, it is expected that central and local governments will be equal partners in the development process. In this process there ought to be full participation of civil society in government, greater transparency, and accountability, respect for the rule of law, sound strategies for poverty eradication, and mainstreaming gender and other issues relating to disadvantaged groups.

To evaluate the role of decentralisation, it is necessary to look at the shortcomings of centralisation on efficiency. The main problems associated with centralisation include initiation of projects, programs and policies which are irrelevant to local needs and conditions, lack of adaptability, delays, under-utilisation of local inputs resources, and inadequate maintenance. On the other hand, decentralization has demonstrated potential to lead to more appropriate and better utilised facilities, lower unit costs of services and improved operations and maintenance. As regards equity and efficiency in utilising scarce national resources, these are important issues, which cannot be secured solely by local decision-making, as conflicts of interests between different localities are always present. But without a decentralised structure, there would not be adequate administrative channels for implementation, local ownership of programs, coordination, and for collection of necessary local data for policy formulation.

Decentralisation is also necessary for making development plans realistic and for adapting projects, policies and programs to the needs of local people. Efficiency need not necessarily accompany decentralisation, given the risk of loss of economies of scale, duplication and overlap. The main aim of the decentralisation has been to strengthen the capacity of local authorities to deliver services to its residents. More importantly, decentralization helps to create the capacity to assume responsibility at local level.

Real and lasting improvements in poverty alleviation will only happen if local authorities involve their residents in decisions about how and where resources are used, remain accountable to their citizens for those decisions and their results. This in essence should be ultimate objective of democracy.

The idealised model of representative democracy in local government suggests that, through regular, free, and competitive elections, citizens make known their leadership preferences who in turn address their needs and priorities. The elected representatives should therefore formulate strategies, make key decisions and prioritise expenditure choices through formal policy and budgetary processes. These decisions should be implemented by officials who are politically neutral or ought to be politically neutral.

Whilst local elections in many countries are held regularly, and may be generally free and fair, issues are highly aggregated, with candidates rarely presenting clear manifestos or choices. This together with the fact that elections are held only once in a span of time, normally five years, implies that local needs, priorities and choices are not identified through the electoral process in sufficient details for the purposes of planning and budgeting. In addition, elected Local representatives are often poorly equipped to formulate strategies or make key choices, instead they tend to intervene on an ad hoc basis, often at the implementation stage.

There is a growing realisation that many types of institutions can actively participate in decentralization effort. However, representative democracy needs to be complemented by mechanisms of citizen participation. This enables elected leaders to better determine the needs and

priorities of citizens. It also creates a sense of ownership on the part of citizens on goods and the services provided by government.

Types of Decentralisation

There are four types of Decentralisation which can be identified as;

- 1. Political decentralisation:** This decentralisation aims to give citizens and their elected representatives more power in decision-making. It often requires constitutional or statutory reforms, strengthening of legislatures, creation of local political units, and encouragement of effective public interest groups.
- 2. Administrative and institutional decentralisation:** This type of decentralisation seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. Forms of administrative decentralisation encompass, deconcentration with delegation of authority and devolution of functions.
- 3. Fiscal decentralisation:** This is the core component of decentralisation. For local governments and private organisations to carry out decentralisation effectively, they need adequate revenues. This can be achieved in two ways either the Central Government cedes the revenue base which local authorities can tap, or central government collects mandated revenues and transfers it to lower levels of government.
- 4. Economic and market decentralisation:** This involves both privatisation and deregulation which shifts responsibilities and for functions from the public to the private sector.

The objectives of these forms of decentralisation are: to make management of public affairs in more responsive, efficient, and sustainable delivery of all kinds at the local level. For decentralisation to be effective in changing people's lives, there should be a right mixture of political, administrative, fiscal and economic dimensions going hand in hand with capacity building.

If the national government only decentralises its administrative functions, then it is simply moving its bureaucracy closer to the people without devolving political power to the local level. If it devolves political power without fiscal authority, then it creates local authorities without the means to do their jobs. So, a balanced mixture of the types of authorities should be transferred in accordance with the particular exigencies of the national and local conditions.

Generally, administrative decentralisation or deconcentration tends to occur first, followed by political decentralisation or devolution, and last of all, fiscal decentralisation. At each step, program design should focus creating a logical on representation, accountability, transparency, resource mobilisation, local capacity building , local voices, and sustainability.

Whether revenues are raised locally or centrally is not an essential determinant of success by itself, but it is clear that the national governments must somehow provide local governments with access to sufficient resources corresponding with their responsibilities and functions. On the other hand, decentralisation failures are not merely the result of the lack of resources and technical knowledge on the part of local government staff, but also reflect constraints pervading the relationship between national and lower levels of governments.

Political Decentralization

Political decentralization aims to give citizens or their elected representatives more power in decision-making. It is often associated with pluralistic politics and representative governments, but it can also support democratisation by giving citizens and their representatives, more influence in the formulation and implementation of public policies.

Advocates of political decentralization contend that decisions made with greater participation will be better informed and more relevant to diverse interests in the society than those made solely by national political authorities. The concept of political decentralization implies that the selection of representatives from local electoral jurisdictions allows citizens to know better their political representatives and allow elected officials to know better the needs and desires of their constituents.

Political decentralization often requires constitutional or statutory reforms, the development of pluralistic political parties, strengthening of legislatures, creation of local political units, and the encouragement of effective public interest groups, are important components of this decentralization.

Political dimensions of decentralization are generally concerned with increasing public participation through citizens being actively engaged in public institutions. Programs dealing with decentralization require formal government commitment to initiate the process. If the overriding political environment is not conducive to reforms, decentralization is unlikely to be on a government's agenda, or to succeed once started.

In most developing countries, especially in Latin America and Africa, there exists a tendency for dominant centralizing and premature bureaucratisation of the political systems. In this environment prospects, are not very favourable for the successful implementation of forms of political and administrative decentralization that are based on the devolution of power from the centre to the local level. This is because Political decentralization often has challenges entrenched in bureaucratic practices of state governments' administrative departments. Consequently, only a few states have experimented seriously with the political decentralization.

In most cases the relationship between the political and bureaucratic institutions of decentralization has been wanting. Most decentralization initiatives stipulate a range of rules and regulations covering interaction between local councils and central government line agencies. How these rules are interpreted, in practice, have a decisive impact on the successful implementation of a sustainable system of decentralization that delivers more of the goods and services which local people demand.

For the representative democracy to succeed, it needs to be complemented by mechanisms of citizen participation, to enable those elected to determine better what the peoples' needs and priorities are and also to create a sense of ownership, on the part of citizens, of the services provided by government.

Decentralization initiatives, particularly those in Africa, are far more administrative in nature and do not involve devolution of powers and responsibilities. In Kenya for instance, administrative structures are established with centrally appointed administrators, inherited from the colonial regime resulting in mistrust between Central Government and the people. The result is a lack of locally perceived legitimacy to these arrangements. It is for this reason that Kenyans have continued to yearn for effective decentralization.

Although democracy is not a necessary part of decentralization, its presence can have a significant influence on the perceived legitimacy of decentralized systems. However, Democracy does appear to improve methods of accountability, although an important proviso to this statement is the impact on marginalized social groups.

Meeting local demands as mediated through democratic processes may strengthen the autonomy of devolved local institutions. This may bring them into conflict with national governments, as local authority also derives its autonomy from the centre, which retains the ultimate sanction of taking back devolved powers.

Decentralisation should bring the elected representatives into the process of development. The quantity and quality of work undertaken by line agencies should be closely monitored and problems reported early to facilitate correction. This arrangement makes it harder for bureaucrats to get away with corrupt acts. The result is enhanced institutional effectiveness and improved coordination among civil servants working for different line agencies

Decentralization initiatives that focus exclusively on electoral and administrative processes without considering the fiscal and institutional dimensions will not be sustainable. This would be especially true where local authorities are unable to mobilize adequate revenues to provide needed services. On the other hand, giving life to local political institutions may increase the opportunity for conflict between locally based elites and the centre. This is the political legitimisation of the urban alliance will likely lead to a worse outcome for rural populations.

Fiscal Decentralization

Financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues⁷ as well as the authority to make decisions on expenditures. Fiscal decentralization can take many forms, including;

- Self-financing or cost recovery through user charges,
- Co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labour contributions;
- Expansion of local revenues through property or sales taxes, or indirect charges;
- Intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and
- Authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees.

In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is usually so narrow that they do not raise enough revenues and therefore, dependent on central government subsidies. In many cases, central government controls are so ingrained that no attempt is made to exercise that authority without prior approval (World Bank).

It is for such reasons that decentralization initiatives recognize the importance of providing financial resources to decentralized institutions to enable or empower them to carry out their functions and responsibilities. Lack of adequate funding for lower level units was the single most important factor that undermined many of the decentralization attempts in 1970's and 80's. Therefore, for decentralized units to perform the responsibilities devolved to them, they will need an appropriate level of fiscal resources. In addition, weak financial management capacities of local authorities, coupled with reluctance on the part of national governments to give up control of resources have resulted in weak local authorities. This situation encourages further curtailment and denial of additional tax base to local authorities reducing local authorities to ineffective entities.

⁷ revenues could be raised locally or transferred from the central government

In Zambia for instance, where a recent initiative aimed to put in place a matching grant program for rural development was introduced, it was discovered that District authorities had no power to raise revenues and so had no resources to match the funds provided by central government (Crook 2000). However, even where local communities have the power to raise local revenues, it does not necessarily result in them taking advantage of this option, especially if central government prescribes the level of tax rates which can be imposed, and also defines the tax base. Besides, the administrative costs associated with collecting small units of local taxes may be prohibitive.

In sharing the tax base, it is necessary to recognize the potential for macroeconomic imbalances if local governments are permitted to have too much revenue-raising autonomy. The same can occur if local governments are allowed unrestricted borrowing without an appropriate system of checks and balances. For these reasons it is necessary to bear in mind the overall tax burden. A fine balance must therefore, be found between designing a system of accountability that prevents severe fiscal imbalance, but at the same time, does not place unnecessary restrictions on important local fiscal decision-making. Failure to maintain this critical balance can lead to excessive tax burden or harmful fiscal expansion, which in turn may cause macro-economic instability.

Improperly designed programs of sub-national revenue sharing may provide perverse incentives to local institutions not to maximize local fiscal effort. Notwithstanding this risk, fiscal decentralisation offers greater flexibility which gives local units ability to mobilize their own resources to fund basic services. Without fiscal decentralisation, rural areas are likely to continue to be highly dependent on transfers from higher levels of governments. Such transfers are normally vulnerable to political considerations which makes them unpredictable and therefore affect service delivery negatively.

Conversely, local authorities should not be left all on their own. It is therefore, necessary for central government to design appropriate of inter-governmental fiscal transfers to:

- To bridge the fiscal gap that may result from a mismatch between tax revenue and expenditure needs to provide basic goods and services, which arises from revenue shortfalls,

- To compensate for the presence of interregional differentials in income and resource bases that create inefficiencies due to fiscally-induced migration, as factors of production gravitate towards richer areas,
- To maintain minimum standards across jurisdictions to provide for poorer areas,
- To alleviate inefficiencies arising from inter jurisdictional spillovers, where people enjoy the benefits of a public goods but do not contribute to the cost of providing them, possibly resulting in sub national levels governments considering only the benefits that accrue within their own jurisdiction and under-providing the public goods.

Central government grants

Grants and transfers are often at the discretion of central governments, with little effort to develop objective funding design criteria. They fall into two broad categories;

- Non-Conditional, these are open transfers from central to lower levels of governments,
- Conditional grants: both matching and non-matching. Imposing conditions on use of grants provides central governments with the opportunity to target resources to support specific initiatives and/or provide funds for goods and services that may be under-provided at the local level. They can also be used to meet targeted needs of specially disadvantaged groups.

Non-matching grants transfer lump-sums from central governments to sub-national governments for specific purposes. This type of grants does not, however, require local governments to contribute any of their own funds. There is, therefore, no incentive for local communities to mobilize out resources to fund expenditures covered under the grants

Matching grants, on the other hand, require sub-national governments to contribute funds of their own in order to gain obtain access to counterpart funding from central government. They involve a significantly enhanced role for central governments indecision-making about which projects and programs to support at the local level.

The problem remains that even for these types of specific grants, objective allocation criteria are often absent or inappropriate, leading to impromptu grant distribution that is at considerable

variance with the principles of transparency, predictability and autonomy. Added to this is the tendency for governments to have urban biased policies which are mainly responsible for central governments lack of interest in designing objective resource-transfer programs that benefit rural areas.

When assessing the Central/Local government relations financial autonomy is a key variable in judging the degree of decentralisation which is actually implemented.

Revenue collection problems

In many cases local authorities collect less than half of the potential revenues. It is therefore, possible that central governments transfers and grants may have negative effects on the incentive to collect revenues at local level. It is also possible that taxpayers are often unwilling to pay because local governments hardly provide any significant level of services or take action against tax defaulters.

Meanwhile, Local governments spend most of their money on personnel⁸ emoluments and councillor allowances, with little left for operations, maintenance or capital investment. Their financial situation is worsened by extensive malpractices, including corruption which drains part of available resources. The combined effect of all these factors is that many Local governments have huge debts, relative to their capacity to mobilize local resources. However, many of these problems are caused by a combination of structural imbalance between expenditure needs and resource availability at the local level and poor capacity. This problem requires a long term solution with political will and commitment at all levels of government.

INSTITUTIONAL DECENTRALISATION

Institutional decentralization seeks to redistribute authority, responsibility and financial resources to public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of some public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional and functional authorities.

⁸ Most local government they are overstaffed and greater proportion of their revenues goes to wage bill

The institutional dimensions of decentralization is concerned with defining which formal government institutions are to be involved in a decentralization program, and the development of an appropriate legal framework that defines the relationships between different institutions and actors. There should therefore, be a clearly established legal framework that defines the decentralized institutions, how they are constituted and how they relate to other institutions.

For the success of these institutions, the pre-existing institutional arrangements can be appropriately modified. This task is likely to be more straightforward than in the case where a new set of institutions is being created. Moreover, existence of an active civil society appears to assist significantly in implementing decentralization. This incorporates the social capital, which focuses on the level of organizational capacity in different societies, and highlighting the range of institutions available to participate in decentralization programs.

For example, in Ghana local communities have well-developed political, and legal institutions with identities that have been encouraged through political competition and participation, and the overlay of party, class and associational groupings. (Crook 2000)

On the other hand, decentralized institutions need to have the capacity to carry out the powers and responsibilities devolved to them. In the context of rural development, capacity implies being able to do the job, improve on service delivery and induce positive change. For instance, the existence of a large number of qualified personnel, within a decentralized institution, or adequate project financing is seen as a necessary but not sufficient condition, for this purpose, institutional capacity encompasses;

- The degree of resource mobilization,
- Cost-effectiveness in service provision,
- Performance with respect to meeting minimum standards for service delivery.

From this, it can be inferred that, lack of institutional capacity may be reflected in:

- inability to mobilize funding to meet minimum standards of service and delivery,
- Inability to mobilize fully all resources available from tax bases and other sources,

- Failure to deliver goods and services cost-effectively
- An inappropriate mix of services in relation to local preferences

From case studies there seems to be considerable capacity, to be exploited, at the local level, if municipalities and other local authorities are given an active development role. By using existing, but under-utilised capacity and through locally initiated efforts to upgrade capabilities, most of the municipalities can effectively meet new challenges posed by decentralisation others may need one form of adjust or other to make them viable entities. In Colombia for instance, decentralization seeks to give political power to decentralized local institutions, provide them with resources to carry out prescribed functions, and to permit inclusion of a wide range of institutions in the decentralization process. Focusing on the design of the political, fiscal and institutional elements of decentralization which has significantly increased the potential for successful development outcomes. However, there is need for a proper system of accountability for decentralised units and institutions to their different constituents. In addition, there should be a system of sanctions that penalizes units and institutions that fail to carry out their functions as expected or according to available resources.

In Africa and Asia the focus has been almost entirely on the administrative institutions of government. For example in Kenya, the District Focus for Rural Development was implemented almost entirely through deconcentrated line agencies of central government based on pronouncements from the top, but with little authority to local authorities. The exclusive focus on government institutions enabled the central bureaucracy to retain effective power and served to alienate rural people rather than to bring them into the development process. The result was an expensive failure of the program. In some cases, “Rural people refused to participate in family planning clinics in some areas of Kenya because they thought the programs were established to castrate men before drafting them into the armed forces. They did not allow land to be used for agricultural demonstrations in other places, fearing that government would later take over the improved property. Rural road construction was disrupted by some rural villagers who thought that the new roads would allow government patrols to catch stock raiders more easily.” (Rondinelli1983).

These problems could have been avoided if proper consultations, communication and involvement of those affected was done. Experience in Peru suggests that capacity-building approaches to improving decentralized institutions need not only to include diffusion of the technical and organizational abilities but must be made with reference to the broader political system.

Different governments have different political purposes and motives for introducing decentralisation. These intentions are embodied in the structure and form of decentralisation⁹. However, political variables determine outcome of decentralisation, not only because of variations in formal structure or technical failures of implementation, but also because, decentralisation is essentially about distribution of power and resources, both amongst different levels and territorial units of the state. It also shares power and resources amongst different interests in their relationship to ruling elites.

The greatest challenge in rural development, may therefore be in establishing an institutional framework and building the capacity of institutions and organisations to participate in the implementation and monitoring of development strategies. In so doing, poor people have to be empowered to break through local barriers in the government decision-making organs in order to articulate their aspirations and priorities in policy making and implementation strategies.

The need to develop social capital in communities cannot be overemphasised because, in the past, poor people have been unable to influence resource allocation in most developing countries. Therefore, deliberate efforts should be made to organise and empower people to have a say in decisions on resources allocation and use at the community level and, through effective linkages and representation, at the district and national levels.

In most countries, governments policies have failed due to lack of an institutional framework that allows wider participation by stakeholders. As a result, key stakeholders and development agents disown the strategies designed, to benefit them, in such processes. Alternatively, strategies designed without local participation encourage a culture of dependency which undermines local initiatives.

⁹ Are revealed in how the system functions after it is introduced

The District Focus for Rural Development strategy in Kenya failed for this reason. The remnants of strategy and its structures, especially the District Development Committees, are active but do not have wide representation as government officials wield disproportionate clout at the cost of inclusiveness in decision-making. To address the problems of exclusion, there is a great need to entrench the institutions established in the policy and statutory framework of the country. This will help focus efforts on set goals and give decisions legal force, for more effectiveness.

It is unfortunate that most developing economies have experienced costly impediments in their development due to inadequate institutional development manifested in weaknesses in policy formulation, public service delivery and poor oversight and accountability. Broad-based rapid growth requires effective government and community-based institutions. Such an approach inevitably entails civil service reforms to improve efficiency of public services and broad decentralisation to influence the way in which resources are allocated. Weak social capital, dissolution of bonds of trust between individuals and social groups, and a weak civil society are detrimental to economic growth. They also encourage concentration of power on the national elite. Prosperity for a majority of people can only be attained if adequate investment is made in social capital. It should include provision of physical goods and services, facilities, creation of voices for the marginalized and establishment of supportive institutions.

In general, failure of decentralization, in developing countries, particularly in local governments, has been attributed to lack staff skilled in local governments, lack of participatory techniques and processes together with failure to develop institutions to entrench the process. There has also been very limited resources for Community Development agencies. In other cases, elite groups often dominate participation, and not all community-based organisations are representative, especially for the poor.

What is not often realized is that decentralisation is costly, both for the local governments, the citizens, and particularly the poor, besides because of suspicions and indifference, many people are often unwilling to participate. Majority of the population in developing countries are poor, not adequately educated and excluded from elite politics. Any scheme that appears to offer greater

political participation to ordinary citizens seems likely to increase their voices and hence the relevance and effectiveness of government's policy, however, such schemes are likely to be suspected by ruling elites.

ECONOMIC AND MARKET DECENTRALISATION

Economic and market decentralisation is the gradual process of disconnecting state and its enterprises or state provided services, from government control and subsidies and replacing this channel with a conduit linked to market forces. This process assumes the existence of a market centred economy with a private economic regime with the necessary infrastructure, ready to assume ceded functions. This is clearly not the reality of many developing countries, not even in all regions of one country. Due to these limitations, economic decentralisation goes a step further to include the entire process of expanding the sphere of the market through a host of regulations that create an enabling environment for free enterprises to operate. This is critical in order to create a strategy for sustainable economic development. In the context of the broader goals of human settlements and economic development, when properly conceived and implemented, economic decentralization is envisaged to foster efficiency and encourage investment in infrastructure and services. However, economic decentralization needs to go hand in hand with improved regulatory regime in order to protect both consumers, particularly the poor and also the environment.

In most reports, discussion on economic decentralization of services generally refer to reducing government activity within a given service, either by involving the participation of the private sector; or reducing government ownership when, which means,

- public enterprises are privatised to unregulated private ownership, or
- government agencies are commercialised.

This definition therefore includes management contracts, concessions, franchises, leases, commercialisation and pure privatised. Economic and market decentralisation can also be viewed as Privatisation and deregulation of management functions from government to private enterprises.

This is the most complete form of decentralization from a government's perspective for the reason that they shift responsibility for functions from the public to the private sector. Privatisation and deregulation are usually, but not always, accompanied by economic liberalization and market development policies. They allow functions that had been, primarily or exclusively, the responsibility of government to be carried out by businesses, community groups, cooperatives, private voluntary associations, and other non-government organizations.

Privatisation ranges in scope from leaving the provision of goods and services entirely to the free operation of the market to public-private partnerships in which government and the private sector cooperate to provide services or infrastructure but leaving management to private sector.

- (1) allowing private enterprises to perform functions that had previously been monopolized by government
- (2) contracting out the provision or management of public services or facilities to commercial enterprises
- (3) financing public sector programs through the capital market and allowing private organizations to participate
transferring responsibility for providing services from the public to the private sector through the divestiture of state-owned enterprises.

Deregulation on the other hand reduces the legal constraints on private participation in service provision or allows competition among private suppliers for services that, in the past, had been provided by the government or by regulated monopolies. In most cases, both privatisation and deregulation require a higher degree of corporate governance overseen by a hands off agencies. If this is not done adequately, the country may run risks of commercial instabilities as occurred during the financial crisis of 1990s.

CASE STUDIES:

Case I

UGANDA MUKONO DISTRICT

A political decision for national strategy on decentralisation in Uganda

The first proponents of decentralization in Uganda focused on the emergence and the evolution of decentralization on the political agenda, the consultation process, the nature of popular opinion, and the nature of the political decision. Since 1986, the Government of Uganda has made gradual and systematic attempts to re-orient the system of governance to conform to the needs, interests, wishes and aspirations of its citizens. This has not been a simple routine choice based entirely on external prescriptions, but included a realistic, home-grown effort dictated by internal demands and challenges. The process included amendment of the Ugandan Constitution to provide for a more dynamic local government system. So far, the Government has achieved the following results:

- Transfer of power to lower levels of government,
- Transfer of political and administrative control over services to the point of Delivery.
- freeing local managers from central constraints,
- Improving resource accountability and responsibility by linking taxes to service delivery,
- Improving local capacity to plan, finance, and manage and implement projects and programs.

The lessons from the political process are that:

- A home-grown policy, set in motion from the starting point of the existing structures and conditions, is best suited to generate internal support,
- Change is often opposed by rent-seeking activities, together with vested interests, but participatory approaches can mitigate these by objective analysis and consensus building,
- Decentralisation is a political process, and therefore requires political commitment of the country's top leadership,
- Decentralisation is not a one-shot affair, but a process for developing and managing change on a long-term basis.

Implementing decentralisation at national level

The major steps in the implementation of decentralization process in Uganda were outlined as formalizing the legal framework, putting in place financial arrangements, and capacity building at various levels. They drew attention to opportunities and challenges, to the roles of key players¹⁰, and to the broad debate on how best to transform the Ugandan society under conditions of severe resource constraints. However, the decentralization policy has been implemented in phases in order to maximize its impact and to root it firmly in the ground. The emphasis has been on reforming institutional arrangements, capacity building, and tooling. The Decentralisation Secretariat of the Ministry of Local Government has spearheaded the process which was supply-driven in the initial phase in order to put the minimal conditions on the ground. It is hoped that it will be more demand-driven in the future.

The legal framework is evolving with upto 60 amendments proposed in a recent review to make it more enabling. With respect to financial arrangements, the law is clear on sharing mechanisms. Sub-counties are to retain 65 percent of what they collect, and to remit the balance up to the district, while the strategy for capacity building includes;

- Sensitising local government council members on their role through workshops and radio broadcasts,
- Skills building,
- Improving Procurement and disbursement processes and procedures.

A personnel system is evolving in which employees cease to be central government officers once employed at the district level. This process is assisted by the Civil Service Reform and Restructuring, which is part of the broad institutional reform concurrently being implemented. For example, the Ministry of Education can no longer transfer a head teacher from one district to another. This process has caused much stress as centres of allegiance shift and different levels try to ensure that they maintain or gain strategic activities.

Notwithstanding the success, several implementation challenges remain, the first of which is the problem of sustaining the process financially, since the program is largely dependent on donor

¹⁰ Politicians, central ministries, sector ministries, civil society, and community based organizations

support. The second challenge is capacity building at the central government level, such as modern information and fiscal management systems, to enable the government to re-orient itself and carry out its mandates effectively. Other challenges are demand-driven training, mobilising sufficient revenues, eliminating corruption and waste, and sustaining stakeholder participation and support.

Implementing decentralisation at local level

Decentralization is about democratisation and involvement of the people in their own development. The ultimate objective is to transform people's lives and eradicate poverty by devolving political, administrative, and financial powers to the people so that they can effectively control their own destiny and thus render the whole process sustainable. In addition, decentralization is also about good governance. At the end of the current process, it is expected that both central and local governments will be equal partners in developing the country. It is expected further that full participation of civil society in government, greater transparency and accountability, respect for the rule of law, sound strategies for poverty eradication, and mainstreaming gender and other issues relating to disadvantaged groups, will be maintained and sustained.

So far, there has been tremendous progress in the last few years including;

- (1) Local councils elected by universal adult suffrage as in the rest of the country;
- (2) Greater community participation and ownership in the management and operation of public utilities;
- (3) Dramatic improvements in service delivery;
- (4) Devolution of planning and budgeting to the sub-county level;
- (4) Greater transparency and accountability;
- (5) Widespread capacity building and
- (6) Tremendous increases in revenue collection.

By encouraging peoples participation and reawakening their sense of self-reliance at all levels, the Decentralization process has greatly assisted a positive transformation in rural well-being.

Impacts at the local level: Mukono District

Due to decentralization, democracy has been strengthened and expanded leadership is clear and accountable, planning is bottom-up, and there is ownership of projects by the people. Some of the programs that they are currently running well, including universal primary education, primary health care, agricultural extension services, water, sanitation, and village roads, all of which are priorities for the country as a whole. The local council is Currently broadening its sources of revenue in order to fund these projects in the Sub-county.

Conclusion

Uganda can be confirmed to be leading in decentralisation. The atmosphere of decentralisation is evident at all levels of government and across the spectrum of sectors. Of utmost importance is the impact on the people's lives. Sites visited showed that every person is touched in one way or another. But there are a few dilemmas about decentralisation in Uganda firstly, the need for massive sensitisation of the masses to understand their role in the whole process and therefore make the necessary demands on their leadership, thus continuously auditing the responsiveness of institutions to their felt needs.

Secondly, the process has been too politicised. With the ruling party claiming no party democracy, a perception that decentralisation is being used to root the ruling party's ideologies at the local level. As such, those who don't support the ruling party have reservations about the whole process. On the other hand, a challenge to the process is the diversity in agro-ecological and socio-economic disposition across the different districts. This means a wide-ranging baseline situation, which the decentralisation process could easily aggravate to increase the disparities.

Nonetheless, there is a feeling that there has been a positive leap. The other uncertainty pertains to financing of the process, which is mainly based on donor funding. The idea seems to be home grown, but the lubricant for implementing the process is not. Consequently, the process is not financially sustainable.

Case II

SOUTH AFRICA ¹¹

Like Uganda, South Africa is highly respected for her pursuit of the decentralisation policy. As indicated earlier, on political or legislative framework, South Africa has shown a preference to fully devolutionise. It implies that local governments are given high autonomy and accountability. It has a number of interesting recommendations on how to run local governments elsewhere.

South Africa focused more on establishment of local governments, rather than what they can do to deliver. Nonetheless, local government creation is part of the process of decentralisation, which has a role to play in agriculture. Farmers live in rural areas where development has lagged primarily because the rural poor have little power. As such, there is continued urban bias in allocating resources with the tendency to view agriculture as a declining sector. Therefore decentralisation in South Africa is an important of redressing the inequities of the past as the rural majority in the former homelands also gets to benefit from the country's resources.

The political will to decentralise in South Africa started with Provinces, which are regarded as one layer of decentralising public services. However, more weight is given to local governments who are closer to the people. To date, political decentralisation has gone far, with Transitional Local Councils as well as District Councils in place.

The only problem underlying decentralisation process in South Africa, is how this service should filter to them. There are quite a number of unclear areas regarding provision of rural services. It is assumed that financial resources are properly aligned for local participation. However, Transitional Local Councils are experiencing fiscal restraints to the extent that there is a talk of amalgamating certain Transitional Local Councils, which creates uncertainties.

The mistake was done initially when borders were demarcated without evaluation of economic sustainability. Ideally, there is need to create viable local economies bearing in mind that decentralisation, while effective in service provision, is an expensive exercise that drains

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resources. That is why there is need to ensure that rural services are appropriately produced and delivered.

The guiding principles on decentralization should be;

- The national government should be a facilitator, catalyst, regulator, and advisor, rather than a direct provider.
- Political, fiscal and administrative authority for the provision of rural services should be decentralised to the lowest appropriate level of government.
- Long-term financial arrangements should cover the full operating and maintenance costs in a sustainable way.
- Suppliers of rural services, whether in the public or private sectors, should be able to compete with each other on a level playing field.
- Public decisions concerning the provision of rural services should be transparent, and all actors should be accountable to those whom they serve.
- The provision of rural services should be environmentally and socially sustainable.

Rural services and Providers

There is a range of services required by rural communities, in order to make their life better. Namely: extension services, irrigation and drainage, rural water supply, rural roads, natural resource management, primary education and rural health. Within each category there are numerous activities.

It is these activities that should be considered in decentralisation but bearing in mind the necessary linkages. For example, one cannot decentralise extension service but can consider components of extension such as field visits, input supply, and market information. So, the services and activities indicated in this article are not exhaustive.

The national government agencies include national ministries and universities that is, organisations of a national character outside the immediate local area. In a certain context Province can be regarded as central or part of national government. But in all situations, provinces are institutions of a decentralised process. The other level of government is the local government which are the

lowest levels of governance closest to the people. The other participant is the local communities to be interpreted to include community associations, local non-governmental organisations and individual members of the community (such as farmers). The other important service provider is the commercial private sector, that is individuals and groups interested in making profit.

Conclusion

It can be concluded that in a decentralised setting each group of participant has certain responsibilities to perform in the provision of rural services. There would be certain activities best left to the responsibility of National government while others are best provided by the local government. Local communities as beneficiaries of services also have a role to play. Of utmost importance are the possible activities of the private sector.

This setting makes a major difference in efficient and sustainable provision of services than when the national government agencies attempt to provide all services. As such, coming out of election mood when promises were made, it is time to take stock of how we failed in providing rural services in the past five years. Then do a functional analysis for each conceivable activity. In that way, the resources can be appropriated.

Previous initiatives have often regarded decentralization as a desirable end in itself¹² rather than as a means of achieving improved rural developmental outputs and outcomes. However, of concern is for decentralization as a means to achieve improved rural development outputs and outcomes.

The outputs of rural development are the tangible goods and services provided by the range of decentralised institutions. Ultimately, this will involve the task of assigning powers and responsibilities to the different institutions on a sectoral basis at the sub-function level where central governments' role in national defence and security and other issues of national concern are well recognized, the over-extension of their powers into purely local functions, such as pothole repair or pest control, is being questioned. Review of the theory and practice of revenue and expenditure assignment suggests that problems associated with governmental responsibility arise mainly out of actual assignments being at variance with exclusive responsibilities. The emphasis

¹² Contributing to greater participation and bringing decision-making closer to the people

should be such decentralization is a multi-dimensional process that proceeds with successes and setbacks. Therefore, decentralization initiatives will be subject to a continuous process of modification reflecting changes in social, political and economic conditions.

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