This report, **Descentralisation and Local Democracy: East Africa Region**, examines decentralization in the countries of the East African Community (Burundi, Kenya, Rwanda, Tanzania and Uganda).

Produced as a product of the joint EALGA-UCLG Project "Support to Decentralization in Developing Countries" co-funded by the European Commission, the report aims to open debate on the regional agenda for strengthening decentralization, and the participation of local authorities in the definition of strategies for development cooperation.

The decentralization process in East Africa has had important effects on service delivery, local development and citizen well being. However, the process has also been affected by a lack of clarity in the division and costing of responsibilities, low capacity in local own-revenue generation, limited control over local resources and decision making, lack of qualified staff, and inability to access alternative sources of development funding. Solving these problems will include a re-examination of the policy, legal and regulatory framework, institutional arrangement, local government capacities, as well as budgetary allocations. In addition to analyzing these challenges the Report proposes recommendations for all stakeholders to strengthen good governance at the local level in East Africa.

Project Partners:

The East African Local Government Association (EALGA) is the umbrella Organization for National Associations of Local Governments in Burundi (ABELO), Kenya (ALGAK), Rwanda (RALGA), Tanzania (ALAT), and Uganda (ULGA). Based in Arusha, Tanzania, EALGA is the united voice of local government towards the East African Community (EAC), promotes and supports effective dialogue between Central and Local Government at the regional and national level, and encourages the Continental and International Cooperation of Local Governments and their associations.

United Cities and Local Government (UCLG), the world organization of local governments represented in more than 130 countries, aims to strengthen decentralization and local self-government in order to contribute to local good governance in all regions of the world. In the framework of these global goals the EALGA-UCLG project works to support a process of regional debate on decentralization and local democracy in the East Africa.

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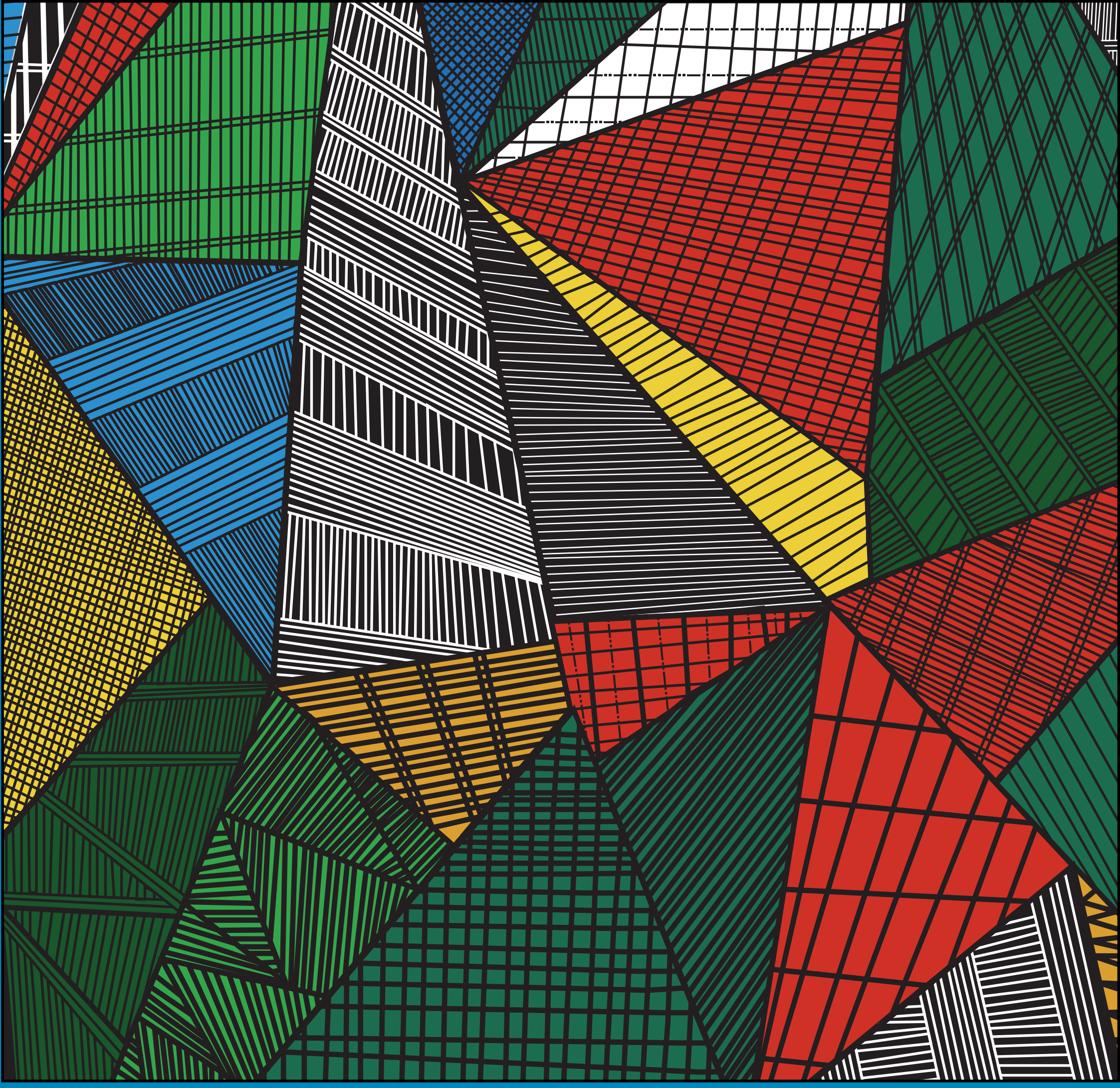
DECENTRALISATION AND LOCAL DEMOCRACY: EAST AFRICA REGION



DECENTRALISATION AND LOCAL DEMOCRACY: EAST AFRICA REGION

DECENTRALISATION AND LOCAL DEMOCRACY: EAST AFRICA REGION
(Burundi, Kenya, Rwanda, Tanzania & Uganda)

EALGA
East African Local Governments Association

United Cities and Local Goverements
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Decentralization and participation...
must be made into complementary
mechanisms that will reinforce each
other for the sake of better management
and a deepening of democracy.
—Jordi Borja

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Abbreviations and Acronyms

ABELO	Association of Local Government Authorities of Burundi
ALAT	Association of Local Authorities of Tanzania
ALGAK	Association of Local Government Authorities of Kenya
CCM	Chama Cha Mapinduzi
CDF	Common Development Fund
CID	Criminal Investigation Department
CILOR	Contribution in Lieu of Rates
CSLP	Strategic Framework of Poverty Eradication
EA	East Africa
EAC	East African Community
EALGA	East African Local Governments Association
FAAT	Transfer to Territory Administration
FDS	Fiscal Decentralisation Strategy
FONIC	Local Authorities Investment Fund
GDP	Gross Domestic Product
IFIs	International Finance Institutions
KANU	Kenya African National Union
L	Local
LATF	Local Authority Transfer Fund
LC	Local Council
LGs	Local Governments
LGAs	Local Government Associations
MDAs	Ministries Department Agencies
MTP	Medium Term Plan
NLGAs	National Local Government Associations
NRA	National Resistance Army
NRM	National Resistance Movement, Uganda
ODM	Orange Democratic Movement Party
PNU	Party of National Unity
RALGA	Rwandese Association of Local Governments Authorities
RMLF	Roads Maintenance Levy Fund
S	State
TANU	Tanganyika African National Union
UCLG	United Cities and Local Governments
ULGA	Uganda Local Governments Association

a

Introduction

Decentralisation is an on-going process of democratisation of power, services and resources. Each of the countries studied here – Burundi, Kenya, Rwanda, Tanzania and Uganda has had a chequered decentralisation history since 1884 (onset of colonisation), and moved from centralised authoritarian regimes in the 1960s, 70s and 80s to more democratic and decentralised forms of governance today. These countries have undergone a transition to multi-party forms of governance and are currently undertaking wide-ranging programmes of local government reform aimed at enhancing decentralisation and local democracy and institutionalising citizen participation in local governance and expanding local government capacity. Uganda and Rwanda have the most ambitious decentralisation programmes and until August 2010 had the most elaborate legal frameworks for involving citizens and civil society in local governance. However, this position has now been taken by Kenya with the promulgation of the new constitution in August 2010.

The movement towards democratisation in the region has created new legal and policy frameworks for enhanced citizen participation at local level. These frameworks are necessary for creating avenues for participation, but may not always be sufficient to ensure that quality and sustainable intergovernmental relations take place and are institutionalised.

This regional report is written as a contribution to the ongoing UCLG GOLD studies for decentralisation and local democracy, comparative projects on frameworks for participation in local governance worldwide. This paper is based on desk research and country reports provided by the following researchers:

- The Association of Local Government Authorities of Burundi (ABELO)
- Association of Local Authorities of Tanzania (ALAT)
- Association of Local Government Authorities of Kenya (ALGAK)
- Rwandese Association of Local Governments Authorities (RALGA)
- Uganda Local Governments Association (ULGA)

We would like to extend special acknowledgement to the collaboration of Mr. Mohammed Perre, from PERC-PACE, for his valuable contribution to the elaboration of this report. He assured the collection and the analysis of the different contributions of the national local governments' associations and developed complementary studies.

This report is divided into five sections (A to E). Section A is the Introduction. Section B is the Executive Summary and it observes that East Africa still has a long way to institutionalise decentralisation and local governance. Section C gives a detailed overview on decentralisation and local governance in East Africa. It looks at the four key concepts – democracy and decentralisation, citizen participation, local governance and accountability in the five East African Countries. Section D examines fiscal decentralisation revealing the structure, functions and responsibilities, fiscal transfers and sources of own revenue. Section E offers recommendations on policy directions to strengthen decentralisation and local governance in the region.

b

EXECUTIVE SUMMARY

b1 Introduction and Overview

The five partner states of Burundi, Kenya, Rwanda, Tanzania and Uganda are in the process of implementing decentralization whose objectives include creating political space to accommodate local autonomy, expanded inclusive democracy in decision making, and availing resources for effective decentralisation to take place. For the last two decades, in an effort to realize these objectives, the five partner states have reviewed their institutional arrangements and fiscal relations, and the mechanisms for transfer and wealth creation between the centre and local governments.

Local Governance

The five Partner States are at different levels of reforming local governments to meet respective country objectives. Policy level documents adopted by the five partner states focus on the need for efficient, effective and accountable local governments that deliver services to the local communities at affordable costs. Local governments considered as the appropriate local governance levels where poverty reduction and wealth creation issues can be addressed with the participation of citizens. This situation is illustrated by the Kenya Vision 2030, Vision 2020 for Rwanda and Uganda, and 2025 for Tanzania.

The current structure of local governance reveals variations in the number of levels of government: Burundi, Rwanda, Tanzania and Uganda have three tier governments while Kenya has a two tier government system.

Decentralisation

The institutionalisation of decentralisation and democratic institutions and systems of accountability in local governments entails particular challenges for both the leadership and the citizens. Decentralization means increased efficiency, more equity, and greater participation and responsiveness of government to the demands of their citizens.

Decentralisation is, therefore, a political and administrative process that defines a shift in the locus of power (political and administrative) from traditional lines of command and control to popularly elected local level. It involves the transfer of powers and functions from the center to the lower political entities. When the transfer of authority is sufficient, local governments obtain political, financial, and administrative autonomy to better address community needs. The more the decentralised powers, functions and responsibilities the more inclusive and accountable the local governments become.

East African countries have adopted a decentralisation model that advocates devolution as illustrated by the Constitutions of Uganda, Rwanda and Kenya and in the policy guidelines of Tanzania and Burundi. The statutes give the local government full mandate, power and authority to delivery of service to their residents and citizens. However, the increased dependence of local governments on fiscal transfers at the expense of developing own sources of revenue reduces the momentum towards autonomy.

Country experiences indicate that while governments have embraced the need for decentralization and have put legislative mechanisms in place, the issues around fiscal decentralization are still to be tackled in a more meaningful manner. Inadequate resources and management skills both at the national and local government levels continue to slow down efforts towards decentralization. Important issues of accountability and efficient public expenditure management, participatory budgeting, greater transparency in public procurement and contracting procedures still need to be streamlined for a higher development impact.

Country reports show that the national governments have embarked on the following reforms:

- Constitutional review that entrench local governments as a sphere of government,
- Legal review of existing legislation through the parliamentary process
- Development of government policy papers that are explicit on expanded democracy and community participation in decision making process,
- Assigning the taxing powers to finance local mandates and execute expenditure responsibilities,
- The development and strengthening of existing local governments through capacity building in readiness to assume added responsibilities that comes with decentralisation.

Impact of the East African Community and the Global Market Place

The East African Community Customs Union and Common Market, provide the local governments an opportunity to promote good governance through their involvement and participation in the concerns affecting the Community. In the East African Community Common Market there is an opportunity for policy coordination, fiscal competition and capital mobility. This has a direct impact on local governments because it is in local governments that goods and services are created and traded. Local governments in the region have in the past determined their trading licenses and other charges based on the existing single country legal framework, which will require a review to take account of the Common Market Protocol. Therefore, as decentralisation and local governance takes root, local governments shall be challenged to practice good economics and implement good local taxation. The national governments on their part shall be expected to coordinate the harmonisation of fiscal policies and budgeting processes to ensure sustainable flow of resources to local governments for local service delivery and local economic development. In addition the following issues need to be addressed at the national level:

- To institutionalise decentralisation and local governance processes, strategies and systems by providing a clear definition of the roles and functions of the various spheres of government;
- To ensure that the existing decentralized local government structures, systems and procedures are consolidated;
- To widen the economic/revenue base of the national and local governments and strengthen their revenue mobilization mechanisms;
- To mainstream and strengthen participatory planning and to develop skills in preparing integrated local government development plans, budgets and resource mobilisation plans as a step towards deepening democracy and decentralisation; and
- To establish strategies for capacity building and retention of staff at the local government level to reduce the high human resource turnover; and
- To prepare and implement policies and legislation to address the mismatch between expenditure needs at the local levels to deliver services and the shortfall in resources.

b2 Local Finances

Fiscal decentralization means the assignment of additional powers and revenues to local governments. An enabling environment for fiscal decentralization in East Africa begins with the national constitution, followed by legal mandates and policy frameworks for some minimum level of autonomy, rights and responsibilities for local governments. This provides a foundation for assignment of appropriate functions and revenues to local governments. In assignment of functions and revenues the central governments have to take cognisance of the fact that the local government shall have the capacity and framework for community participation in providing the required services.

Local governments sources of revenue include own revenue sources (user charges and property taxes) and fiscal transfers from central government. Descentralization policies in East African countries pose many questions concerning the capacity of intergovernmental transfers to cover local government fiscal imbalances, to offset fiscal capacity differences, and to address specific needs.

The national government transfers are remitted either as sector grants (Uganda, Rwanda and Tanzania), conditional grants (Rwanda, Tanzania and Uganda), general/non-conditional grants (Burundi, Kenya, Rwanda, Tanzania and Uganda), capital transfers (Burundi, Kenya, Rwanda, Tanzania and Uganda) and equalization funds (Tanzania and Uganda). Current intergovernmental fiscal transfers by country as a percentage of public sector revenue vary from 1.34% Burundi, 2.23% Kenya, 26.91% Rwanda, 32.77% Uganda to 40.9% Tanzania. However, the transfers are inadequate to meet the local expenditure requirements and sometimes are received late (Kenya and Burundi). Local authorities are also unable to fully collect local revenues. Some national governments have used this excuse to centralise some revenue responsibilities from local government (i.e. GPT in Uganda and Kenya, and development tax in Tanzania).

The challenge facing local governments in revenue collection and utilization include the need to obtain the approval of national government to levy taxes, and the lack of management and administrative capacities. These issues affect the revenue raising potential as well as limiting the autonomy of local governments.

b3 National and Regional Associations

Local governments and their national local government associations (LGAs) are facing major challenges in lobbying for intergovernmental relations in their respective countries. The establishment of the EAC has given the local governments and their LGAs leverage and space for concerted efforts to consolidate policies and legal frameworks to enhance resources both at local and national levels. The EAC has also created an enabling environment for decentralized initiatives for partnerships and networking among the LGAs through their regional umbrella organization (EALGA).

Each of the five partner states recognizes the importance of LGAs that act as a "voice" for the different categories and levels of local governments in their advocacy and lobbying efforts. The LGAs promote regional integration through programmed activities and participation in regional workshops that address local government issues at regional level.

b4 Policy Direction

The challenge the governments and people of East Africa are facing concerns institutionalisation of functions and strengthening the roles of the decentralised governments in national development.

The existing local government landscape in the region has demonstrated limited revenue generation capacity, partial control over their resources, weak local tax administration capacity, and lack of qualified human resources to manage the transferred responsibilities. The local governments also experience irregularity, inadequate transfers and access to financial markets.

To address these problems there is a need to re-examine the policy, legal and regulatory frameworks, institutional arrangements, capacity building strategies of local governments, the status and level of autonomy of local governments in budgetary allocations and local government financing. Some work has been done in this direction. However, there is further need for policies and legislation to address the problems

C

OVERVIEW OF DECENTRALISATION AND LOCAL DEMOCRACY

This overview section lays the context of the region and some of the basics of decentralization and sub national government systems. East Africa, in this report refers to the five Partner States of the East African Community: Burundi, Kenya, Rwanda, Tanzania and Uganda.

C1 Key Concepts

The East African countries of Burundi, Rwanda, Tanzania and Uganda are unitary states with multi-tiered governments in which effective control of government functions rests with the national government. Kenya recently adopted a new Constitution which gives powers to a national government and county governments. A unitary form of government facilitates centralised decision-making in the implementation of national objectives. The challenge of this system is to provide equitable public services and reflect the variety of local needs.

1. Democracy and Democratization

Democracy and **democratisation** are contested concepts in East Africa. The post-colonial governments inherited autocratic forms of governance, with little or no citizen participation. It was also held, by the political leadership then, that African political parties emerged from nationalist anti-colonial struggles and were therefore expressions of unity, not competition advocated by multi-party democracy[1].

In **Kenya**, for three decades (1963-92), one-party system (Kenya African National Union – KANU) dominated politics and development. One-party and often authoritarian regimes were justified through reference to African traditional values and consensus-based forms of dispute resolution. One-party democracy was further justified by arguing that office-holders elected at a local level were representative of the local community and performed a "linkage" function by working for their "community" interest at the national level' (Crook 1999: 116). The 2007 elections and the post-election violence that followed, led to the National Accord on unity bringing together the two opposing parties of Orange Democratic Movement (ODM) and the Party of National Unit (PNU). The Political Parties Act 2008 and the 2010 Constitution have streamlined political competition and multi-party democracy.

In post-independence **Tanzania**, the Tanganyika African National Union (TANU)

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[1] The founding fathers of the two East African States (Kenya and Tanzania had argued that multi-party was not compatible with consensual decision making methods of indigenous conceptions of governance, and therefore not relevant to the emerging East African States. This led to one party democracy in Tanzania led by Chama Cha Mapinduzi (CCM) and in Kenya by Kenya African National Union (KANU)

promoted Ujamaa (people for development of people) policies focusing on democracy and socialism (Ujamaa), which were laid out in the Arusha Declaration (1967). The Ujamaa policy was considered as addressing 'citizen participation' in the governance and service provision. However, in practice, the space for citizen participation in local or national governance and especially for dissent outside of the one-party system remained limited for more than two decades after the Arusha Declaration.

In **Uganda**, after the victory of the National Resistance Army (NRA) in 1986, a 'no-party democracy' - leading the establishment of the National Resistance Movement (NRM) was introduced. Part of the justification for this system was to promote national unity and reconstruction after years of civil conflict (that dogged the country from independence) and ethnicity (political parties had tended to fragment along ethnic lines). Like KANU and TANU the NRM's 'popular democracy' was a critique of Western multi-party democracy. The NRM held that citizens could participate in decision-making directly without divisive party structures. Critics, however, insisted that the NRM was a political party in all but name (Bazaara 2002: 5), and that no-party democracy effectively neutralises, delegitimizes and disallows divergent tendencies (Brock *et al*. 2002: 37), limiting space for competition and participation.

Rwanda and Burundi were colonized by Germany, following the 1884 Berlin Conference and were then referred to as German East Africa (including mainland Tanzania), and were administered as protectorates and retained the existing structures of kingdoms, appointed chiefs and opinion leaders to execute orders at the local level. This arrangement remained in place until the end of the First World War when Belgium replaced Germany as the new colonial power.

Administrative reforms initiated in 1926-31 and by 1946 Rwanda had made strides in political representation with limited citizen participation. The system of local government in place involved decentralization with community level representatives and coordinated at the district and provincial levels through the prefectures. The provincial level was a deconcentrated system of central government employees responsible for coordinating and/or supervising the lower units (districts and communities) to ensure compliance with national directives.

The situation in Rwanda and Burundi has been significantly influenced by social and political developments of the 1990s leading to new political dispensations that have provided expansive space for citizen participation, democratisation and governance.

Each of the five East African countries experienced periods of autocratic or authoritarian rule. In recent years, however, all the countries have seen the return of multi-party elections, respect of law, and workings within national constitutions, as a result of both internal and external pressure.

2. Citizenship and Citizen Participation

Citizen Participation practices vary from one country of East Africa to the other. In Uganda, every citizen was deemed to be a member of the NRM and therefore both eligible and 'duty-bound' to participate in local governance (Crook 1999: 117). In the early days of the NRM government, then, as during Ujamaa in Tanzania, citizen participation was considered when the community took part in the social change and political activities, while in Kenya it was defined by joining and supporting the then ruling party KANU. However, this did not always include participation in decision-making.

Citizenship in all five countries is also to some extent rights-based: the constitution of each country lays out both the 'inalienable' rights of citizens (see section 3.2) and their duties and responsibilities including participation in elections.

3. Decentralisation[2]

> ***Decentralisation: is the creation of local self-government; where locally elected representative bodies are assigned responsibilities and resources and make independent decisions with regard to the provision of services to their citizens.***
>
> ***United Cities and Local Governments***

The process of decentralisation to local governments brings decision making as close as possible to the people. The process of empowering local governments ensures needs and demands at met at the smallest possible scale allowing decisions to be tailored to the local context. However simply decentralisation is not enough to guarantee good governance. The institutionalisation of citizen participation, accountability and transparency are essential as the process of decentralisaiton moves forward in East Africa.

Although there can be general consensus on the definition of decentralization controversy arises in measuring the level of decentralization among different countries. It is more problematic to state precisely which country, of the five partner states of the EAC, is more decentralized than others? When measuring the level of decentralization in a country a holistic approach has to be employed

[2] Decentralisation has been variously defined as deconcentration (spatial relocation of decision-making), delegation (assignment of specific decision-making authority), or devolution (transfer of responsibility for governing). Each of these definitions has been in evidence in attempts at decentralization in east Africa.

and all facets of decentralization critically analyzed.

Decentralisation reforms in East Africa have been ongoing since the 1980s and are linked to social and political developments, often leading to new constitutional and or political dispensations. For example Kenya has enacted (2010) a Constitution with two levels of government. In Burundi the 2000 Peace Agreement opened the way for establishment of communes creating two levels of government.

C2 Historical Context and Constitutional Framework

1. Historical Context and Local Governance

Although the countries have experienced widely divergent leaderships and ideology, their structures of governance have moved in remarkably similar directions. They not only became single-party or non-party regimes, but continued to allocate limited roles and inadequate revenue bases to local governments. All have experimented with limited forms of decentralisation, and have experienced in recent decades a recentralisation of functions and services.

In **pre-colonial** East Africa, local governance was a truly *local* affair there were some forms of participatory governance: in **Uganda**, major decisions were taken by community consensus while household heads, clans, elders and chiefs were responsible to the community (Chandwong 1999: 1). In **Kenya**, tribes were governed by councils of elders instead of individuals (Smoke 1994: 62). In the case of **Tanzania**, chiefs were normally chosen democratically and were accountable to their subjects. An 'abuse of honour and trust bestowed upon a chief by the people could lead to his removal' (Shivji and Peter 1999: 8). In **Burundi** and **Rwanda** there was strong monarchical traditions bound by strong community cells.

These forms of local governance were replaced in the **colonial** period in **Uganda** and **Kenya** by a system of *chiefs* invented by the British, though the **Buganda** monarchy and local chiefs and headmen were co-opted wherever possible. This form of indirect rule was in a deconcentrated system of administration and dominance in which colonial power extended to the local level. The chief had a wide range of powers *vis-à-vis* the peasantry, and was responsible for tax collection, law and order, road maintenance, and ensuring specific crops were grown. Headmen and chiefs were selected by the Provincial Commissioner and remained wholly subservient to him. **Tanzania** first colonised by the Germans retained a highly centralised form of governance; but after the First World War, when it was ceded to the British, a similar chief-based system of indirect rule was adopted. **Rwanda** and **Burundi** also were colonised by Germany and administered as protectorates retaining their traditional structures of kingdoms, with appointed chiefs and opinion leaders executing orders at the local level. The powers of kingdoms were significantly reduced in 1931 ushering in political representation in 1946 following the UN Mandate.

Post independence **Burundi** experienced political instabilities throughout the 1960s up to the early 2004, with issues related to democracy and local government reforms taking a back seat. The monarchy was replaced by single party dictatorship in 1966. The 1992 constitution that provided for multi party democracy was interrupted by internal disputes and civil wars that lasted until the year 2,000 when a new transnational government resulting from the Arusha Peace Reconciliation Agreement was formed. This country has gone through difficult periods of internal strife that have led to the United Nations supervised power sharing arrangements among the ethnic communities to the present day. The United Nations peace keeping mandate that came into force in June 2004 has had to address a number of key issues that included those of constitution making, judiciary, armed forces and police. The new constitution was adopted in 2005 and elections held at local community level (community councils), parliament and the presidency. The 2005 constitution allows for multi-party democracy. Burundi today has more than 49 political parties and has held elections for all levels of government in both 2005 and 2010, however the allegation of vote rigging at the local level in 2010 resulted in the major opposition parties boycotting the presidential elections and locally elected officials are yet to win legitimacy among the citizens who are surviving on the margin.

The first **local councils** were created in **Kenya** in the colonial period for white settlers to defend their interests and decide on local affairs. Local councils for indigenous peoples did not appear until after 1924, and then only in **Kenya, Uganda** and **Tanzania**. Although the system allowed for some degree of representation, it was a deconcentration rather than decentralisation of colonial power, and served to increase colonial authority.

In the brief period before and after **independence**, East Africa experienced the rapid evolution of mass politics and civil society, in the form of general political parties, independent trade unions, parents' associations, youth organisations, peasant unions, among others, all voicing demands for increased democratisation. Civil society groups as well as formal political parties demanded increased independence; however, the political space opened during the independence movement was quickly closed again in the years that followed in the move towards one-party regimes and state-centred development.

Kenya gained independence in 1963. The independence constitution gave strong powers to the regions and instituted a decentralised system of governance that offered legislative powers, financial capacity and executive authority to local governments. However, in 1964, the ruling Kenya African National Union (KANU) merged with the main opposition party Kenya African Democratic Union (KADU) effectively creating a single-party state. The constitution was successively amended to return powers over police, education, health, agriculture, livestock and land acquisition to central government, a centralisation that remained in force until August 27, 2010 when the new Kenya Constitution was enacted to create a cooperate system of national and county governments.

In 1969, control over the Graduated Personal Tax was transferred from local to central government, stripping local governments of most of their revenue. For over three decades (1970-2010), Central government has had the power to dissolve local councils including the elected membership, replacing them with central government-appointed commissions. Central government also approved local government budget and development plan proposals, in addition to which centrally-appointed provincial commissioners (PCs) oversaw many aspects of local government and local development. In 1983 the government instituted a limited decentralisation programme through the District Focus for Rural Development (DFRD) to provide for participation of the community in development decisions.

Despite this, however, the District Focus represented more of a deconcentration of central power than any real devolution of power to the districts. More powers were given to national government appointed District Development Committees district development committees (DDCs) and District Commissioners district commissioners (DCs), with no increase in power for elected councils. Citizen participation remained limited, despite some formal provisions for project proposals to be initiated at sub-location level through the Divisional Development Committees (DDCs).

After the end of the cold war, development partners and international financial institutions (IFIs) shifted their attention towards 'good governance' and began to pressure for reforms. The effect on Kenya was democratisation became a condition attached to development lending and aid. Simultaneously, internal pressures for democratisation increased, through pro-democracy groups and popular protests. Faced with a potentially mobilised population, and a determined donor constituency, the first multi-party elections were held in 1992. However, even as the democratisation process advanced nationally, local government reforms were not given priority, and a review of the Local Government Act CAP 265 was never undertaken.

On the 27th August 2010 Kenya adopted a new Constitution with a devolved government system. This Constitution gives powers to the People of Kenya and provides for a two-tier devolved governance model. Functions, roles and responsibilities are specifically assigned between the national level and 47 counties governments, with both levels having both assembly and executive structures.

Tanganyika gained independence in 1961 and merged with Zanzibar to become

Tanzania. The chieftaincy system was immediately abolished, while district, town and municipal councils were retained, and elected through universal adult suffrage, with a limited number of councillors co-opted by the council or appointed by ministers. In 1965 the government declared a single party state, having serious implications for both local governance and civil society. Chairmen of district councils were no longer elected; the district chairman of the party became *ex officio* chairman of the council. The Local Government Elections Act of 1965 stipulated that all councillors had to be TANU members; and the supremacy of the party over all political activities was enshrined in the constitution. This curtailed both the independence and abilities of both local governments, which became an implementing agency of central government rather than a representative body of governance answering to local needs.

The Arusha Declaration the 'African path to socialism' of 1967 provided for some degree of participation through a new emphasis on the village as the site of development and as the basic unit of organisation. 'Villagisation' became compulsory in 1973, and nine million peasants and pastoralists were relocated in villages (Shivji and Peter 1999: 13). Villages were to be governed by a Village Assembly, made up of all adult members of the village, and a Village Council, elected by the assembly; functioning under the control and supervision of the district council and Ministry of Local Government. However, in 1977, TANU became Chama Cha Mapinduzi (CCM), and passed the constitution formalising party control over mass organisations and politics; and rendering the civil society inactive.

Meanwhile, local government was progressively undermined both in terms of revenue and influence. In 1972, representative institutions at local levels (district, town and municipal councils) were abolished altogether and replaced by government appointed Regional and District Development Committees. These reforms represented a deconcentration of the government bureaucracy from the centre to the regions and districts. As time went by, participation waned, and the quality of services deteriorated. Due to these failures, and donor pressure, elected district councils were reintroduced ten years later (1982) alongside the deconcentrated central government institutions.

In the late 1980s, the government set up the Nyalali Commission to investigate a return to multi-party democracy. This was accompanied by an upsurge in activity by civil society groups, including mass organisations, pro-democracy groupings, women's groups, professional associations and trade unions. The majority of those consulted favoured retaining a single-party system but with sweeping reforms. This was seen as a sufficient mandate for change, and a multi-party system was re-introduced in 1992. Local government was reformed accordingly, but only fairly minimal changes were made, with the exception of a provision mandating that one quarter of the members of local councils be women. The return to multipartism also had major implications for civil society renewing its autonomy. In 1996 the government started a formal reform programme - the Local Government Reform Programme (LGRP). The first phase of the LGRP was undertaken between 1998-2008, and the Second Phase (LGRP II) will be implemented between 2009-2014.

Uganda gained independence in 1962. The post-independence Constitution contained a bill of rights and provided for a multi-party democracy. Local government structures remained relatively unchanged, except for some democratic reforms. Local councils were elected through one-person one vote secret ballots; however candidates were pre-screened by political parties. The chieftaincy system was abolished, although chiefs were reinstated in 1967 to settle ‘minor’ civil cases. The political space that was opened by independence began to close again by the mid-1960s. In 1967 the government introduced single-party rule and a central state-dominated system of local government in which all councillors were nominated by Minister of Local Government. In the 1970s the government introduced some local government reforms, including a law allowing for the election of chiefs at parish, sub-county and county level. A semblance of democracy was restored in 1980, but the first elections were widely regarded as rigged, sparking off a bloody five-year civil war that brought in the NRM in 1986. The NRM has been in power since and recently won a resounding victory in the 2011 elections, giving them a prolonged mandate until 2016.

The NRM established community-based Resistance Councils (RCs) responsible for maintaining law and order, setting in motion a new way of exercising democracy at the local level. The structure of the RC system included all adult members of a village who made up the RC1 Council; this council elected a nine-member RC1 Committee. RC1 Councils elected the RC2 Council at parish level; the RC2 Council elected the RC3 Council at sub-county level, which in turn elected the RC4 Council at county level, which in turn elected the RC5 council at district level (ibid: 229). This 5-tier system became the basis for the current local council system, enacted in 1997.

Rwanda has two tiers of government, national and local, with local government enshrined in the constitution (2005). The main legislative text regarding the administration of local government is the “Organic Law No.29, 2005”. Local government is structured in four tires (30 districts, 416 sectors, 2,148 cells and 14,837 villages). Local elections were last held in 2011.

2. Constitutional, Legal and Policy Framework

The East African countries inherited relatively centralised systems of government from their colonial powers, and in the first years of independence there was often a tendency to maintain, if not strengthen, central control and centralised systems of planning, in order to encourage a sense of national unity and reinforce the new government and its policies. The decentralisation process has been slow and often the appropriate institutions have not been put in place, with notable exceptions in Rwanda and Uganda. The lack of capacity and resources to deliver on local mandates has been a major challenge. However, the intentions, processes and provisions incorporated in the legal frameworks of decentralisation policy were dictated by the circumstances that prevailed in Uganda and were practiced even before they were legalised[3]. For instance the institutional arrangements for elected local councils at both LGs and administrative units in Uganda were a refinement and consolidation of the operation of Resistance Councils of 1987.

Although a number of countries adopted decentralization policies during the 1990s the pace of transformation has been very uneven across countries. Some countries are proceeding fast while others have only just created units and transferred responsibilities and revenues to them. All countries have adopted legal texts[4] that require central government to proceed towards a more decentralized system. Table 1 below summarises the policy and legal instruments put in place in each of the five countries to facilitate the process and institutionalize decentralisation.

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[3] This was applicable in Uganda, Rwanda and Burundi. Best practices were then transformed into law and structured for delivery of services and relations between the centre and lower levels

[4] The recent promulgation of the constitution in Kenya is case in mind. The Constitution in Chapters 11 and 12 provides the framework for serious decentralisation efforts in Kenya, putting the Counties on a pedestal.

Table 1

Decentralisation Instruments in each of the Five East African Countries

Country	Decentralisation Instruments	Remarks
Burundi	· The Communes Law 2005	· Operational
Kenya	· The Constitution of Kenya (2010) chapters 11 and 12 · The County Governments Bill 2012 Intergovernmental Fiscal Relations Act 2012Local Authority Transfer Fund Act No. 8 1998 · Kenya Local Government Reform Program (KLGRP) · Intergovernmental Relations Act, 2012Rating Act Cap 266 and the Valuation for Rating Act (cap 267) · Physical Planning Act, Urban Areas and Cities Act 2012 · Transition to Devolved Government Act 2012	· Provides for devolved government · Just enacted · Awaiting accent by President · KLGRP and KMP on-going and being redesigned · Just enacted · Should be widely applied to maximise property tax · LG land is held in trust · LG environment regulation
Rwanda	· Government of Rwanda's Long Term Policy Paper Vision 2020 and Rwanda New Economic Development and Poverty Reduction Strategy (EDPRS) · National Decentralization Policy (2001) and Rwanda Decentralization Strategic Framework 2007. · Joint Action Forums for Development · Public Accountability Day	· Framework for social development and economic growth · Provides a long-term strategy for decentralisation · Encourage partnerships · Downward accountability
Tanzania	· Constitution of the Republic of Tanzania · Policy Paper on Local Government Reform 1998 · Local Government Reform Programme 2000 · Letter of Sector Policy on Fiscal Devolution and Capacity Building 2004	In the process of negotiating new dispensation for a forward looking local government system. Discussions are underway towards a new constitution

Uganda	· The Ugandan Constitution of 1995 · The Local government Act 1997 · Establishment of the Decentralization Secretariat · The Fiscal Decentralisation Strategy (FDS), 2002; · Joint Annual Review of Decentralisation (JARD, 2004) · The Decentralisation Policy Strategic Framework (DPSF); · The Local Government Sector Investment Plan (LGSIP), June 2006.	National government is accused for reversing decisions and policies on decentralisation and attempting to recentralise by compromising sections of the law

Experiences and lessons learned during the two decades of decentralisation in East Africa suggest that the three fundamental roles of the State of equitable distribution of income, stable economic environment and efficient allocation of resources, cannot be successfully performed without an elaborate intergovernmental fiscal regime. The situation in East Africa demonstrates a policy shift and an attempt to put in place a system of decentralization with an intergovernmental system that will ensure that power, functions, responsibilities and resources are decentralised to the local government sector.

It is important to note that the Country Constitutions of the five States oblige all levels of governments to work cooperatively. Accordingly, numerous intergovernmental bodies, such as the Revenue Allocation Commission (Kenya), Intergovernmental Fiscal Relations Unit (Rwanda), Local Authorities Investment Fund (FONIC) and the Fund Transfer to Territory Administration (FAAT) (Burundi), Budget Forum (Uganda) have been established in order to facilitate consultation and cooperation among stakeholders to guide intergovernmental fiscal relations.

Political will is critical for meaningful and purposeful decentralisation efforts. In cases where political will exists decentralisation is realised faster. National and regional local government associations must engage national leaders on decentralisation, while simultaneously working to show good results at the local level.

In **Kenya,** before independence there were two systems of government at the local level – one for Africans and the other for Europeans. The Ordinance in Council of 1952 created African District Councils and local councils. In the European settler area, there were established the county, the district and the area or township councils. At independence, the **Independence constitution (1963)** guaranteed a wide range of functions to the councils. The local government structure was harmonized with the creation of 39 county councils, municipalities (including the

City Council of Nairobi), and townships, urban and local councils. It also created Regional Assemblies (RAs) with legislative powers in matters relating to laws for peace, order and good governance. They were also assigned matters related to agriculture, primary and secondary education, housing, licensing of traders, public health, certain category hospitals, and community development services. Citizen participation was not provided for at the regional level as it was assumed that elected assembly members represented interests of the electorate. The existence of the RAs was terminated in 1964 as a result of extensive constitutional amendments and the decision to make Kenya a unitary State.

Following the collapse of RAs, Central Government established parallel structures at the Provincial, District, Division and local levels to which it assigned government officials from sector ministries, including those from the president's office who headed each of the units and coordinated "development activities". The district commissioner became an ex-officio member of the county or the municipality representing the central government and exercised veto powers over council resolutions that he did not support.

The Local Government Regulations of 1963 guided the local government structure. The functions and responsibilities that local governments executed were now duplicated by those sector ministries like Education, Public Health, Public Works, Roads, and Agriculture, which now had representatives at the local level. General and specific grants previously remitted to local authorities prior to independence stopped. Local taxes like GPT and levying of agricultural produce cesses were discouraged and later abolished.

In terms of democratic representation, local government officials continued to be elected by the residents, however, one third of their members were appointed by the central government. Local government budgets passed by the respective councils at their Annual General Meetings were subjected to the approval by the Minister for Local Government. The establishments of commissions to run major local authorities like Nairobi City Council, the Municipalities of Mombasa, and Kisumu disenfranchised the citizenry who lacked elected representatives to lobby on local issues.

The Government introduced a general grant in 1998/99 National Budget, the Local Authorities Transfer Fund (LATF) to assist improve the performance of local authorities. The Association of Local Government Authorities of Kenya (ALGAK) mobilized the membership countrywide to lobby for increased autonomy with an emphasis on devolved system of government accountable to the citizens and participatory.

The promulgation of the new constitution on 27th August 2010 marked a major change in **Kenya's** governance framework. The new legal requirements, structures, roles and responsibilities defined by the constitution will impact significantly on the framework and implementation of further public service reforms. Most significant are chapters; 4 – The Bill of Rights, 6 - Leadership and Integrity, 9 – The Executive, 11 – Devolved Government, 12 – Public Finance, 13 – The Public Service and 15 – Commissions and Independent Offices.

Amongst the key changes will be:

- The creation of counties with autonomous governments and budgets;
- The appointment of Cabinet Ministers from outside members of Parliament;
- The requirement to have no more than 22 Ministries;
- The requirement for equitable sharing of national revenue;
- The new Bill of Rights (e.g. including a provision for members of the public to take civil servants to court, right to information, right to participation);
- The requirements for ethical leadership and integrity among state officers;
- Values of state-accountability, transparency and non discrimination;
- Restructured Commissions such as the Public Service Commission and the Salaries and Remuneration commission ; and
- The absence of a Prime Minister.

These constitutional provisions provide a compelling legal basis to overcome some of the key barriers to public service reform that have existed to date. For example, the provision on a maximum number of Government ministries should inherently improve the efficiency and effectiveness of service delivery by allowing for a rationalization of mandates and a potential reduction in the overall size of the civil service. The new county structure allows for service delivery to be brought closer to the citizens, it also provides a unique opportunity to shape and develop a new governance and management structure and culture at that level.

The extensive bill of rights opens the space for citizens to demand better services and participate more actively in holding Government to account. The provisions on public service values and principles, on leadership and integrity and on the structures and staffing of key entities such as the Public Service Commission, Ethics and Anti-Corruption Commission, Salaries and Remuneration Commission, Kenya National Human Rights and Equality Commission all provide a strong framework and accountability mechanisms to transform the culture of the public service towards ethical performance, results orientation and customer focus.

Work is nearing completion to incorporate these new constitutional provisions into the Public Sector Transformation Strategy which is intended to provide the holistic vision and guiding framework for further public sector reforms. Also significant has been the development of Kenya Vision 2030 which was launched in 2006 to guide national development over the longer term. The Mid-Term Plan (MTP) 2008-2012 of the Vision is currently being implemented with significant efforts having been made to accordingly align the Medium Term Expenditure Framework (MTEF), strategic plans of Ministries Departments Agencies (MDAs) and annual budgets. This cascaded planning and budgeting framework is also synchronized and positive step in the implementation of results based management, an essential elements of good governance.

The New Constitution establishes two levels of government: a National and County Governments. The County governments (47 in total) will also house lower level local governments[5]. There is further provision within this new framework for sub-county levels for administration and service delivery, which include cities, municipalities and towns. The devolution process is set to take effect in 2013 following the general eleceltion. The legislative framework for this devolution is currently being built through the following bills and acts: County Governments Bill, 2012; County Governments Financial Management Bill, 2011; Intergovernmental Fiscal Relations Act 2012; Intergovernmental Relations Act, 2012; Transition to Devolved Government Act 2012; Urban Areas and Cities Act no. 13 of 2012

The Constitution gives the main object of decentralization in Kenya as to improve the efficiency of services delivery by aligning county government expenditure with local priorities. It also addresses the issues of accountability, participation, social and economic development. The objectives of the Kenyan devolved governance approach includes the promotion of democratic and accountable exercise of power, fostering of national unity, further decentralisation of State organs and ensuring equitable sharing of national and local resources.

Burundi has had a centralised system of Government until after the endorsement of the Arusha Peace Agreement of 2000. At the Arusha Peace Agreement 2000, it was the position of negotiators that the centralised system encouraged bad governance leading to perennial conflicts. The solution, entrenched in the Agreement was "decentralisation of the public resources" in order to ensure popular citizen participation. In 2005, there was a promulgation of a law regarding the communes which gives them the autonomy of self management. The democratic elections took place and various organs were put in place at different levels. The transfer of power to the local community has been too slow and this is feared it will negatively impact on the realization of the Millennium Development Goals 2015. The Ministry of Finance allocates funds to the sectoral Ministries for the sectoral goals which are elaborated according to the strategic framework to fight against poverty (CSLP). Local governments are not given the required importance in budgeting.

Rwanda has had, until very recently, a centralized planning approach without

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5 Two committees have been set up by the Ministry of Local Government to structure the counties including role and function definitions and the various tiers in a County.

local governments and with a minimal participation of the population in decision-making affecting their political, economic and social well-being. It transformed in 1990 from single party to multi-party democracy. The 1994 genocide was followed by the formation of National Unity and Reconciliation Commission (NURC). Through an Act of Parliament # 20/2000, the Government of Rwanda proposed the decentralization policy and strategy to commit to empower local communities to determining their own future, to achieve good governance, pro-poor service delivery and sustainable development. The legislation also established civic organizations and mandated local governments to provide public health, education, water and sewerage, markets, transport, burials and other social concerns, including promoting local economic development through citizens' participation. Civil society organizations were empowered to monitor local government process including getting involved in project implementation.

Rwanda adopted its decentralization policy in May 2001. The policy was adopted in order to achieve three main goals: (i) promoting good governance, (ii) poverty reduction, and (iii) effective accountable service delivery. The process started with the restructuring of administrative regions in 2001. After some consultations with major stakeholders the Government of Rwanda adopted the Rwanda Decentralization Strategic Framework in 2007, implemented in three phases:

Phase 1 (2000 to 2005): Period of Establishment and Operation of Decentralisation. The legal and organisational basis was established
Phase 2 (2006-2010): Period of Institutionalisation and Performance Management.
Phase 3 (2011-2015): Period of Sustainability Management

The Constitution of **Tanzania** also guarantees democracy and a range of rights designed to give the citizens space to participate effectively in the development of the country[6]. The bill of rights, however, was not incorporated into the constitution until 1984 (23 years after independence). The Constitution specifically guarantees participation: 'Every citizen has the right and freedom to participate fully in the process leading to the decision on matters affecting him, his well-being or the nation' (Article 21(1)). A further chapter is devoted to 'people's power'. To strengthen democracy and the people's power, the Government in 1998 adopted a policy of decentralization by devolution with the objectives of involving people in decision making, promoting good governance and reducing poverty. This policy was supported by a Policy Paper on Local Government Reform and further strengthened by the launch of the Local Government Reform Programme (LGRP) in 2000.

The first phase of the LGRP was undertaken between 1998-2008, and was based

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6 After the elections of 2010 the citizens of Tanzania have challenged the continued relevance of the Independence Constitution and are now demanding a new constitution.

in four main policy areas: Political decentralisation; Financial decentralisation; Administrative decentralisation; Central-local relations. The Second Phase (LGRP II) will be implemented between 2009-2014, and is intended to further empower local government authorities, and establish them as primary service providers in their areas of jurisdiction.

Implementation of second phase of the Local Government Reform Programme (2009 – 2014) is intended to further empower local government authorities, and establish them as primary service providers in their areas of jurisdiction. The objective is to ensure effective, empowered, Local Government Authorities (LGAs) as the primary and accountable lead actors of socio-economic development, public service delivery and poverty reduction in their mandated areas of responsibility.

The six key issues to be addressed under LGRP II are:

(1) Institutionalization of Decentralisation by Devolution in Government Operations;
(2) Decentralization of Human Resource;
(3) Fiscal Decentralization;
(4) Service Delivery Capacity and Effectiveness;
(5) Citizen Understanding of Reform Process and Assessment;
(6) Management and Accountability.

In parallel, following the multi-party elections held in 2011 the government of Tanzania accepted demands to increase democratization by taking measures towards formulating a new Constitution. A first law was passed in November of 2011 entitled "Constitutional Review Act No.8 of 2011". Following heavy criticism by opposition parties, CSOs and local government representatives and the wider population, the act was amended in January 2012. It is hoped that in the constitutional review process that the act which underpin local government (Article 145 and 146) can be strengthened to make the principals which underpin the local government system more robust.

Uganda was among the first countries in East Africa to make deliberate efforts towards meaningful decentralisation. The Resistance Councils Statute of 1987 laid the foundation for the decentralisation of authority to the people through their councils. The Local Government Statute of 1993, the Ugandan Constitution of 1995 and the Local Government Act of 1997 provide the legal backing for the decentralization process. Chapter eleven of the constitution is dedicated to the decentralized local government system. The legislative framework in Uganda is very comprehensive, detailed and consistent. Uganda has also established the Decentralization Secretariat, which is considered to be less subject to political manipulation, to oversee the decentralization process.

>> ***The implementation of the decentralisation policy in Uganda was intensive and largely successful at the beginning of the reforms (since 1992) because of high level political commitment starting from the President, the Minister of LG and Parliament; committed and competent technocrats pivoting around the Decentralisation Secretariat; and the timing of introducing decentralisation that coincided with the Constitutional review process which facilitated the detailed integration of the decentralisation policy in the Constitution. We have maintained this tempo with active people participation.***

Karazaarwe John Wycliffe, President Uganda Local Government Association

The **Uganda** constitution also promises to involve people in 'the formulation and implementation of development plans' (Article X) and lists 'participatory democracy' as one of the principles of the process (70(1)(a)). However, some analysts are beginning to think that "participatory democracy" in Uganda means the end of both participation and democracy, unless a holistic and inclusive approach of the 1990s is revisited and institutionalised.

3. The East African Community

The Treaty for the Establishment of the East African Community (The Treaty) was signed 30th November 1999 between the States of Kenya, Tanzania and Uganda, with two core objectives:

a) To develop policies and programmes aimed at widening and deepening cooperation among the Partner States in political, economic, social and cultural field, research and technology, defence, security and legal and judicial affairs, for their mutual benefit; and
b) Establish a Customs Union, a Common Market, and subsequently a Monetary Union and ultimately a Political Federation amongst themselves in order to strengthen and regulate industrial, commercial, infrastructural, cultural, social, political and other relations for accelerated, harmonious and balanced development and sustained expansion of economic activities and equitable sharing of benefits.

Over the last eleven years of the Treaty, the East African Community has realized good progress and has laid a firm foundation for a strong regional economic bloc. Indeed, the first eleven years of the implementation of the Treaty have witnessed systematic expansion of the regional programme and competitive positioning of East Africa in the global markets. The EAC has undergone major transformations and establishment of various institutions and mechanisms covering the broad range of social, economic and political areas of cooperation. Various measures undertaken in confidence building and harmonization of Partner States' policies have provided the basis for a sustainable regional co-operation and development.

The launching of the Customs Union in 2005 and the enlargement of the Community, with the admission of Rwanda and Burundi in 2007, have contributed to great stimulation of investments, trade and overall consolidation of the East African market. Following the establishment of the EAC's Customs Union, trade and investments in the region have grown, contrary to earlier perceptions that the Customs Union would retard or reverse trade and investment opportunities of some countries and even affect local revenue position of local authorities. Total intra-EAC trade and total EAC trade with the rest of the world have increased by between 20-30% annually. This success of the Customs Union has encouraged and reinforced the commitment of the EAC Partner States to the integration process. At the programmatic level, the Community continues to witness a rising tide of expectations and deeper appreciation of its mission to deliver the concrete benefits of integration to the citizens of the region.

In January 2010, the EAC Customs Union (which heralded free movement of goods), which was established in 2005, reached its threshold with all goods traded within the region attracting zero customs duty. On 1st July 2010 the EAC Common Market Protocol (free movement of capital, labour, services, rights of residence and establishment) was signed becoming operational.

Since then, the Community has sustained activity in the area of trade negotiations. The enactment of the EAC Trade Negotiations Act in 2008 came as a major breakthrough in the longstanding search for the EAC Partner States' commitment to negotiate as a bloc in the multilateral trade fora. At the broader continental level, the EAC has participated at the forefront of the Tripartite EAC-COMESA-SADC Arrangement, culminating in the hosting of the first Tripartite Summit in Kampala in October 2008. The Tripartite Summit's resolve to establish a Free Trade Area, and later a Customs Union, of a larger African economic area, of 26 African countries, is being pursued in earnest to strengthen EAC's competitiveness in the global markets.

EAC' common negotiation strategy is operational and the EAC is firm on the resolution of such critical issues, in the areas of market access, trade in services, technical barriers to trade, rules of origin, trade related aspects, agriculture and economic and development co-operation, in a spirit of give and take and fair trade for mutual benefits in any trade arrangement or agreement that would be eventually concluded.

The EAC is under no illusion that its economies continue to be encumbered by low competitiveness and is determined to address the challenges systematically and effectively. In this regard, emphasis is currently being placed on infrastructure development, including Railways, Lake Transport (Lake Victoria and Lake Tanganyika), Ports and Harbours, Roads, Civil Aviation and Energy. The EAC has engaged high level consultations, from the Permanent Secretaries and Chief Executives of public and private sectors levels to the Ministers levels, to examine in depth the infrastructure deficits and determine how best they can be addressed and redressed. Finally, during the Summit in Kigali in June 2008, the EAC Heads of State resolved on a prioritization and fast track of comprehensive strategic plans in the infrastructure sector.

Co-operation in Political Affairs

The ultimate goal of the Community is the establishment of the Political Federation of the East African States. This is a unique commitment of the EAC among the African regional economic communities and is based on the EAC's unique attributes of a common heritage and commitment to the pursuit of a common destiny. The process of wide consultations and sensitization of the East African people on Political Federation is making great headway. The EAC's Department of Political Affairs continues to conduct sensitisation and consultations with key stakeholders to mobilise greater political will for deepening EAC integration and coordinate cooperation among national statutory bodies and regional organisations to enhance cooperation in Political Affairs.

Co-operation in the Social Sectors

Over the past three years, the EAC has placed emphasis on the activities of co-operation in the social sectors which is intensifying and making increasing impact on the deepening of regional integration. In 2007, an EAC Forum for Ministers responsible for Social Development was established in order to provide a platform for East African Ministers of Social Development to share experience and harmonize policies and approaches in management of cross-cutting social concerns, such as poverty eradication and overall management of Millennium Development Goals (MDGs). The Forum has been responsible for elaborate preparations of national and regional approaches addressing identified challenges for social development and harmonizing the development of social policies in the region. Cooperative efforts have been given a further boost by the adoption of the EAC Regional Strategic Plan for HIV & AIDS (2008-2012) and the EAC Regional Gender and Community Development Framework and, on the whole, harnessing the energies and force of civil societies behind the EAC's broad range of areas of co-operation in the economic and political spheres.

EAC and Local Government

The EAC recognizes the role of local governments and civil society in the deepening and widening of the integration process. The Council of Ministers has invited proposals on how to integrate the local governments and civil society in its governance, programmes and projects and in regional development. In collaboration with GIZ, the EAC is also implementing **Support of the EAC Integration Process Programme** of which one of the components is *Institutionalisation of lobbying and advocacy of regional associations and organisations of the civil society at the EAC secretariat.*

EAC integration, although designed to generate and realize economic benefits for the citizens of the region, is a political process requiring political will and the involvement of political actors. Large mass of political activities and political representation is at the local government level. However, local governments can only succeed in enabling the local peoples to internalize the externalities of regional integration through building alliances with national states, the East African Legislative Assembly, the East African Community Secretariat, the East African Business Council, and other actors. This connectivity is essential in strengthening the role of local governments in the integration process in addition to empowering the citizens to participate from an informed position.

The last ten years of the East African Community have revealed that the region cannot expect the Summit and or the Council to speed up regional integration on their own without cooperating with and facilitating grassroots organisations and institutions to educate and involve the people, among these the local governments of the region and their representative associations. The East African Local Governments Association (EALGA) and the national local government associations, who make it up, represent the institutions of popular representation and political participation closest to the people. Local governments can be a key actor in strengthening the integration process, carrying out civic education, and dissemination on EAC treaties, protocols and policies to the citizens, as well as in implementing growth initiatives.

While the EAC is working to build connections with the local government sector, policies such as the East African Common Market Protocol (CMP) which will have far reaching implications on the regions local governments (on regulatory frameworks, revenue generation, service provision and trade management)[7] and have been developed without consultation or feedback from the local government sector.

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[7] See report Liviga, Athumani J. et all (2008) "EALGA Study on the Impact of the EAC Common Market Protocol on Local Governments in Partner States"

C3 Local Governance

1. The Realm

Local governments are a system whereby the national government allows the establishment of local levels of government with powers and authority to make decisions on local proprieties and actions and to mobilize local resources for implementation or execution. This definition identifies local governments as spheres of government with a level of autonomy over decisions, planning and resource mobilisation and application. By this definition local governments in East Africa still have progress to make as they remain in most case quite dependent on their national governments.

However, the the decentralisation process is also seen and reflected in how the policy, regulatory, institutional and financial arrangements are organised between levels of government. This distribution has a significant impact on the efficient and equitable provision of public services and this, in the five partner states of the EAC, ranges from mundane technical adjustments to public administrations that are largely agents of the state (Burundi and Tanzania) to radical redistribution of political power between central governments and relatively autonomous Local Governments (Rwanda, Uganda and now Kenya), resulting in national policy frameworks and entrenchment in country constitutions

Effective implementation often lags behind legislation and delivery depends on a range of preconditions as well as the country specific context. Political will, commitment and action define the direction, momentum and depth of decentralisation. Lack of politically meaningful policies and consistency in implementation often renders the decentralization process ineffective. In all the East African countries, instead of genuine political decentralisation, the central governments have continued to appoint senior officials of the local governments, strengthening administrative delegation (making local governments extensions of central governments and or undertake activities on behalf of central governments).

East African States, therefore, are at crossroads in their decentralization process. On the one hand, they have all declared their intention to strengthen the fiscal powers of local governments and followed up with policy declarations, and on the other hand, the institutional arrangements necessary to guarantee purposeful decentralization through the power to raise local revenues, has not yet been fully defined resulting in considerable state influence on local governments. In addition to their own internal pressure, the states are also facing regional pressures to consolidate their decentralisation processes. The onset of regional integration and cooperation and the recent launch of the East African Community Common Market Protocol have triggered increased urbanisation and cross-border activities giving rise to development of infrastructure intended to transform lives of millions of citizens in the region. Further, the East African Community Treaty Operational Principles of people-centeredness, subsidiarity and equitable distribution of benefits, bring into question the governments' commitment and actions towards decentralisation and democracy as dynamics of social development and economic growth

2. Country Profiles

East Africa encompasses some 1.8 million square kilometres and supports a population of 148.4 million, which is closer to 16% of Africa's entire population. Poverty incidence varies from 36% (Tanzania) to 70% (Burundi). Table 2 summarises the socio-economic profile of the five states.

Table 2

Country Profiles September 2010

Country	**Size**	**Population (2010 Estimates)**	Average Annual % Growth rate	Urban % of total	**Core Economic Activity**	**National Poverty**
Burundi	27,834 km^2	9.86 million	2.0	11.0	Agriculture based, employing 90% of labour force	69.8%
Kenya	582,646 km^2	40.9million	2.6	22.2	Agriculture based, employing 80% of labour force	52.0%
Rwanda	26,338 km^2	10.3 million	2.8	18.9	Agriculture based economy employing 90%of the labour force.	60.3%
Tanzania	945,234 km^2	40.5 million	3.3	26.4	Agriculture based, employing 80% of the labour force.	35.73%
Uganda	230,048 km^2	Estimated at 33.8 million	3.3	13.3	Agriculture based, employing 80% of the working population	37.7%
East African Community	1.82 million km^2	135.36 million	3.0	23.5	Agriculture employing more than 80% of the labour force.	48,7%

Sources: Kenya National Population Census 2009, UNDP Human Development Report 2009, EAC Update 2010

Was the above demonstrates East Africa is predominantly rural and characterised by high levels of poverty. Over the past four decades, East Africa has experienced an accelerated pace of urbanization. This trend suggests that by 2030 more than half of the regional population will be residents in urban areas. Over the next twenty to thirty years the East African governments at all levels will need to respond to the challenges posed by a significant demographic shift from rural to urban areas. The challenges will include the capacity:

- To absorb the populations
- To provide the needed infrastructure to facilitate growth and development
- To mobilise resources for local development
- To effectively provide the services that are essential to
  - a) meet the health and education needs of the residents and
  - b) promote prosperity and well-being of the urban areas, and
- To respond to the intricacies of climate change

Urban areas are currently playing a pivotal role in EAC economies, with an ever-growing contribution to the Gross Domestic Product (GDP) ranging between 50% and 80%. However, the scale and complexity of urban problems are intensifying and the high population density in large capital cities and semi-urban areas has led to an increasing number of people living in squalid and poverty stricken conditions, with slum areas often accommodating more than 50% of urban populations. The spiralling effects of this trend as well as the new challenges brought on by economic globalisation have made the development role played by States only more important and test their institutional capacity to correct socioeconomic imbalances.

A central priority of the East African governments, as set out in the Treaty for the Establishment of the East African Community[8], is to ensure the provision of a range of services to meet political, social, economic and cultural challenges, within the constraints of available resources. However, the effective and efficient delivery of social services that aim to meet the needs of citizens and improve their social and economic conditions needs to be set in a framework of pro-poor policies. These policies have to be costed, translated into budgetary programmes and prioritised through resource allocations to the tiers of government mandated to provide social services.

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[8] The Treaty for the Establishment of the East African Community Article 5: Objectives of the Community.

3. Macro-Economic Conditions

Domestic fiscal policies depend increasingly on the actions of other governments as financial and goods markets become more integrated within the framework of the East African Community Customs Union, the Common Market and the global market place. While this interdependency suggests a more prominent role for regional policy coordination, it also creates new opportunities for fiscal competition among the Partner States, either through taxes or public spending impacting directly on service delivery at national and local levels[9].

The tension between coordination and competition also puts pressure on gains already realized in the decentralisation process affecting transfers to lower levels. Indeed Uganda and Tanzania have experienced declining flows of funds from central government, as a result of the East African Partner States harmonization of monetary and fiscal policies and budgeting processes. In order to ensure a sustainable flow of resources to lower levels of government in a common or global market place the following principals and actions should be undertaken:

- Balancing the public budget should become a constitutional requirement in all Partner States;
- Establishing a common capital market to facilitate fund raising for local development;
- Using productive public spending as an instrument of fiscal competition and to attract mobile private capital.

As the East African Community Common Market becomes operational, governments of the Partner States will not necessarily bear the full cost of their debt; as a result they may be tempted to overuse this instrument. As a consequence the tax rates will be lower under non-coordination, as in standard tax competition models, albeit for a totally different reason, namely, the possibility to switch between the two funding sources, one of which entails a cross-border externality with the possibility of generating a negative price externality, specifically, an increase in the interest rate, reaffirming the importance of fiscal coordination at the region, and the need for vigilance by both national and regional local government associations. Secondly, the Partner States may be forced to rely on the immediately available instrument - inter-temporal budget constraints - rather than spending or revenue items. This action would reduce the capacity of local governments to meet the obligations to their constituents, because often international capital flows do respond to both tax rate differentials and other

9 The Treaty for the Establishment of the East African Community Article 84: Macro-Economic Coordination within the Community, Par 1 requires the Partner States to coordinate through the Council their micro-economic policies and economic reform programmes with a view to promoting socio-economic development for the Community and individual countries.

categories of public spending, such as infrastructure investments, research and development, health, public services and education spending, which are also core to service delivery by local governments.

With regard to local government funding and accountability a few basic principals should be remembered (i) local governments in addition to ensuring an equity of basic service provision should ensure that levels of service provision are aligned with citizens' willingness to pay for them; (ii) when local services are financed by citizens this increases Local Government's accountability to citizens (downward accountability); (iii) when local services are financed by the central government this increases Local Government's accountability to the centre (upward accountability), and (iv) local governments should be given the ability to raise local revenue and should be encouraged to tap these sources without undue central supervision (as downward accountability will be implicit).

Therefore, local governments must pursue good local tax based on the principles which include:

- **Revenue Adequacy** - the amount of local government revenue should match the amount of expenditure responsibility assigned.
- **Correspondence -** Local governments should not have access to taxes where there is potential to export a significant part of the burden to persons who live outside the expenditure benefit zone.
- **Capacity -** Local Governments should only levy taxes that they can effectively administer
- **Local Control** - Local Government should have some discretion to adjust the tax rate so as to adjust the "cost" of local services as understood by taxpayers. If the tax rate is centrally set the accountability link is broken.

In addition to local taxes there are a number of other options for raising funds and supplying services to local communities. Such options may include:

- **Service Charges and Fees** should be put in place for the use of specific services especially when these services are only accessed by a portion of the local population. Even in cases where full cost recovery is not possible the charging of a user fee discourages non-optimal use of services.
- **Loans and Borrowing** can be useful tool for local government especially for infrastructure investment where the benefit as well as the debt repayment will be targeted to future citizens. **Revolving loan funds** can also be considered to provide seed capital in support of local investment.
- **Public Private Partnerships (PPP)** should be used to broaden the funding base for local government services and local development initiatives having private firms co-finance or co-invest in local development. More general partnerships with communities group and other members of

civil society on the development and implementation of community projects should also be envisaged.
- **Maximising Efficiency in Procurement and Works** through the implementation of competitive bidding for major purchases and project of rehabilitation and construction to maximize value for money.
- **Maximising Operational Efficiency.**
- **One-Stop Customer Service Centres** in cities where citizens can access building permits, business licenses, document registries, and information on municipal property.

Decentralisation can also bring added benefits to rural communities. For instance (i) the establishment and empowerment of local governments can improve the ways in which local people manage and use natural resources, thereby improving the resource base on which poor people are often disproportionately dependent, enhancing the revenue base of local governments; (ii) the collaboration between local governments and citizens can produce "synergistic" outcomes to provide goods that would be unobtainable were they independent of each other; (iii) the democratization and empowerment of local administrative bodies can enhance participation in decision-making fora, particularly among groups that have been traditionally marginalized by local political processes; and (iv) local governments should seek to promote inclusion.

4. Structure of Local Governance

Political and Territorial Organisation

Decentralisation implies more than the downward delegation of authority. It entails a system of governance in which citizens possess the right to hold local public officials to account through election. It also defines a shift in the locus of power (political and administrative) from traditional lines of centralized command and control to local level popularly elected officials. In this respect each public service should be provided by the jurisdiction having control over the minimum geographic area that would best internalize benefits and costs of provision.

There are a variety of systems found in the EAC Partner States in which the number of levels of government varies as well as their constitutionally and legislatively mandated relationships. In most cases these range from provincial, district or city down to village level. Most of the levels are parallel units of central government, which increasingly demean the process of decentralisation.

Table 3

Political and Territorial Organisation

Country	Political System	Type of State	Regional and Provincial Level	Supra Communal Level	Municipality Metropolitan
Burundi	Presidential	Unitary			128 communes
Kenya	Presidential	Unitary		47 Counties	175 LAs, 1 metropolitan, 2 cities
Rwanda	Presidential	Unitary	4 Provinces		30 districts and 1 city
Tanzania	Presidential	Unitary	Self-Governing State of Zanzibar	92 Rural district councils	22urban councils, 92 rural councils, 3 townships and 10,364 registered villages
Uganda	Presidential	Unitary		111 district governments	24 municipal Governments 1,100 County governments

Prior to August 2010, Kenya had an essentially one-tier form of local government with four types of local authority: municipal councils, town councils, county councils and urban councils. Municipal councils represented large urban areas such as Nairobi and provided a wide range of services, including education, electricity, sewerage and water. Town councils represented smaller urban areas and provided a smaller range of services. County councils included rural districts and provided basic services, while urban councils were being prepared to become town or municipal councils (therefore under the control and direction of the county councils). In addition, are District Development Committees appointed by central government, which cover the same geographic areas as County Councils but serve counsel upon and enact development policy and play a role in local social and economic planning, budgeting and implementation processes on behalf of the central government (sector ministries). In some cases, similar committees have been instituted at the division, location and sub-location level, duplicating the roles that are elsewhere undertaken by elected local governments.

In terms of power and finances, local governments in **Kenya** were extremely limited. The control of the GPT (poll tax) was passed to central government in 1969, and the grants compensating for the loss of this revenue were gradually eroded. The new constitution (Chapter 11: Devolved Government) opens a new door on decentralisation in Kenya. This includes radical restructuring of local governance, and it is in this respect that the Ministry of Local Government has commissioned a Task Force on Devolved Government to determine how the devolved government should be structured, particularly addressing the following issues:

- Cooperative government, intergovernmental relations and levels of government
- Functions of and service delivery by County governments
- Financial resources and management in country governments
- Political governance, leadership, accountability and integrity in country governments, and
- Public participation and oversight and protection of minorities and marginalised groups.

Apart from the county government, other levels of local government structures are envisaged and these include cities, municipalities, and other category of urban centers. However, for the moment their powers, responsibilities and funding sources remain undefined.

Tanzania has gone through a successful **Local Government Reform Programme** (cosponsored by the government and donors) designed to facilitate decentralisation and increase citizen participation in governance at a local level and to change the power and structures of local administration substantially. Local governance has a complex five-tier form of local government. The *kitongoji* at block (formerly 10-house cell) level is the lowest level; this is followed by village assemblies and village committees; ward development committees; divisions; and district councils and district development committees. The District Councils have the most powers, and take responsibility for planning and implementation of development projects, collection of revenue, physical planning and infrastructure development, trade and industrial development, and provision of services - health, education, water, culture, community development, engineering, cooperatives, lands, trade and natural resources. Division and ward levels provide administrative and development planning functions. Village councils and assemblies, have tax raising powers and may also enact bylaws; these must, however, be approved by the District Council. The *kitongoji* chairperson has some executive and planning powers often overlapping with those of the village council.

All levels play a role in the development planning and budgeting process - planning for development projects starts at the lowest level and works its way upwards. There are at least 13 separate steps before the plans reach and are authorised by parliament (Erikson 1997: 258-268). The LGRP transferred a number of additional services from central government to local governments (at the District Council level). These include primary and secondary education; primary healthcare and district hospitals; water and sanitation; land use and planning; feeder roads and community roads; agricultural extension services; sports and cultural activities; environmental protection; and facilitation and monitoring of NGOs and other service providers.

Since the implementation of the LGRP local councils have financial discretionary powers and powers to levy local taxes. They can pass budgets with their own priorities as well as the mandatory expenditure set by the central government. Central government, in turn has an 'obligation' to supply local government with unconditional grants and other forms of grants as specified in the 1998 Policy Paper. The tax base, however, remains small, and the type of revenue raising activities available also tend to have the lowest yields (Bazaara 2002: 14). This greatly restricts the capacity of local government in planning and development - to the extent that 93% of proposed projects are 'simply not approved' (Kerre 2010, 27) by the next level of governance. However, local governments have through networking and collaboration attracted nongovernmental organisations in their local economic development efforts.

Uganda has a five-tier system of local government, ranging from the LC1 at village level to the LC5 at district level. This system emerged out of the Resistance Council system discussed in C-3(1) above. Each level has different functions, although in practice these may overlap somewhat. The LC1 (village level) is responsible for some dispute resolution and tax collection as well as linking communities to higher authorities and mobilising the community for collective contributions to development projects. A participatory poverty assessment (PPA) in nine districts (Chandwong 1999: 7) found that people consider the LC1 to be the most important level of leadership, with a daily impact on village life. The LC2 (parish) is designed to coordinate and monitor LC1s and provide a link between village and sub-county. However, due to limited resources the LC2 has had less impact on people's lives. LC3s may enact bylaws and levy and collect taxes and also 'formulate, approve and execute sub county budgets' (Raussen 2001: 462). Most Villagers generally feel quite removed from the sub-county level (LC3), except at times of tax collection; as a result the assessment of its political, administrative and technical performance is generally quite negative. The LC4 (County Council) has very limited role in local government. The LC 5 (District Council) is the most powerful and provide a wide range of services to ensure implementation of government policy, plan for the district, enact district laws, monitor performance of government employees, levy, charge and collect taxes, and formulate approve and execute district budgets (Raussen *et al.* 2001: 462).

Local governments in **Uganda** (LC3 and LC5) have the power to raise revenue in their area through the collection of fees and taxes, including produce taxes, market dues, licenses and taxes specific to individual districts. These higher levels of local government (LC3 to LC5) generally seem distant to people in rural communities and unresponsive to poor people's needs, even though they control the most resources (Chandwong 1999: 7) yet they are the ones closest to the people. The local communities at LC1 level have very little power or even information and hence cannot do much. Recent Developments in intergovernmental relations have seen the central government infringe on the powers, functions and responsibilities of local governments, including reducing the scope of revenue assignment (withdrawal of GPT) and participation in management of local authorities through direct appointment of chief executives.

The **Rwanda** prefecture system that involved provincial and district supervision of the elected officials (from 128 local authorities) was replaced with district councils including the Kigali Capital that has elected chairpersons and mayor respectively. The national local government association Rwandese Association of Local Government Authorities (RALGA) formed in 2003 has been active in lobbying and advocating for local governments.

Although local governments have been provided with own sources of revenue like property rating, market fees and other charges, own revenues has not been adequately exploited and central government transfers account for between 70-85%. Central government transfers include general purpose grants, conditional sector grants, and community development fund.

In **Burundi** the recently formed National Association (ABELO) is expected to lobby and advocate for reforms in local government. The existing close collaboration with RALGA and EALGA at regional level should make it possible for ABELO to play a lead role in contributing to policy reforms that will see local government structures that have same autonomy.

<u>Urbanisation in East Africa</u>

The process of urbanization in East African Community Partner States is still an evolving phenomenon. However, it has proceeded at a tremendous pace over the past four decades, especially after political independence in the early 1960s. In 1963 2.1% of the population of Burundi, 7.9% of Kenya, 2.2% Rwanda, 3.3%

Tanzania and 3.6% Uganda population lived in in urban centres; where market centres, towns, municipalities and cities with a minimum population of 2000 people are classified as urban centres. However, by 2000, the proportion of the urban population had increased to 14.2 per cent in Burundi, 34.5% in Kenya, 16.7% Rwanda, 33.6% Tanzania and 15.4% Uganda. Moreover, East Africa is a region in rapid urbanisation, although with a population of 23.5% living in urban areas, it is the least urbanised region on the continent. However, the countries have registered rapid rate of urbanisation (6-8 per cent) during the last four decades (table 4)[10]. This has occurred against declining economic growth and weakening institutional and physical infrastructure. As a result, the urban centres have witnessed heightened poverty and massive growth of slum and squatter settlement[11]. In the case of Kenya urban poverty is estimated at 60 per cent, while those living in slum and squatter settlements are estimated at 70 per cent in both Nairobi and Dar es Salaam. Overall more than 15 million urban residents live in slums and informal settlements with deficient housing and infrastructure.

Massive growth of slum and squatter settlement has contributed to environmental degradation, governance crisis and poor service delivery capability. Consequently, the restructuring of governmental functions and finances between the national and local governments has attracted a lot of interest.

Table 4

East Africa Urban Population and Rate of Urbanisation

Country	**Urban Population as a Percentage of National Population**				**Rate of Urbanisation**
	1957	1963	2000	2010	
Burundi	1.7	2.1	14.2	14.8	4.9
Kenya	4.6	7.9	34.5	39.8	6.9
Rwanda	1.9	2.2	16.7	22.9	6.2
Tanzania	3.3	3.3	33.6	34.9	5.9
Uganda	3.0	3.6	15.4	23.2	5.1

[10] Urban migration does not seem to slow down, taking hundreds of thousands of women, men, and children to towns in search of a better life.

[11] Urbanisation of poverty is one of the most dramatic developments in East Africa, yielding contrasting images of affluent residential and business districts and utter misery in sprawling informal settlements

The United Nations Population Fund projects that the East African urban population will double between 2000 and 2030. Some of this growth is due to migration from rural areas, but most of it will occur due to natural increases in the urban population as well as the reclassification of rural areas as urban. The population, will then, not only be concentrated in main cities of Nairobi, Dar es Salaam, Kampala and Kigali but instead, the bulk of urban dwellers will reside in urban areas of less than two hundred thousand people. Such municipalities have more flexibility in policymaking, but lack the resources to handle significant population influxes. In most of these urban areas local revenue is less than 1 percent of their country's gross domestic product.

It is evident that like in the rest the world the African urbanization process has mainly been influenced by economy. Urbanization signals modernization and industrialization and is viewed as a natural part of the transition of an economy from low-productivity agriculture to higher-productivity industry and services. However, in recent times urbanization has not emerged as a natural process but as one that result from skewed government planning and investment policies and planning process bias towards cities, a bias that presses people to migrate from the rural areas to the urban cities in search of jobs. As a result East African urban areas are plagued by increasing unemployment rates, spontaneous, uncontrolled expansion of urban slums and informal settlements, residential overcrowding, deterioration of already overstretched infrastructures and services, environmental degradation coupled with acute housing shortages.

Rapid urbanization, that has taken place over the last 20 years, has put stress on the provision of basic infrastructure services including water, sanitation, electricity, and roads and leaves many fast-growing cities (Nairobi, Dar, Kampala, Mombasa, Arusha, Dodoma, Kisumu, Kigali, Bujumbura) with disorderly and unplanned growth, sprawling slums, rising levels of inflation, poverty and crime and environmental damage. The acute shortage of urban housing and the problem of inadequate shelter have manifested themselves in the rapid formation and growth of informal settlements and tenement structures matched by deficiencies in the supply of the most basic infrastructure and public facilities required for human habitation. Most urban areas are divided between comparatively well-off suburbs and the disadvantaged poor living in slums and informal settlements. These problems arise mainly due to weaknesses in policy and institutions.

Among the urban challenges that will require the concerted attention of the government, local authorities, the private sector, local communities, civil society and development partners are: inadequate shelter, slum upgrading and tenure regularization in informal settlements, unemployment, delinquency, crime, unavailability of clean water, inadequate drainage and sanitation, lack of adequate public transport and environmental degradation, urban poverty, etc.

Local Government Mandates

Local government mandates are wide and varied across the region (Table 5). The Local Governments in East Africa invest their revenues and personnel in ensuring that their citizens have access to all services. It is the most visible and sensitive role of the decentralisation from which their performance in local social and economic management is judged. However, local governments are often perceived as disorganised, poorly coordinated and inefficient in responding to their mandate.

Table 5

Local Government Mandates in the East African Community Partner States

Mandate/Country	Burundi	Kenya	Rwanda	Tanzania	Uganda
Economic and Trading Services					
Solid waste management		•			•
Sanitation		•			•
Water		•			•
Markets and Abattoirs	•	•	•	•	•
Commercial Property		•		•	•
Roads, Transport and Traffic					
Public Transport		•		•	•
Road Traffic Regulation		•			
Traffic and Parking	•	•	•	•	•
Health and Emergency Services					
Disaster Management	•	•	•	•	•
Health Services	•	•	•	•	•
Fire fighting & Protection Services	•	•	•	•	•
Ambulance Services	•	•	•	•	•
Environmental Health	•	•	•	•	•
Burial of Animals	•	•	•	•	•

Amenities and Works					
Child Care Facilities					
Libraries	•		•		
Museums		•			•
Cultural Matters					
Parks and Recreation		•		•	•
Beaches and Amusement Facilities	•	•	•	•	•
		•		•	•
Sport Facilities	•	•	•	•	•
Municipal and County Halls	•	•	•	•	•
Cemeteries and Crematoria	•	•	•	•	•
Protection Services					
Police and CID	•				
Local Government Police		•			•
Civil defense/Protection		•			
Pension and Cash Transfers		•		•	•
Planning and Regulation					
Trust Land					
Planning and Architecture					
Housing					
Agriculture and Industry	•	•		•	•
Trade		•		•	•
Basic Education	•	•	•	•	•
Cross Border		•		•	•
Environment & Natural Resources	•	•	•	•	•
Local Economic Development		•	•	•	•

This table is based on services provided by urban governments. Most rural councils do not have the capacity or financial resources to provide for the operation and maintenance of most of these services with expenditure being restricted to salaries, allowances and general overhead costs.

5. Election Processes

Election of Representatives

Elections are the most common avenues for 'participation' in local governance in East Africa and are one of the most basic forms of ensuring accountability. Each country has a different orientation varying from 5-7 years for both national assembly and local governments. However, at local governments the chairpersons and mayors have terms varying from 2-3 years, renewable through the ballot.

In **Kenya**, local authority officials are elected through universal adult suffrage and secret ballots in multi-party elections. The chairperson of the local authority and the Mayor of the Municipality are then chosen from among the councillors for a period of two years and could present self for re-election for subsequent terms. The Mayor/Chairman is assisted by the Deputy Mayor/Vice Chairman who serves for a term of one year subject to re-election for subsequent terms. The councillors, who are elected at ward level, chair ward meetings, and also participate in both council committees and council meetings and make contributions in the deliberations of the agenda of the day. This process will change with the implementation of the new constitution, which provides for 'universal suffrage based on the aspiration for fair representation and equality of vote'- and introduces County Governments headed by elected Governors.

In **Tanzania**, the *kitongoji* chairperson is elected by residents and automatically becomes a member of the village council. The remaining members of the village council, including the chairperson, are elected by the village assembly, which consists of all adult members of the village. The Ward Development Committee is made up of village chairpersons, the district councillor for each ward; several ward level officials, and the Ward Executive Officer, who is appointed. The District Council is directly elected by the electorate, with one councillor per ward; in addition it includes the Member of Parliament for the constituency, the national Member of Parliament if resident in the district, and three members drawn from residents of the district nominated by the minister responsible for local government. The first multi-party local elections were held in 1994. The Mayor/Chairperson is elected for a period of five years from amongst the councillors and serves in the honorary capacity. The Mayor/Chairman could be re-elected for subsequent terms, Local Government Act 1982.

In **Uganda**, LC1s, LC3s and LC5s are elected through 5-yearly elections with universal adult suffrage; the mayor/chairperson of each of these councils is also directly elected by universal adult suffrage and serves for a period of five years and is eligible for re-election for subsequent terms. The Mayor/Chairman presides over the council meetings and commands a bigger say in the manner the resources are allocated and utilized. LC2s and LC4s, however, are indirectly elected by councillors on LC1s and LC3s, respectively. This system allows the electorates space to monitor performance of their elected representatives and make necessary changes at the next election. In practice, however, this rarely happens and the councils have a relatively stable membership, as opposed to Kenya with a high turnover at each election. Representation is further challenged because membership of local councils is almost exclusively drawn from richer households; this is in part because of the 'goodwill gestures' such as soap and salt expected to be distributed in election campaigns and in part because of levels of literacy and conceptions of status.

The **Rwanda** constitution of 2003 defined the role of the Mayor/Chairman and created 30 districts local governments in addition to Kigali, the capital city. The common arrangement in the region is for each municipality/city/district council to appoint a Chief Executive that provides the professional services while elected representatives, like mayors and chairpersons oversee policy implementation and provide political leadership/guidance.

Diversity of Representation in Local Government

In the past there have been no mechanisms guaranteeing **the representation of women** in local governments in **Kenya**, however women who have entered competition and won elections have proved their capacity by becoming chairpersons or mayors (Nairobi and Kisumu in the mid 1960s, and recently a number of municipalities have elected women mayors). The new constitution ensures effective participation of women and persons with disabilities (Articles 81 b which advocates for not more than two thirds of elective positions to be of the same gender and c, which demands fair representation of persons with disabilities). In **Tanzania**, one quarter of all councillors must be women. At the village level, the village assembly elects women to join the (mostly male) *kitongoji* chairmen to make up the village council. At district level there are reserved seats, elected by the entire electorate (not just women). In **Uganda**, the 1995 constitution stipulates one third of councillors at all levels must be women. This had the immediate effect of introducing 10,000 women into a local government system by 2001 that had previously been dominated by men. The mode of election is essentially an 'add-on' system: elections for women councillors are held after constituencies hold their normal elections in order to top up the number of women. This can lead to low turnouts because of 'voter fatigue' and confusion as many men do not realise that both men and women are eligible to vote for the women councillors. In addition, women are generally expected to contest the women councillor elections and not the regular elections. Women councillors may find themselves marginalised within council meetings – they speak less and tend not to occupy the most heavily contested posts.

The local governance system in **Uganda** and **Rwanda,** and the **new Kenya Constitution** also guarantee representation of marginalised groups, unlike in Tanzania. In Uganda, at every level of local government, there are two seats guaranteed for **youth** (one of whom must be female) and two seats guaranteed for the **disabled** (one of whom must be female). Unlike reservations for women, these seats are not elected by the entire electorate. Instead, the youth representatives are elected by the youth Electoral College derived from the Youth Council structure and disabled representatives are selected through the National Union of Disabled People of Uganda (NUDP). The **Women and Youth Councils** run parallel to the local council system, and focus on issues of sectional interest and provide independent forums for organisation and debate, but their finances and decision-making powers are extremely limited because to date there is no clear policy on organizing and financing these institutions.

Indirect forms of participation present in East Africa such as elections, reservation of seats and special councils for marginalised groups may not always have the desired effect of increasing citizen voice and participation within decision-making and governance. They do, however, form initial and basic means for holding representatives accountable, raising visibility and capacity for marginalised groups, and creating spaces in which citizens can organise and mobilise.

6. Local Government Capacity

Overall, local governance has been adversely affected by weak institutional capacity in local governments, and this has been the excuse the central governments have used as the reason for the slow pace of decentralisation and the tendency to reverse the decentralisation gains by withdrawing or abolishing functions and responsibilities that has been handed over to local government.

Local government autonomy over human resources is therefore an essential element of the decentralisation process. Indeed the international literature on decentralisation often considers the lack of such autonomy the *'Achilles' heel'* of decentralisation, as centrally controlled and transferred civil servants have no personal stake in the success of decentralisation, nor do they necessarily feel any accountability to their local community they are serving. However, central governments are often reluctant to let go of the power and patronage of centrally appointing and managing all key public service staff in the country. Transfers out can happen at short notice and often leave a gap in key positions (e.g. Clerk, Treasurer), which is detrimental to the LG. Transfer in can also happen without consultation or in response to any identified need or without competition for the best candidate.

Tanzania and **Rwanda** have adopted interactive and inclusive management models in strengthening the capacity of local governments. This has involved orientation of central government officials on the operations and functions of local governments. **Rwanda** in its effort to address personnel capacity at the district councils assigned personnel from sector ministries that operate at the local government level and contributes towards their remuneration through the general grants funds. **Uganda**, on the other hand, has approached this from evidence-based engagement with central government, and by influencing the electoral processes at national and local levels.

Joint Action

The democratisation of the East African political environment has created opportunities for increased civic participation in priority-setting and decision-making by elected local governments. Civil society groups are increasingly recognising the need to understand policy processes better so as to engage with them more effectively. However, fiscal decentralisation poses a particular challenge for citizen participation in local governance in view of its technical complexity and critical significance for the delivery of public services. Participation is often restricted to select groups and individuals, and tends to exclude the vast majority of citizens who pay local taxes and consume local services provided by local governments. In many cases, while responsibility for services have been decentralised, finances for those services have not, and local governments lack the funds for effective service provision. One response to this situation is **joint action** between local government and nongovernmental organisations and the business community for the provision of services. Joint action is also most effective in situations of mutual interest.

Broadly, 'joint action' can be perceived as a process designed to enhance the opportunities for citizen participation by bringing the decision-making processes closer to people. It is then an important step towards creating an environment with opportunities for regular interactions between citizens and local governments. This tends to take two forms in the East African context (i) Joint action on developing poverty knowledge and methods of consultation, and (ii) Joint provision of services.

Joint action creates a distinctive set of spaces in fiscal decentralisation that offer varying degrees of scope for citizen and civil society participation. These can be divided into the following categories, (i) the rules and formulae governing the allocation of grants and revenue-raising powers to local governments; (ii) the decision-making processes concerning the sources and level of locally generated revenues, (iii) the allocation, utilisation and monitoring of earmarked financial transfers; and (iv) decisions on the allocation of untied funds and locally generated resources.

Box 1: Uganda Participatory Poverty Assessment Project

Joint action on poverty knowledge has been most pronounced in Uganda as demonstrated by the Uganda Participatory Poverty Assessment Project (UPPAP). UPPAP was a three-year collaborative project between donors, the Government of Uganda and civil society organisations. Its aims were:

- ***To enhance knowledge about the nature and causes of poverty and to generate and apply strategies for poverty reduction;***
- ***To enhance District government capacity to plan and implement poverty reduction strategies using participatory methods;***
- ***To develop systems for participatory and qualitative poverty monitoring; and to establish capacity for participatory policy research in Uganda (Brock et al. 2002: 23)***

It allowed (in theory at least) citizen participation in developing the knowledge used by District governments in planning that affects them and civil society participation in the consultation process. The inclusion of civil society organisations as gatherers and analysts of UPPAP data was expected to fuel a significant shift in the way that data was regarded, used and owned, with the public and even poor people, assuming a more central role as generators and users of knowledge in wealth creation and application, and this had an impact of bringing on board 644 CSOs and increasing the budget allocation for the water sector by 386%. While the PEAP/PRSP is not led by nor designed for local governments, its conclusions are formulated into national poverty reduction policies that affect the type, focus and amount of Conditional Grants to local governments.

(Civil Society Organisations Taskforce for PEAP Revision 2000: ii).

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In **Kenya,** Joint Action as a strategy in decentralisation and people's participation development has not been deliberate. However, the PRSP development and Constitution making processes have involved consultation of civil society (NGO Working Group on the World Bank, 2000), local governments and the public. Civil society contributions to PRSP, however, were generally ignored (Pettifor 2001), and again, the PRSP process was not aimed at and did not integrate local government in the planning processes. In addition, over the last four decades an acute lack of funding for local government has led to 'decentralisation by default', and 'civil society especially in the 1990s slowly developed into an alternative to the state for the realisation of citizens' aspirations where state institutions are unable to deliver required services.

In **Rwanda** Districts carry out their own review of previous year's performance and prioritization of people's needs that are to be satisfied during the upcoming financial year. This is discussed at the Joint Action Development Forum and District's council levels. The budget preparation by Districts is done in consultations with line ministries and community development agencies on earmarked transfers. The block transfers are predictable with regards to the previous year's budget taking into consideration the inflation rate. Districts budgets are approved by District's Councils before being sent to central level and Parliament for final approval.

Despite the general association between civil society and citizen participation that is often assumed:

- Participation by civil society organisations in the provision of local government services may actually reduce scope for accountability as it removes the services from the oversight of elected representatives; and
- Most CSOs have a feeling that they are disconnected from the activities of the lower Local Councils, and that local economic activities, of the kind which they actually practice, are disconnected from the services and programmes of government.

7. Participation Forms and Structures

Participation: A Constitutional Right

The constitution of each of the five countries guarantees a range of rights. While these are not sufficient to guarantee effective participation in local governance, they are a necessary precondition for enabling free and effective participation. The constitutions were, in some cases, the result of citizens' participation: In Kenya and Tanzania civil society organisations and popular movements played a major role in forcing the constitutional changes that enabled multiparty politics, while in Uganda the 1995 constitution and Rwanda's 2003 constitution were the result of a process of participatory consultation. Burundi 2005 constitution, on the other hand was as a result of United Nations Peace Keeping initiatives. The new Kenya constitution is a result of long consultative and negotiated processes across the country culminating in a national referendum.

In each of the countries studied here, local government structures provide the main frameworks for citizen participation in governance at the local level. This participation takes different forms.

a) **Indirect forms of participation** embodied in the election of local representatives (which occurs in all the countries studied here), mechanisms for representation on local councils of marginalised groups such as women or youth as discussed above (C3.5).
b) **Direct forms of participation** include village assemblies (Tanzania and Uganda), budget conferences that allow citizens to directly participate in the budgeting process (Uganda) and citizens' initiative in 'bottom-up' forms of development planning (Uganda, Tanzania and Kenya).

<u>Direct Citizen Participation</u>

In addition to indirect forms of participation through council elections, local government structures in Tanzania, Uganda and Rwanda also provide for direct participation through **local assemblies**, which are made up of all the residents of a village. In **Tanzania**, the Village Assembly consists of all adult members of the community, and is described by section 141 of the 1982 Local Government Act:

- as the supreme authority on all matters of general policy making in relation to the affairs of the village; and
- shall be responsible for the election of the village council; and
- Shall be responsible for the removal from the council of any or all of the members of the council

The Act gives substantial powers to direct democracy; however, this is limited by the lack of operational procedures to facilitate participation. The Village Assemblies behave like electoral colleges, not a decision-making body with ultimate powers of control, supervision and authority over other village organs

In **Uganda**, the village assembly is the lowest tier of government and forms a deliberative body in which all adult residents may take part. It is also the lowest platform for development planning process at which budgets and application of resources is discussed. However, attendance at meetings is not high, in part because of the limited resources at stake and in part a perception such decisions were the prerogative of elected representatives. Far from being a catalyst for local development initiatives, funds are often not even sufficient to undertake small works such as the maintenance of the village water wells.

Another means for direct participation in **Burundi, Uganda** and **Rwanda** are the district **budget conference** and the Planning and Review Meetings which directly solicits citizen input into the district budget and district development plans. The conferences are attended by 'not only councillors, but also department heads, sub-county chiefs and councillors, members of civil society, MPs, and members of public. Budget plans and expenditure must be publicly displayed as a provision for ensuring accountability. However, some persons, particularly in Burundi, are not always aware that they may attend budget conferences and planning meetings, and this limits their participation.

The budget conference is one of the steps in the bottom-up development planning in Burundi, Rwanda and Uganda. This process is meant to begin by each village or community producing a ‘Community Action Plan’ which is passed over to the next level for processing and incorporation into what becomes (at the end) District Development or City Development/Technical Planning Committee, which convenes the District or City Budget Conference to produce an integrated plan based on the recommendations of the lower level committees. This is ratified by the City/District Council.

In **Tanzania**, development project proposals begin at village level and work their way upwards through thirteen levels of government and bureaucracy, which dilutes and compromises local community influence. Planning is totally dominated by the administration at the ward, district and regional levels. Similarly, in **Kenya** the present systems of district focus, local authority service deliver (LASDAP) plans and constituency development planning assume that proposals for development projects are meant to emanate from the grassroots, but again through a series of bureaucratic filters ordinary people (Wananchi) are rarely if ever consulted over a project.

Therefore, opportunities for direct participation in local governance, though to different extents, do exist in each of the countries studied here. The avenues that do exist are relatively limited in capacity, control limited resources and tend to be dominated and directed by higher levels of government and often curtailed by bureaucracy.

Civil Society Participation and Lobbying

Each of the five countries has, in recent years, experienced a surge in NGO and civil society organisations and activities, including increased advocacy by civil society for reform. The number of civil society groups in the region has increased exponentially following political and economic liberalisation in the 1980s and 1990s. While they continue to be limited by legislation restricting their activities, there are several recent examples of successful civil society advocacy for policy reform.

At the **East African** level, the civil society through the East African Local Governments Association (EALGA), East African Civil Societies Forum (EACSOF), the East African Business Council, the Federation of Employers, and the East African Workers Union, have succeeded in influencing the East African Community to establish the East African Community Economic and Social Forum (EACESF) to serve as the platform of engagement with the institutions and organs of the EAC.

In general, however, participation by civil society at State or EAC level has been largely limited to the 'invited spaces' of consultation. To enhance their impact on policy, they can either remain relatively passive participants in processes into which government or EAC invites them, or opt to exercise greater agency, act more autonomously and forge their own processes. However, the recent EAC initiative, will also seek to harmonise laws and practices of civil society participation at national levels.

8. Accountability and Responsibility to the Public

Efforts to strengthen accountability in East Africa take two general forms: legal and procedural mechanisms for holding local government and central government officials to account; and mobilisation and advocacy by civil society (which includes local government associations) in order to strengthen accountability.

Legal and Procedural Mechanisms

Legal and procedural mechanisms for strengthening accountability include recall of elected representatives, transparency and access to information and anti-corruption bodies.

Recall of Elected Representatives

Uganda and Tanzania both have procedures for **citizens' recall of elected representatives**.

In Uganda, the right of recall of elected representatives exists at both local and national levels, and this has been used to recall, for example, corrupt local chairmen (Bazaara 2002: 13). At national level, a petition signed by two-thirds of constituents can initiate the recall process; however, this is subject to investigation by the Electoral Commission, which may reject or accept the petition (Article 84 of the Constitution). Barriers also exist to recall at local levels, as a meeting must be called to initiate the action. For instance the meeting will have to be called by the council.

In **Tanzania,** *Kitongoji* residents may recall the *kitongoji* chairperson, and the Village Assembly has power of recall over the Village Council. However, this rarely happens the procedures are at best unclear and the section of the 1982 Local Government Act that allows for this conflicts with the main provisions of the same Act.

Kenya will soon, under the new constitution, give the capacity to its citizens to recall non-perfoming elected members of parliament. Provisions are yet to be spelt out by the Task Force on Devolution, on recall for elected officials at the

County.

Transparency and Access to Information, and Anti-Corruption Initiatives

Freedom of information is enshrined in the constitutions of all the five countries. In **Rwanda** and **Uganda**, there is legislation specifying that matters related to finances must be publicly displayed and published and shared with the citizens. Rwanda has succeeded in information sharing, initiating debate on projects and budgets; while in Uganda budgets for Universal Primary Education (UPE) funds are displayed on school notice boards for parents and all to see. Further, Uganda is implementing the *Financial Management and Accountability Programme (*FINMAP) designed to strengthen the fiscal decentralization strategy (FDS) and promote accountability. In Kenya the LATF transfers are published in local newspapers, and local governments are expected to hold public budget reading sessions and publish their annual budgets in newspapers circulating in their jurisdictions. However, across the region stakeholders complain that audit reports are not available, even upon request.

In **Kenya**, whereas the new constitution provides for openness and accountability including public participation in financial matters (Article 201), laws such as the Official Secrets Act greatly limit freedom of information and accountability of public officials. Mechanisms for strengthening accountability in **Kenya** include central government bodies of Efficiency Monitoring Unit (EMU) in the Office of the Prime Minister, and the Kenya Anti- Corruption Commission (KACCA), and the new accounting and reporting system Integrated Financial Management Information System that links government payment originating offices to Ministries of Finance and the Central Bank.

In an effort to enhance transparency and accountability, the **EAC partner states** (Burundi, Kenya, Rwanda, Tanzania and Uganda) have each established the office of the Ombudsman that gives citizens the opportunity to participate in how the government conducts its affairs. The Ombudsman office is an independent national body that investigates citizens' complaints against public officials, their governments or its administration. It thus:

- Provides opportunities for information exchange between citizens and the government.
- Is in a position to provide best practices for the advancement of good governance , which includes the observance of human rights, transparency and the provision of administrative justice.
- Has a duty to sensitize the population to work together with the public and private sector institutions to build the country.
- Has the obligation to denounce bad practices based on injustice and

corruption and other related offences; and

- It advises the public and other private institutions to improve the quality of services delivered to the citizens.

The office of the Ombudsman may either be entrenched in the country's Constitution like in the case of Rwanda and Uganda or in the country's legal framework, (an act of parliament) like in the case of Kenya and Tanzania.

d

LOCAL FINANCES IN THE REGION

Fiscal Decentralisation refers to reallocation of resource to local authorities. Methods for assessing the level of fiscal decentralisation can involve looking at the percentage of total government expenditure executed by local governments, examining the size and character of transfers, and the level of tax and budget autonomy of local governments, among others.

d1 Structure

In broad terms, fiscal decentralisation in East Africa should aim to provide a framework for the efficient provision of public services by aligning expenditure with locally based priorities[12]. In a best case scenario it should:

- enable local governments to meet their mandated responsibilities while taking account of local differences in culture, environment, resources, and economic and social institutions;
- bring expenditure assignments closer to revenue sources and enhance accountability and transparency in government actions;
- promote and streamline public sector activities; and
- Influence macro-economic governance; promote local growth and poverty alleviation directly as well as through spillovers.

As seen in section C above, each State has a constitution which also establishes the separate, interdependent, and interrelated spheres of government: national government, and local government. Each sphere is assigned its own powers, functions and responsibilities, with the national government's powers to intervene in the decisions of local governments most often defined and limited by the Constitution. In addition to the constitution, the governments have also put in place other instruments to support fiscal decentralisation. Table 6 summarises the fiscal decentralisation instruments by country

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[12] A proper fiscal decentralisation program should improve overall government effectiveness, increase government accountability, improve economic efficiency, allow public goods and services to be provided at the level and costs desired by the local communities, promote citizen participation to increase accountability, and reduce information and transaction costs associated with the provision of public services.

Table 6

Fiscal Decentralisation Instruments

Burundi	· The Communal Law
Kenya	· The Constitution of Kenya (2010) chapters 11 and 12 · Local Authority Transfer Fund Act No. 8 1998 · Rating Act Cap 266 and the Valuation for Rating Act (cap 267) · Constituency Development Fund Act 2004 · Roads Maintenance Levy Fund
Rwanda	· National Decentralization Policy (2001) · Rwanda Decentralization Strategic Framework 2007. · Joint Action Forums for Development · Public Accountability Day
Tanzania	· Letter of Sector Policy on Fiscal Devolution and Capacity Building of 15th October, 2004
Uganda	· the Fiscal Decentralisation Strategy (FDS), 2002; · Joint Annual Review of Decentralisation (JARD, 2004) · The Decentralisation Policy Strategic Framework (DPSF); and · The Local Government Sector Investment Plan (LGSIP), June 2006.

The planning and budgeting processes of the LGs are guided by the development plans of each partner state as espoused in the Country Visions (Vision 2030 Kenya, 2025 Tanzania, 2020 Rwanda, 2020 Uganda and Burundi). In order to provide a framework for resources allocation in line with this broad economic growth and poverty focused approach initiative, the respective governments have adopted a planning and budgeting framework that provides for a participatory and all inclusive out-come oriented budgeting process that should lead to a Strategic Plan, Medium Term Plan, Medium Term Expenditure Framework, Strategic Budget Allocation System and Performance Monitoring Matrix.

Overall, resource allocation is negotiated between the central government and local government based on delegated responsibilities, interregional equity, availability of resources at all levels of government and local fiscal management capacity. **Burundi** has two tier planning – central and local government levels.

- At the central level, the planning is done by the Ministry of Planning and Reconstruction.
- At the local level, the communes are responsible for local planning of the community development for a five year plan period within the requirements of the Strategic Framework for Fighting against Poverty (CSLP).

Until 2009 local community development plans were prioritized for financial partners. With the establishment of the Ministry of Decentralisation a National Policy of Decentralization was published to guide the implementation process, including mobilisation and coordination of development resources and partners. The Ministry has, as a priority established a National Fund for the Communal Investment (FONIC), specifically designed to promote developmental initiatives at the local level. Now in operation for more than five years the fund exhibits some weaknesses such as inadequate funding, delay in disbursement of funds and the insufficiency of representation at the communal levels.

In **Kenya**, the new constitution has prescribed the establishment of the Commission for Revenue Allocation with the following key responsibilities:

a) to make recommendations concerning the basis for the equitable sharing of revenue raised by the national government (i) between the national and county governments; and (ii) among the county governments.
b) to make recommendations on other matters concerning the financing of, and financial management by, county governments
c) to define and enhance the revenue sources of the national and county governments
d) to encourage fiscal responsibility
e) To determine, publish and regularly review a policy in which it sets out the criteria by which to identify the marginalised areas for purposes distributing equalisation funds

Box 2 : Tanzania Policy Framework

In 1998, the Government of the United Republic of Tanzania defined, in a Policy Paper, an elaborate process to strengthen planning, budgeting, financial management and service delivery at the local government sphere. The Policy Paper established the following key principles for fiscal decentralization:

- ***Local government shall have their own revenue sources and central government shall transfer grants to LGAs on the basis of functions carried;***
- ***The grant system shall encourage the councils to set their own priorities and use own revenue and grants accordingly in a cost efficient manner. This means a significant unconditional grants shall be introduced;***
- ***The grant system shall allow national policies to be executed through National Minimum standards; and***
- ***Finally individual grants linked to particular line ministries should be avoided with the introduction of the reform.***

***

Local authorities have the capacity to raise revenue from a variety of sources, but this is subject to approval by the Ministry of Local Government. Potential sources include market fees, land rates, water charges, bus park charges, house rents and trade licences. In addition, local governments must seek central government approval for their spending, which further limits their autonomy.

Inadequate resources and management skills both at the central and the local levels continue to hinder efforts towards effective fiscal decentralization in the EAC region[13]. Decentralisation of responsibilities without an allocation of sufficient financial resources, or access to sufficient financial resources hinders the full realization of benefits of decentralisation. In addition there must be a matching between spending and revenue at the local levels based on the sources and types of funding structure. At the moment there are two main categories of current revenue for local authorities:

(i) **own revenue**, which includes taxes, user fees, and various licences, and
(ii) **transfers** from the central government in the form of grants and revenue sharing

In some countries, municipalities are also allowed to borrow money for capital investments and infrastructure development but conditions stipulated in legal frameworks are difficult to comply with.

d2 Current State of Fiscal Decentralisation

In the 1960s, local government in **Kenya** accounted for almost 20% of public expenditure; declining to 5.9% by 1990 and to 2.89% in 2009 of total public expenditure (table 7). In **Uganda**, on the other hand, a 1987 Presidential Commission of inquiry found out that revenues of local governments were inadequate to perform their mandatory and permissive functions, grants from the central government were not predictable, transparent and pre-determined. Local revenue generation was not assured and there was widespread tax evasion, and there was no proper involvement of the district councils (LGs) in the budgetary process, and local authorities neither received the requisite financing for their functions nor were they authorized to raise the necessary revenue through taxation (Government Report of 1987).

[13]The Centre has often preferred to strengthen its own power bases rather than to benefit citizens at large. In predominantly rural economies, the centre has not been very successful in its redistributive role of the public sector on standards for equity and methods to achieve such standards, making local governments involvement critical in determining policies appropriate.

Table 7

Indicators of Fiscal Decentralization in East African Countries (2009)

Details	Burundi	Kenya	Rwanda	Tanzania	Uganda
Local Government Expenditure:					
· As % of GDP	0.19	0.95	6.64	4.58	5.91
· As % of Public Sector Expenditure	1.35	3.89	33.06	18.20	28.32
Education Expenditure As % Public Sector Education Expenditure	0.15	0.01	15.79	21.93	12.5
Health Expenditure As % of Public Sector Health Expenditure	0.11	0.01	9.32	12.81	9.32
Total Local Government Revenue					
· As % of GDP	0.42	1.02	3.39	2.82	3.04
· As % of Public Sector Revenue	2.95	5.29	29.52	54.15	40.69
Fiscal Transfers To Local Governments	1.34	2.23	26.91	40.90	32.77
· As % of Public Sector Revenue	85.61	45.5	91.16	75.48	80.55
· As % of Total Local Government Revenue					

Source: Compiled by the Author, February 2011, Nairobi

d3 Expenditure and Revenue Assignment

<u>Expenditure Assignment</u>

Experience shows that there is no ideal assignment of revenue sources between central and local government. However, a set of generally accepted tax-assignment rules or principles have been developed (Oates 1972; Musgrave 2000), and they relate to the respective responsibilities of central and lower level governments in macroeconomic stabilisation, income redistribution, and resource allocation (Table 8). In East Africa the administrative capabilities of local governments in revenue design (revenue bases and setting rates) have been heavily exploited by the national governments in considering the powers to cede to local governments.

The stabilization objectives of the fiscal system are designed to support the central government's control over the revenue instruments that may substantially influence central budget deficits or inflation. This is the reason why customs duties and a considerable share of income and general sales taxes (such as VAT) are assigned to central government. If there are wide disparities in income and wealth across countries as there are in East Africa, then local taxing powers may exacerbate these differences. Hence, the distributive function of government is an argument for centralized, progressive corporate income and wealth taxes[14].

The case for centralization is usually built around macroeconomic considerations and equalization, and the case for local government taxing powers on efficiency considerations. The desirable way to do things, however, depends on how the government weighs these considerations. The key question regarding fiscal decentralization in East Africa has to do with finding the right balance between central and local government responsibilities that ensures efficient service delivery. Although the trends seem to vary across countries, there are areas of shared responsibilities among central and local governments in almost all countries.

Table 8

Expenditure Assignment in the East African Community Partner States

Responsibility Area	**Burundi**	**Kenya**	**Rwanda**	**Tanzania**	**Uganda**
Defense	S	S	S	S	S
Foreign	S	S	S	S	S
Trade	S	S, L	S	S, L	S, L
Environment & Natural Resources	S, L	S, L	S, L	S, L	S, L
Cross Border	S	S, L	S	S, L	S, L
Immigration	S	S	S	S	S
Pension and Cash Transfers	S	S, L	S	S, L	S, L

[14] The East African Community has since 2003 embarked on harmonisation of taxes and tariffs to ensure that the regional integration process does not adversely impact on local governments and individual households.

Industry and Agriculture	S, L	S, L	S	S, L	S, L
Education	S, L	S, L	S, L	S, L	S, L
Social Services	S, L	S, L	S, L	S, L	S, L
Police and Defence	S, L	S	S	S	S
Transport	S	S	S	S	S
Residual	S, L	S, L	S, L	S, L	S, L

S = State, L = Local Government, Residual = fiscal policy, fire protection, parks and recreation.

In addition to the elements of stabilisation and recentralisation as driving factors the partner states of the East African Community appear to have adopted a standard on responsibilities to local governments. The criteria used appear to have as their central tenet (i) assigning local public services to cities, municipalities and districts that are closest to the people. In particular, both the economies of scale and scope, political proximity, consumer sovereignty and benefit cost spill out were taken into consideration, (ii) We thus find that fire fighting, refuse collection, street maintenance, public health, education (primary and secondary), water supply, sewerage disposal, local libraries, parks and road maintenance, hospitals (district hospitals in Uganda), agricultural and agricultural extension services, plant and animal diseases control, abattoirs, pollution control, trade and development and regulation, county planning and development, electricity and gas reticulation, and (iii) the administrative capabilities of local governments in revenue design have also been an important factor in expenditure and revenue assignment. The national constitutions and policy documents provide detailed lists of the mandatory and optional functions of devolved or decentralised governments, forming the basis for assignment of expenditure responsibilities and revenue sources (table 9).

Table 9

Expenditure Responsibilities of Local Governments in East Africa

Mandated Responsibility	Country				
	Burundi	**Kenya**	**Rwanda**	**Tanzania**	**Uganda**
Economic and Trading Services					
Solid waste management		•			•
Sanitation – bulk and reticulation		•			•
Water – bulk and reticulation		•			•
Markets and Abattoirs	•	•	•	•	•
Commercial Property		•		•	•
Roads, Transport and Traffic					
Public Transport		•		•	•
Road Traffic Regulation		•			
Traffic and Parking	•	•	•	•	•
Health and Emergency Services					
Disaster Management	•	•	•	•	•
Health Services	•	•	•	•	•
Fire fighting & Protection Services	•	•	•	•	•
Ambulance Services	•	•	•	•	•
Environmental Health	•	•	•	•	•
Burial of Animals	•	•	•	•	•
Amenities and Works					
Child Care Facilities	•		•		
Libraries		•			•
Museums					
Cultural Matters		•		•	•
Parks and Recreation	•	•	•	•	•

Beaches and Amusement Facilities		•		•	•
Sport Facilities	•	•	•	•	•
Municipal and County Halls	•	•	•	•	•
Cemeteries and Crematoria	•	•	•	•	•
Protection Services					
Police and CID	•				
Local Government Police		•			•
Civil defense/ Protection		•			
Pension and Cash Transfers		•		•	•
Planning and Regulation					
Trust Land					
Planning and Architecture					
Housing					
Agriculture and Industry	•	•		•	•
Trade		•		•	•
Basic Education	•	•	•	•	•
Cross Border		•		•	•
Environment & Natural Resources	•	•	•	•	•
Local Economic Development		•	•	•	•

There are cases where Central Government Policy Papers also define the assigned functions and responsibilities. Some of the services outlined above are to be offered concurrently with central government and the process of establishing standards tends to lag behind.

Uganda by a statute of 1992 and the Constitution of 1995 and the Local Government Act of 1997, local governments were assigned responsibilities for primary, secondary and technical education, health centres and hospitals other than those providing referral and medical training, feeder roads, agricultural extension. Districts were authorized to approve their recurrent budgets but not their development budgets which come mainly from donors. In fact, decentralization was at first extended only to 13 of the 45 districts in the whole country, with the district as the main unit of local government although there are five levels of local government as we have already seen.

Local governments in East African countries exhibit similar expenditure responsibilities. It is possible to divide these responsibilities into two broad categories: Recurrent and Capital, with recurrent expenditures take up between 52-69% of total expenditure. The recurrent expenditure is of two types civic and personnel expenses (42 – 48%), and operations and maintenance (20 – 28%) of total expenditure across the region. Capital expenditure is used in infrastructure development and maintenance (5 – 18%) and for debt resolution and loan repayment (10 – 13%) of total expenditure across the region. Table 10 summarises expenditure budget figures by central government and local governments of each of the five countries studied and as detailed in the national budgets of 2010/11.

Table 10

Expenditure Budget Provisions in 2010/11 National Budgets of EAC Countries

Details	Burundi (USD) billions 2007	Kenya (USD) billions 2010/11	Rwanda (USD) billions 2010/11	Tanzania (USD) billions 2010/11	Uganda (USD) billions 2010/11
CG Expenditure	0.39	8.42	1.53	2.78	3.18
Local Government expenditure	0.01	0.30	0.23	1.04	0.81
Total CG + LG expenditure	0.40	8.72	1.76	3.82	3.99
Percentage (%) of National Budget	1.34	3.52	13.04	27.20	20.32

Source: Budget Speeches by Ministers of Finance of the Respective Countries on June 10, 2010

Revenue Assignment

While there is extensive political devolution in Uganda, the central government retains considerable power over local governments' fiscal capacities. This is recognised as a problem, for example in a government paper on fiscal decentralisation (GoU 2001: 11).The Policy Paper observed that if present trends were left to continue, with local governments increasingly becoming the local implementers of national sector programmes, the scope, role and justification of decentralised locally-accountable service provision, as envisioned in the Constitution and the 1997 Local Governments Act, will be progressively undermined. This observation is applicable across all the five states. Table 11 below shows the control the state has over local governments: that the centre expenditures account for about 99% of total public sector expenditures in Burundi, 96.5% in Kenya, 85% in Rwanda, 79% in Tanzania and Uganda.

Table 11

National Government versus Local Government Expenditure on Public Goods and Services

Function	Percentage of National Expenditure by Level of Government											
	Burundi		**Kenya**		**Rwanda**		**Tanzania**		**Uganda**		**Total**	
	S	**L**	**S**	**L**	**S**	**L**	**S**	**L**	**S**	**L**	**S**	**L**
Public services and Public Order	91.0	9.0	92.7	7.3	81.9	19.1	85.9	14.1	82.1	17.9	86.7	13.3
Defence	100	0.0	100	0.0	100	0.0	100	0.0	100	0.0	100	0.0
Education	100	0.0	98.4	1.6	84.9	15.1	81.5	18.5	78.8	21.2	88.7	11.3
Health	100	0.0	96.9	3.1	85.6	14.4	72.9	27.1	80.6	19.4	87.2	12.8
Social Security and Welfare	98.8	1.2	95.4	4.5	84.7	15.3	78.9	21.1	80.5	19.5	87.7	12.3
Housing & Community Amenities	99.9	0.1	94.5	5.5	85.4	14.6	78.4	21.6	80.5	19.5	87.7	12.3
Recreation, Culture and Religion	100	0.0	85.6	4.4	76.5	23.5	61.6	38.4	78.5	21.5	80.4	19.6
Economic Affairs and services	98.1	1.9	96.1	3.9	86.8	13.2	69.8	30.2	71.7	28.3	84.5	15.5
Subsidies to Lower Levels	100	0.0	98.6	1.4	97.8	2.2	78.5	21.5	54.3	45.7	85.8	14.2
Total	**98.6**	**1.4**	**96.5**	**3.5**	**87.0**	**13.0**	**78.6**	**21.4**	**78.6**	**21.5**	**87.6**	**12.4**

S = National (State), L = Sub-National (local government)

The EAC States vary considerably in the division of revenue raising powers between the central and local governments. It is the duty of central government to employ revenue instruments that provide sufficient revenues for central and local government to achieve their objectives of generating allocative efficiency and providing essential government goods and services. Table 12 summarises the responsibility assignment by country.

Table 12

Revenue/Tax Assignment in East African Community Partner States

Responsibility Area/Country	Revenue/Tax Assignment In East African Community Partner States				
	Burundi	**Kenya**	**Rwanda**	**Tanzania**	**Uganda**
Customs	S	S	S	S	S
Income	S	S	S	S	S
Estates	S	S,L	S, L	S,L	S,L
Property	S,L	S,L	S, L	S,L	S,L
Corporate	S	S	S	S	S
Resources	S	S	S	S	S
Sales	S	S	S	S	S
Excise	S	S	S	S,L	S,L
VAT	S	S	S	S,L	S,L
Fees	S,L	S,L	S,L	S,L	S,L
Residential	S	L	L	L	L

S = state, L = local government

Compared to experiences in other developing countries, the East African government financing system needs to strike a better balance between own-source revenue and transfers. However, it seems that the transfer system (equitable share and capital grants) does play an important role in reducing vertical imbalances across local governments. The equitable share induces equality among localities regarding income and basic services in general, whereas the capital grants components target basic service delivery to certain disadvantaged communities[15].

[15] Uganda and Rwanda have a system of equalization grants which give due consideration to disadvantaged communities. Kenya, on the other hand, has delegated this to the Constituency Development Fund (CDF) outside the local government system.

d4 Intergovernmental Fiscal Transfers

Intergovernmental transfer programs serve multiple interrelated purposes. They are designed to:

a) Return funds gathered centrally (income tax, VAT, fuel levy) to the local communities where services are provided;
b) Help to cover sub-national government fiscal imbalances, supplementing inadequate local own-source revenues to improve the ability of sub-national governments to meet their expenditure responsibilities;
c) Meet national redistribution objectives, helping to offset fiscal capacity differences among sub-national governments;
d) Encourage local expenditures on particular goods and services that exhibit positive externalities or are considered to be basic needs that should be distributed less unequally than the ability to pay for them.

However, we cannot for sure say that intergovernmental transfer systems are systematically setting up appropriate mechanisms providing funding to stimulate local economic development and meet the service demands of the citizens, reducing imbalances. The region may require a coordinated and cooperative approach. Therefore, adjusting the framework of revenue allocation to the various spheres of government in each country, and determining the share to be received by each decentralised government to match the social needs of its citizens, while strengthening the economy, is still a challenge that each individual Partner State may not be able to address on its own. Some intergovernmental transfers (Uganda) have often undermined local governments incentives to develop sustainable own revenues[16]. The commitment of the East African Community to streamline fiscal decentralisation within the ongoing fiscal harmonisation reforms may contribute to establishing a sustainable transfer process in the long-term.

Analysis of Intergovernmental fiscal transfers in the region reveal that governments:

a) have assigned more expenditure mandates to local governments than can be financed from their own revenue sources;
b) Over the last two decades have implemented different forms and levels of fiscal decentralisation by transfers and grants to Local Governments and other deconcentrated units.

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[16] In Uganda transfers have not been accompanied with incentives for local governments to identify and employ own local sources.

The way the intergovernmental transfer system is designed plays a critical role for efficiency and equity in local service delivery, autonomy, and fiscal health of local governments. To enhance accountability it is important to match revenue means with expenditure needs at all levels of government, but higher level governments may be given greater flexibility to fulfil regional efficiency and equity objectives by distributing authority over public goods and revenues, closing loopholes for collusion, corruption and poor application of resources. Grant design varies by objective. The country Constitutions (where it is entrenched) and policies provide that programmes are funded primarily through the equitable sharing, between the spheres of government, of the revenues raised at a national level (vertical division). The provincial share is divided equitably among the country's local governments and municipalities (horizontal division). While the equitable share is based on a complex set of formulas that consider the specific social, economic and institutional needs of each sphere, conditional grants are allocated to address backlogs and specific sectoral and local needs (Table 13).

Unconditional, Conditional and Equalization Transfers

There are three main types of transfers: Unconditional Grants, Conditional Grants, and Equalisation Grants. Unconditional Grants are intended as a type of 'core' funding and often are principally used to pay for the salaries of administrative staff; their use however is not 'tied' or specified by central government and in theory they are intended for locally defined priorities.

Table 13

Intergovernmental Transfer Systems

Country	Mechanisms	Distribution Criteria	Comments
Kenya	Central revenues are shared with local governments · Local Authorities Transfer Fund (LATF) · Contribution in lieu of rates (CILOR) · roads maintenance levy	Total transfer is 5% of national income, tax of which . 7% shared equally among the local authorities . 60% disbursed according to the relative population size of the local authorities . 33% based on the relative urban population densities	. Transfers are combined with local revenues to meet local priorities. . The new constitution provides for establishment of a Commission for Revenue Allocation, which will be responsible for developing a more sustainable and equitable model for revenue sharing between the centre and the Counties . The Constitution has also allocated 15% of the national revenue to Counties
Rwanda	Central revenues are shared with local governments in form of: · Block transfers (unconditional), · Common Development Fund for capital investment, · Sector (earmarked) transfers in the sectors of Agriculture, Education and Health.	Formula based: Size of population (20%), Poverty level (30%) and Number of sectors (50%) and has the objective of being more transparent, needs based and poverty sensitive.	. The intergovernmental Fiscal Relations Unit (IGFR) in the Ministry of Finance is responsible for management of transfers from the centre to local governments . Local governments also receive direct donations from development partners

Burundi	Central Revenues are shared with local governments	Total transfer 15% of Government Budget Technical criteria - The coherence with the aims of "FONIC" - The costs accordance, the delays and ways of performance of plan. - The possibility of having at disposal human and material resources necessary to an efficient management of the plan. - The coherence of the plan of capacity reinforcement - The pertinence of the viability rules of the plan - The coherence of maintenance plan and maintenance of infrastructures and equipments. - Expected impact on local economy - Absence of negative impact on the environment and if necessary, correctives rules in accordance recommended to the plan of environmental management. Financial criteria - The price of the plan in comparison with the ceiling fund indicated in the financial plan. - The functioning price in comparison with the total price of the plan. - The contribution of the local authority in comparison with the total price of the plan. - The contribution of the local authority in comparison with the total price of the plan. - Eligibility of the financial institution, post office…) through it the local authority wishes to open an account for the management of its plan if it is proved. Standardization criteria - The local authority population - Level of equipment in infrastructures - The presence of other intervening persons - The expressed priorities of the local authorities	Disbursements slow and often late. The government has not been able to transfer the full amount of 15% in any given year to local authorities. It has only been able to disburse on average 1.34% of national budget over the last six years. This shortcoming in fiscal transfers makes the situation very difficult for local authorities, which in total generate on USD 58,000 in local revenues, lack qualified staff, has no training infrastructure and is constructed on fragile legal framework. The Burundi national budget is on average USD 100 – 120 million, and 15% would be USD 15-18 million compared to current disbursement of USD 1.34 million

Tanzania	Intergovernmental transfer system · Sectoral grants, · Capital Development Grant (LGCDG) · Equalization, and · The General purpose grant. System of participatory planning referred as O & OD Methodology has been introduced to identify local priorities that need to be included in the higher level local government plans;	· Using Formula based transfer has been adopted and applied. · Focus greater transparency, predictability and equity into the grant allocation mechanism; · Size of population, poverty incidence, and remoteness	· EPICOR System of managing finances has been put in place for use by LGAs to improve financial reporting and accountability; · PLANREP has been introduced for use by LGAs to allow electronic submission of their budgets and plan to PMO-RALG and MoFEA for purpose of budget scrutiny.
Uganda	Central Government grants, local revenues and borrowings.	20%-26% of the national budget of which: . conditional grants constitute 85.6%[1], . unconditional (including compensation for loss of Graduated Tax) comprises 14.2%, and . Equalisation grant is 0.3%.	. The total amount of grants directly transferred to Local Governments annually has more than doubled since 2000. . Some Local Governments get financial assistance from Development Partners on submitting technical and financial proposal/requests.

Table 14 identifies the expenditure needs factors considered by each of the five countries in the disbursement of unconditional funds. The principles of equity and need are supposed to drive the distribution of the shared revenues between different levels of governments

Table 14

Basis of Government Unconditional Assistance to Local Governments in East Africa

Basis Of Government Unconditional Assistance To Local Governments In East Africa

Country	**Taxable Capacity Factors**	**Tax Effort Factors**	**Expenditure Needs Factors**
Burundi	Property assessment User Services	Property tax Area rating Valuation rating Revenue Water and sewerage rates Parking charges	Population Population density Location Municipal grouping Expenditure
Kenya	Property assessment User services	Property tax Area rating Valuation rating Revenue Water and sewerage rates Parking charges	Population Population density Location Expenditure Poverty incidence
Rwanda	Property assessment User services	Property tax Area rating Valuation rating Revenue Water and sewerage rates Parking charges	Population Population density Region Municipal grouping Expenditure
Tanzania	Property assessment User services	Property tax Area rating Valuation rating Revenue Water and sewerage rates Parking charges Central service levy	Population Population density Location Expenditure
Uganda	Property assessment User services	Property tax Area rating Valuation rating Revenue Water and sewerage rates Parking charges	Population Location Level of local authority expenditure

Source: Compiled by the Author

The burden of the central government in financing local governments (through transfers and revenue sharing) in the region is a result of decisions regarding national priorities and provisions in the country constitutions and socio-economic policy papers. The equitable share provisions of the Constitutions and policy documents are particularly important. The share of national resources that goes to each level of government is determined after consideration of a variety of national needs and interests reflected in these documents, the fiscal capacity and ability to perform of each sphere, and the need to redress historical inequities. Across East Africa **Burundi** and **Kenya** do not presently transfer conditional and equalisation grants (Table 15). However, with the implementation of 2010 Constitution Kenya will begin disbursement of these grants by 2013.

Table 15

Constitution of Central Government Transfers to Local Governments

Revenue Source	**Burundi (%National Budget)**	**Kenya (% National Income Tax)**	**Rwanda (% Sector Ministry Funds)**	**Tanzania (% National Budget)**	**Uganda (% National Budget)**
Block/General Grant	15.00	5.00	4.20	1.20	2.10
Conditional /Sector Grants	-	-	0.80	13.40	17.20
Equalization	-	-	-	4.00	1.05
Capital Transfers	-	0.08	10.00	2.80	-
Total Transfers (% of National Budget)	1.34	3.52	13.04	27.20	20.32
% of LG Budget	60.0	25.0	75.0	75.0	60.0

In **Uganda and Rwanda** this has been as per the requirement of the Constitution while in others (Kenya and Tanzania) this has been derived from Government Policy and legislation. In addition **Burundi, Rwanda, Uganda and Tanzania** have adopted planning, budgeting and control systems that bring together programmes and grants, recurrent and development funding, donors and government funding. This system also ensures that parallel funding to LGs is merged into the government block grants system in order to maximise equity, transparency and efficiency in use of resources. **Uganda** and **Rwanda h**ave also implemented peer review and self-evaluation to improve the qualitative and quantitative performance of budgets.

Intergovernmental fiscal transfers account for the bulk of local revenues in some of the countries of the region (**Tanzania** and **Rwanda** 74%, **Uganda** and **Burundi** 60%) while in others it contributes a small proportion of total local revenue (**Kenya** 25.0%). In the 2011 budget the Government of Tanzania abolished the General Purpose Grant to local government which was the only discretionary intergovernmental grant financing local government in the country. This grant had originally been created to replace 13 sources of local revenue abolished by the government. However following intensive lobbying on the part of ALAT, the national local government association the grant has been reinstatd for the 2012 budget year.

In **Uganda, Tanzania, Rwanda** and **Burundi** approximately 86 per cent of the transfers in 2009-2010 were in the form of equalisation, and the rest conditional grants. Equalisation grants are intended to 'equalise needs and local resources' and provide extra funding to poorer districts. However, in Uganda these grants are spread over half of all districts yet make up less than 1% of total transfers, and are too small to yield the required impact. To bridge this gap and as incentive to local governments Uganda runs a scheme for rewarding Local Governments that meet set levels of performance within given resources and according to national assessments. Local Governments that do not meet expected levels of performance are correspondingly sanctioned. In order to attract the rewards and avoid sanctions, LGs have gradually improved in service delivery standards. In the same vein, experiences from the Reward Scheme for the best performing Local Governments in the year 2009 with support from UNMC have clearly indicated that an incentive scheme will promote the achievement of the MDG targets in developing countries. It is arguably believed that cascading the incentive scheme to Local Government departments and individuals will most likely scale up efforts towards achieving governance goals and targets and improve livelihoods.

In **Burundi** local governments have not been able to participate in national development as a result of poor intergovernmental fiscal relations. The government is yet to decide fully on whether it should be the Ministry of Finance, Ministry of Decentralisation, or the Incomes Burundi Office (OBR) or the General National Inspection that should be responsible for the redistribution of national income between Central Government and Local Government. The General National Inspection had recommended that Fund Transfer to Territory Administration (FAAT) *"be supplied by incomes from incomes cultures from 'FONIC' in order to make up an additional resource for the investment of local authorities"*. The Local Authorities Investment Fund (FONIC) is in charge of promoting countrywide development and the one of local communities in general and local authorities in particular, notably by financial support of their local development initiatives. The local government portion is pegged at 15% of national budget[17]. Between 2007

[17] Point 28 0f Degree n° 100/260 of August 2007 on Fund for Transformation of Local Authorities' Development in Local Authorities Investment National Funds

and 2009 the Fund (FONIC) did not get any supply of resources from the State as dictated by the decree. During this time the central government only paid fees for the functioning of the fund. For year 2009, 250,000,000BUF (~200,000US $) were paid into the Fund after incessant lobbying by Burundian Association of Local representatives (ABELO). ABELO has also carried out a study of local authorities to establish their needs and working mechanisms with the central government. This study is the instrument being considered in resource negotiations between central government and local governments through 2015. The study recommends implementation of the 15% and gradual growth to 21% by 2015.

Uganda LGs are highly dependent on central funding which account, on average, for 90 percent of their income. Local revenue collection is at best static and is falling in many respects. In 2000/01, they made up 15% of transfers. A recent study confirmed that this was not even enough to cover basic management and administration costs (GoU 2001: 17). Conditional Grants make up 75% of transfers and are ring-fenced for specific projects. These have increased in recent years with the establishment of the Poverty Action Fund (PAF) as part of the Highly Indebted Poor Countries (HIPC) initiative, which stipulated that debt relief funding must be specifically targeted at reducing poverty. The programmes that conditional grants (CGs) fund are formulated nationally; therefore local governments have little control over the Conditional Grants revenue, and the involvement of LC3 level and below in the planning and implementation of the PAF-CG grants are almost non-existent. This results in a weak sense of local ownership; limits the mobilisation of local resources and local contributions and threatens poor future operation and maintenance (GoU 2001: 26).

In **Kenya** transfers from the central government are done through the Local Authority Transfer Fund (LATF). This fund was established in 1999 through the LATF Act No. 8 of 1998, with the objective of improving service delivery, improving financial management, and reducing the outstanding debt of local authorities. LATF[18], which comprises 5% of the national income tax collection in any year, currently makes up approximately 24% of local authority revenues. At least 7% of the total fund is shared equally among the country's 175 local authorities; 60% of the fund is disbursed according to the relative population size of the local authorities. The balance is shared out based on the relative urban population densities (KIPPRA, (2009). The local authorities must indicate that they will spend a maximum of 45 percent of the total budget on staff and at least 65 percent on investment.

[18] The new constitution is silent on what happens to LATF and the Constituency Development Fund. However, the Task Force on Devolution and the Parliamentary Committee responsible for revenue allocation are yet to prescribe the rules and regulations to operationalise devolution and resources that go with it.

An advisory committee comprising the private sector, the Ministry of Finance, the Permanent Secretary Ministry of Local Government, and the Kenya Local Government Reform Programme's Secretariat, and ALGAK guides LATF operations. 60% of LATF allocations are released based on local authority's budget requirements. The remaining 40% is released based on local authorities performance measured through Local Authority Service Delivery Action Plan (LASDAP3), submission of public accounts, and a revenue enhancement plan to the LATF Committee.

The Kenyan new constitution prescribes that revenue raised nationally shall be shared equitably among the national and county governments, with the County governments at liberty to be given additional allocations from the national government's share of the revenue, either conditionally or unconditionally. The constitution further prescribes that for every financial year, the equitable share of the revenue raised nationally that is allocated to county governments shall be not less than 15% of all revenue collected by the national government, and shall be calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly[19].

In **Uganda** more emphasis has been given to the development of intergovernmental fiscal transfers than to improving local sources of revenue, and there are no adequate incentives in the transfer formula to encourage local revenue generation. The Constitution of the Republic of Uganda specifies three types of central transfers that are supposed to be given to local governments. These are conditional, unconditional and equalization grants. The total amount of grants directly transferred to Local Governments annually has more than doubled between 2000 and 2009 from Uganda shillings 502 billion to shillings 1,338.9 billion. There are also funds earmarked for sector ministries that are allocated for implementation of local government services. Among the direct transfers, the Unconditional Grant has increased from shillings 79 billion to shillings 144.6 billion. In the same period, Conditional Grants have increased from shillings 418 billion in the FY 2000/01 to shillings 1,145.9 billion in the budget for 2009/10. The Equalisation Grant has actually dropped from shillings 4 billion to shillings 3.4 billion respectively. These transfers represent 60% of local governments' revenue.

In 1998, the **Government of the United Republic of Tanzania** defined, in a Policy Paper, an elaborate process to strengthen planning, budgeting, financial management and service delivery at the local government sphere. The Policy Paper established the following key principles for fiscal decentralization (i) local government shall have their own revenue sources and central government shall transfer grants to LGAs on the basis of functions carried; (ii) the grant system shall encourage the councils to set their own priorities and use own revenue and grants

[19] The Counties shall first come into force in 2013 after the national and county elections of 2012

accordingly in a cost efficient manner; (iii) the grant system shall allow national policies to be executed through National Minimum standards; and (iv) individual grants linked to particular line ministries should as far as possible be avoided with the introduction of the reforms. Within this framework intergovernmental transfers to local governments have increased (table 16). The Block Grants were made up of education grants, health, agriculture, water, and GP grants.

Table 16

Summary of local government finances, Tanzania FY 2006/07 (in Tsh. Millions)

	Budget Plan	Actual Outcome	Actual (as % of Total)	Perform ratio (%)
Own Source Revenues	63,385.2	61,411.3	6.7	96.9
Intergovernmental Transfers	1,100,870.6	859,467.9	93.3	78.1
o/w Block Grants	695,191.8	600,270.6	65.2	86.3
o/w Subventions and Funds	142,314.4	77,980.1	8.5	54.8
o/w Development Grants	263,364.4	181,217.2	19.7	68.8
Local Borrowing	126.1	100.0	0.0	79.3
Total Revenues	**1,164,381.9**	**920,979.1**	**100.0**	**79.1**
Recurrent Expenditures	765,067.8	673,726.2	78.5	88.1
o/w Concurrent functions	601,661.7	539,379.3	62.8	89.6
o/w Exclusive local functions	163,406.1	134,346.9	15.7	82.2
Development Expenditures	353,940.9	184,574.3	21.5	52.1
Total Expenditures	**1,119,008.7**	**858,300.6**	**100.0**	**76.7**
Surplus/(Deficit)	45,373.2	62,678.6	--	138
Expenditure Ratio (%)	96.1	93.2	--	--

Source: PMO-RALG, LGA Finance Statistics, FY 2006/07 (LOGIN)

The **Government of Rwanda** enacted Law №20/2002 of 21/05/2002 putting in place a conditional fund known as Common Development Fund (CDF) to support LGs to finance development projects in partnership with citizens. Earlier by Law No 17/2002 and No.33/2003 had established the Block Grant to supplement resources collected directly by District Council and provide non-earmarked financial resources to the decentralised level of government. The Block grant, which is up to 5.3% of the previous year's national domestic revenue, is used for meeting wages and salaries and other operational funding requirements. Other funds include the sector grants to meet education, health, and agriculture financing at the local level. The CDF pool of funding originates from two main sources and forms the basis for joint action with the civil society, citizens and other actors:

- Transfer of 10% of Central Government domestic revenue mobilization based on the previous fiscal year revenue realizations.
- Donor funding (foreign and domestic).

At the very beginning, CDF allocation depended on approved projects submitted by districts (Project Financing). Today CDF allocation is based on population, area, poverty index and access to water (i.e. District population (20%), District area (10%), Poverty Index (40%) and Access to water & electricity index (30%)). The allocated amount of money to CDF was 44 billion RwF in 2009/2010 and has been raised to 48.2 billion in 2010/2011 as it has been the case for all other types of grants allocated to LGs in Rwanda. To date most Districts lack absorption capacity with regards to CDF transfers.

Capital Transfers

Capital transfers are designed to meet employment creation and wealth generation needs. Across the region capital grants have been used for maintenance and repair of buildings, bus parks, water and sewerage works, vehicles and equipment, street lighting, markets, and in financing administrative support. In some cases between 5-15% of capital grants have been used in construction of health centres and schools. Less than 1%, overall, is put in local economic development across the region.

The capital grants system suffers a number of shortcomings:

- the national governments are not certain on the level and extent of decentralisation of health, education, water, and other social and productive sectors and can therefore not cost the needed capital investment;
- There is a great variety of programs and conditions for disbursement of funds and reporting making access to funding difficult and capacity

intensive;

- The mechanisms for allocating capital grants are highly fragmented (in the sense that they are found in different pieces of legislation) and heavily centralized;
- The wide range of capital grants creates important planning and budgeting problems at national as well as local government levels; and
- Concerns are often voiced regarding the equity in the distribution of capital grants.

Across the region, on average the capital grants have been used to meet administrative support (1%-10%), maintenance and repair of infrastructure (49-55%), with only 10-30% left for new infrastructure development.

d5 Own Sources of Revenue

A sound revenue system for local governments is an essential pre-condition for the success of fiscal decentralization. In addition to raising revenues, local revenue mobilization has the potential to foster political and administrative accountability by engaging communities. Therefore, local governments in East Africa must access direct revenue sources, including regular, stable, reliable and commensurate appropriations by central governments in order to fulfil their mandates of effective service delivery and empowerment of communities. Today local governments derive their revenues from various sources - own sources of revenue, intergovernmental fiscal transfers, donations and loans. Joint action or private public partnerships also allow local governments to mobilise additional resources in the provision of services.

Taxes and Charges

As we have observed elsewhere, in a fiscal decentralisation perspective, arguments for participation rely on the assumption that resource allocations reflect local preferences, resulting in the efficient distribution of public services. It is also argued that resource mobilisation increases as local governments become better equipped to collect taxes in their jurisdictions. The efficiency of revenue collection may also be greater when citizens are involved in decisions taken by local governments through participatory processes. This would be reflected in an increased willingness to pay for services through local taxes. However this participation must be properly coordinated and regulated.

Own sources (table 17) of revenue include sale of goods and services, sales of capital assets, rates and rents, fees and fines, penalties and forfeits, interest and dividends and financial transactions in assets and liabilities, and single business licenses.

Table 17

Own Revenue Sources By Country

Country	Property taxes/ rates (including plot rents)	Vehicle parking	Business licences	Markets fees	Game park fees	Water & sewerage fees	Others (Specify)[1]
Rwanda	•	•	•	•	•		•
Uganda[2]	•	•	•	•	•	•	•
Kenya	•	•	•	•	•		•
Tanzania	•	•		•			•
Burundi	•		•	•			•

1. Other taxes include local service tax, local hotel tax, liquor licenses, fines and fees.
2. In Uganda game park remittances are by sector. Only some urban council have access to water and sewerage fees.

On average local government own revenues represent less than 2.5% of public revenue in East Africa . Moreover, while fiscal transfers provide more than 60 per cent of local government revenue in the rest of East Africa, they represent less than 40 per cent of revenue for local governments in Kenya today. This heavy reliance on transfers continues despite the fact that local governments have the legal power to formulate their budgets and allocate revenue to different categories of expenditure within the context of each country's broad medium-term strategic plan.

Table 18

Own Revenue Sources By Country

Revenue Source	Planned 2008/9 Ksh'000	Actual 2008/9	% Realised	Planned 2009/10	% Increase Planned
Local Authority Transfer Fund (LATF)	9,250,000	9,227,455	99.8%	10,400,000	13.0%
Roads Maintenance Levy Fund (RMLF)	2,528,668	2,063,382	81.6%	1,714,878	(17.0%)
Other Government	-0-	131,986		33,649	
Sub-Total Central Government	**11,778,668**	**11,422,822**	**97.0%**	**12,148,527**	**6.0%**
Contribution In Lieu of Rates (CILOR)	488,191	502,858	103.0%	544,861	8.0%
Property Rates	3,254,165	3,219,148	102.1%	3,133,910	(3.0%}
Single Business Permit	1,931,818	2,507.365	129.8%	2,389,371	(5.0%)
Vehicle Parking	1339,169	1,937,761	144.7%	1,673,689	(14.0%)
Market Fees	1,034,246	1,033,743	100.0%	987,756	(4.0%)
Plot Rents	271,028	332,523	122.7%	334,084	0.0%
Water and Sewerage Fees	243,656	596,018	244.6%	301,015	(49.0%)
Cess Receipts	611,924	1,030,323	168.4%	908,135	(12.0%)
Game Parks Fees	985,162	680,495	69.1%	908,135	(12.0%)
House Rents	393,405	765,304	194.5%	483,772	(37.0%)
Others	2,419,839	3,089,983	127.7%	2,820,255	(9.0%)
Subtotal: Local Government	**12,872,603**	**15,695,522**	**121.9%**	**14,638,476**	**(7.0%)**
TOTAL Central Government and Local Government	**24,651,271**	**27,118,343**	**110.0%**	**26,787,003**	**(1.0%)**

CG Transfer	
% of GoK Revenue	**2.23%**
% of LG Revenue	**42.0%**

Source: LATF Annual Report and Review of Local Authority Financial Performance FY 2008-2009 (GoK, 2010)

Since the central government can borrow money to make up for shortfalls, it can live with the more unstable revenue sources, such as customs duties and income taxes. Local governments, by contrast, require relatively stable sources of revenue, such as property tax and user charges.

Property rates (plot rents, house rents, contribution in lieu of rates) are an important revenue source across the region accounting for 13.9 % of local revenues in 2007. There is, however, considerable variation across the countries, ranging from 7.2% in Burundi to 23.1% in Tanzania. In Kenya in 2009 this accounted for 17.8% of total local government revenue (30.7% of own revenue sources). However, effective property rates stem from an effective land and asset management policy; with a clear inventory or cadastre of the land and properties and also a clear overall strategy, clarifying the patterns and modalities of urban development.

Time, money and political will at local and central level are all necessary to pursue the establishment of such a tool. Local governments in East Africa are yet to reach this level. They rarely carry out integrated strategic development and digital planning, instead they are known more for preparation of part development plans, which are synonymous with informal settlements.

If properly designed and administered, user charges on trading services such as single business permit, vehicle parking, market fees and licences, water, sanitation, and solid waste collection and cess fees provide useful sources of revenue to local governments. In Kenya user charges make 67.1% of own revenue and 38.8% of total local government revenue. Across the region (East Africa) user charges constitute the largest single source of revenue, generally accounting for more than 60 % of local own source revenue in 2009.

Key challenges that must be overcome in supporting the development of own sources of revenue are the cost of collection and administration of revenue. Over the last two decades of decentralisation, and the introduction of fiscal reforms over ten years ago through the establishment of central revenue authorities, local government revenue systems in East Africa are still weak and disjointed. As we noted earlier, a fundamental requirement when designing local revenue systems is greater emphasis on the cost-effectiveness of revenue collection.

In recent years, Tanzania conducted a comprehensive reform of its local revenue system (see Box 3). The main elements of this reform were the (i) abolition of unsatisfactory local revenue instruments, which were costly to collect from administrative and political perspectives (including the poll tax), and (ii) improvements to remaining revenue bases by simplifying rate structures and collection procedures.

The reform program was also supported by a World Bank sponsored project "From Accounting to Accountability: Managing Financial Records as a Strategic Resource", designed to improve financial management capacity of local authorities. The local government revenue system has since improved but with some difficulties – requisite human and technical capacity has not been promoted on a sustainable basis.

Box 3: Reforming the local government revenue system in Tanzania

Until mid-2003, it was not uncommon that local authorities in Tanzania had more than 70 different taxes, fees, and charges. In addition, there were many sub-groups of particular revenue instruments. There were also large variations on the rates imposed by councils on similar revenue bases, which led to smuggling of tradable goods across council borders within the country. The revenue system was costly to administer and it facilitated corruption and mismanagement. Moreover, many local revenue instruments, including the business licensing system, distorted market decisions and inhibited the start-up of new enterprises.

In June 2003, a comprehensive reform of the local government revenue system was carried out. A large number of so-called nuisance taxes, which were costly to administrate and generated limited revenues, were rationalized. Thereafter, in June 2004, local business licenses were abolished based on the argument that they provided disincentives for the development of local enterprises. The Tanzanian reform demonstrates that radical changes of the local revenue system are possible. However, it is too early to assess the longer-term impacts of the reform.

For instance, the rationalization implied that local governments have to be compensated for the resulting revenue shortfalls by the central government, at least in the short run. Ongoing work initiated by the ministry responsible for local authorities focuses on reforming the current local revenue system and to identifying new revenue options. Among the proposals discussed are reforms of the property tax system, introduction of a unified business tax, and reintroduction and streamlining of the business license system. Moreover, many councils have started to explore methods to reduce the financial gap caused by the rationalisation by:

1. ***outsourcing revenue collection to private collectors to increase revenues from existing sources;***
2. ***reducing costs (for example, by limiting the number of meetings and workshops and by retrenching surplus staff); and***
3. ***Imposing more cost-effective spending (for example, on electricity and stationery).***

Current attempts for economic diversification may also help to expand the local revenue base in the longer term. Furthermore, co-production of services by councils and local communities is on the rise. For instance, an increasing number of primary schools are maintained and expanded via self-help schemes combined with technical support from the local government authorities.

Source: Fjeldstad et al. (2004).

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Borrowing and Debt

Local governments are also empowered, by their Acts of Parliament to borrow for development and other investments. The East African countries have stringent conditions for local government borrowing including requirements that this must be approved by the Minister responsible for local government and should also secure central government guarantee. This means local borrowing must pass political criteria and have political will of the state. This has had a negative effect on the loans, that they are rarely effectively serviced[20]. Most loans have been repaid with transfers from central government. It is important that local borrowing meets objective appraisal techniques.

Local governments require specialised lending institutions and loan packages due to the nature of their assets and projects intended for borrowed funds (mostly infrastructure). Only Rwanda has established a specialised institution, the Municipal Development Fund (*Fonds de Développement Communal*-FDC) to support municipal development. Kenya, on its part, has had, for a long time the Local Government Loan Fund, however it has been dormant for more than three decades.

[20]The local government in Kenya is using 12.2% of its total revenue to service debt and loans, and loans make up 12.6% of annual local government expenditure 2008/9.

Borrowing from the contemporary banking and finance sector is overburdening on local governments, and therefore would not be appropriate for future local governments. An appropriate gamut of options and institutions should be identified including development of a municipal bond markets at national or regional level. Initially the East African Development Bank (EADB) may be an immediate partner in structuring appropriate packages for local governments. The bank, which is owned by the Kenya, Tanzania and Uganda, and by Rwanda and Burundi by virtue of their membership in EAC, with the mandate to raise resources and provide credit to the private sector of the Partner States on differentiated basis[21]. EADB is seen as having a critical role to play in the East African common market in terms of mobilizing external lendable resources for the East African Market. EADB is also expected to mobilize the East African resources to provide credit to the private sector and to participate in the reform process of the East African financial institutions to assure its future sustainability. Within this context the bank is well placed to develop a lending stream which specifically targets local authorities and supports them their role as development actors.

Graduation of local govermments to the financial market requires proper development and definition of both grant and loan options. It is critical to ensure that wealthy municipalities cannot use grants for projects with self-financing potential, thereby diverting scarce resources from equally important projects with weaker revenue potential and from poorer local governments unable to generate own revenues and/or borrow. Grants should include incentives for local governments to improve their fiscal discipline and begin to borrow for appropriate projects. A multi-faceted system that incorporates these critical elements could help to prevent the type of local government debt crisis feared by those suspicious of increased freedom in fiscal management.

<u>Joint Actions and Partnerships</u>

In view of the growing demands of local governments in the region, some local governments, through the initiative and support of central government have benefited or engaged in financing options such as Public Private Partnerships (PPP), and National/Local Public Enterprises/Utilities Finance and Develop (NPE). However, these financing options have received significant criticism including:

- Private investors focus on high return investments and revenue generating projects with expected future cash flows ring-fenced from political interference;
- local governments do not have capacity to carry out due diligence before

[21] Kerre, Mohammed; Popular Participation in the East African Community: A Guide to EAC Structures and Processes (Oxfam, 2010)

entering PPP arrangements, and end up losing out on revenue;

- NPEs are highly dependent on nationwide priority setting and budgets and fail to integrate local governments' demands and needs. Therefore, it is extremely difficult for a local government to ensure that the utilities development strategy fits to its planning and local development strategy;

In identifying and developing additional options the LGs must ensure that such options are innovative, good economics, easy to access and properly structured to stimulate local social development and economic growth[22]. While to date these experiences seems to have been difficult for local governments the street lighting programme in Nairobi (PPP), and the on-going establishment and operation of national and regional water services boards in Kenya (NPE) show the positive potential these options are able to generate.

d6 Issues and Challenges for Local Government Financing

With regard to the principal issues covered in this section it is possible to conclude that:

a) Less revenue centralization would improve service delivery by making local governments more accountable to local constituencies as opposed to the grant system, which makes them more accountable to central authorities.

b) Local governments control over resources should be expanded to cover a significant proportion of own-source (especially tax) revenue that can be efficiently collected and managed by local governments and has the potential to improve service delivery.

c) The legal autonomy to formulate budgets as well as spend transferred funds differs from country to country, however In some countries intergovernmental fiscal transfers still account for the bulk local governments should be given increased autonomy to set priorities to respond to local needs and preferences

d) There is a need to employ clear and inclusive formula in computation and disbursement of funds to local governments

e) While over reliance on transfers should be discouraged they are key in ensuring local government's ability to provide basic primary services (such as primary health care, universal primary education, water, district, urban and community roads, sanitation and hygiene, natural resources and environment management and agriculture support). The current trend in the reduction of transfers (for example in Uganda from 25.5% of the national budget in FY 2003/04 to 20% in the FY 2009/10) should

[22] The structuring of these options and their implementation should reflect a sound fiscal decentralisation framework supporting effective and stable allocation of financial resources at the local level and the interrelationship between local revenues and transfers

be reversed.

f) There is a significant imbalance in the levels and growth rates among the grants and transfers. In all the five States conditional grants constitute up to 85%[23], unconditional (including compensation for Graduated Tax or contribution in lieu of rates) comprises less than 15%, while equalisation grants are less than 1% of the total grants.

g) The high level of conditional grants implies that priority setting is largely done at the centre and certain key priority expenditure needs of Local Governments are not funded. This potentially results in certain sectors not being funded appropriately. In addition this tends to compromise and undermine the autonomy of Local Governments and also impede empowerment of communities.

h) The Unconditional Grants without Graduated Tax Compensation and contribution in lieu of rates constitutes about 10.8% and the larger component of this grant covers the wage bill (63.4%) for staff and elected representatives. This implies that funding for services not funded by conditional grants such as planning, administration, and internal audit is grossly undermined.

i) There is need for a well-designed capital transfer system which should promote equity, wealth generation and employment creation and support greater local control over resources.

Within this funding framework, the local governments' ability to target larger objectives like local economic development has been undermined. In other words, the extent to which cross-sectoral concerns are taken into consideration when making expenditure decisions is virtually non-existent in the local government sector. The current system promotes basic service delivery without focusing on interdependency of the sectors and underlying factors. For example, efforts to deliver social services such as, education, health, water, production should take an integrated approach but the existing system promotes stand alone interventions[24]. More so, whereas the structures in Local Governments promote intersectoral planning, sector ministries have continued to undertake their projects outside the framework of local governments, heavily impacting on the capacity of local governments to provide essential social and productive services.

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[23] In Uganda and Rwanda this includes the local government development grants which has an element of discretion but maintains a condition of 80% of this funding to be earmarked for priority programme areas. While in Kenya it includes a portion for funding capital expenditure and debt resolution.

[24] Rwanda has introduced sector grants to bridge this gap, while Uganda is using planning and budgeting forums to ensure equity in budgeting and sharing of resources between the centre and the local levels.

As an independent sphere of government local governments should not see fiscal transfers from, and sharing of revenue with the centre as privilege but a right it holds for its citizens. Transferred and shared funds should not be returned or surrendered to the centre at the end of the centre's financial year, as this limits local governments capacity to operate effectively and breach the development protocol. Therefore the local governments should together with the centre establish appropriate mechanisms to ensure smooth flow of resources and information required for purposeful service delivery and growth of the local authority

e

REGIONAL POLICY RECOMMENDATIONS AND CONLUSIONS

For over two decades East African countries of Burundi, Kenya, Rwanda, Tanzania and Uganda have made a lot of progress in decentralisation and local governance. During the same period the region has established the East African Community anchored on the principles of democracy and good governance; people-centred and market driven. The decentralization process has had important effects on service delivery and local economic development. However, the process has also been affected by, among others, a lack of clarity in the division of responsibilities, a lack of knowledge on the cost of transferred responsibilities, low capacity in own-revenue generation, limited control over local resources and decisions, lack of qualified human resources, and inability to access alternative sources of development funding. In addition, in some countries local governments have to content with shrinking transfer amounts and irregular and unpredictable transfers and sometimes delays in disbursement of agreed upon transfers. The region also recognizes that local government access to financial markets remains a major problem and a hindrance to sustainable local government revenue management.

Solving these problems will include a re-examination of the policy, legal and regulatory framework, and institutional arrangement, between central and local governments. It will also involve building the capacity of local governments, and increasing their level of autonomy both through enhanced budgetary support – transfers, grants and shared taxes – as well as in the development of own revenue sources, and accessing new funding sources (PPP, Joint Actions, loans).

The following five policy directions are designed to contribute to the alleviation of the stress on the current decentralisation efforts, and speed up the institutionalisation process for sustainable, effective and efficient service delivery.

Policy Direction 1: Increased Clarity.

Clarity of Purpose, Roles and Responsibilities as articulated in national Constitutions, legal frameworks (Acts of Parliament) and Policy Documents relating to and affecting local governance.

Clarity of purpose and direction is fundamental to successful decentralisation and democratisation of local governance. Country experiences indicate that:

- While governments have embraced the need for decentralization and have put legislative mechanisms in place, these mechanisms need to be reinforced, consolidated and aligned to ensure decentralised local government structures, systems and procedures can operate efficiently and effectively, and

- While decentralisation legislation exists in all the countries examined, in many cases it is not aligned with other existing legislation, leading to a lack of clarity on division of responsibilities and funds.

As observed earlier, decentralisation should provide for local self-government, the assignment of responsibilities and resources to the local level, upon which they have independent decision making abilities with regard to budget execution and control. These powers would go to waste if the relevant instruments that confer them are not clear, or there is no clear definition and separation of powers and responsibilities or excessive power is held by one sphere to the detriment of the others. Overlap leads to a lack of efficiency in the structures, systems and procedures of all levels of government.

Clarity in the division of expenditure responsibilities and revenue sources between local governments and sector ministries is essential in meeting both independent and common goals and objectives. In this respect:

a) Central government should align existing legislation with decentralisation legislation in order to clarify division and separation of responsibilities and functions. Clarity, commitment, confidence and competency are the key ingredients of successful decentralisation. The central government should commit to the success of the decentralisation process.
b) In cases where local governments and central agencies carry out joint functions and in the case that local governments are required to carry out functions on behalf of the central government, their role and responsibilities as well as their rights and obligations should be clearly negotiated, defined and respected.
c) Local governments shall develop their capacity for policy, legal and regulatory analysis so that they can inform and shape the formulation and implementation of local government friendly, pro-poor supportive policies and regulations.
d) Central governments shall include national local government associations in the process of determining those constitutional issues, legal instruments and policies to be harmonized and propose formats that support needs and aspirations of local governments and add value to the decentralisation process.
e) The three (central government, local government and the citizens) stakeholders should create a forum that would facilitate exchange of knowledge, experiences and unify service delivery efforts.

Where the various country constitutions and Acts of Parliament provide for decentralisation, it is important that these are operationalised through functional regulations, structures, and procedures. This will go a long way in improving policy and the administration of decentralisation and the subsequent fiscal relations. Particularly with regard to:

a) simplifying policy and administration components of taxes and fees to ensure these are easy to understand and to reduce administration and compliance costs and ensure that the revenue, equity and efficiency goals of the local government are realized;

b) undertaking regular intergovernmental fiscal reforms to improve the central-local transfer system of tax/revenue sharing;

c) Building technical and administrative capacity so that local governments can assume responsibilities for new, more direct revenue instruments, develop new and improved administrative systems and procedures, and enhance the institutional environment for tax administration; and

d) Strengthening the ability of local government associations to participate in, and LGA competencies in intergovernmental fiscal negotiations and management.

Policy Direction 2: Political Will and Commitment to Action.
Taking initiative and responsibility will put fuel in the decentralisation process.

The national constitutions have established at least two separate interdependent and interrelated spheres of government. Each sphere is assigned its own powers, functions and responsibilities. The national government is responsible for managing the country's affairs, and shares responsibility for the provision of basic social services with the local governments. The national government's power to intervene in the decisions of local governments is defined and limited by the Constitution or the government policy paper (in the case of Tanzania). However, some issues that have affected the pace and depth of decentralisation in East Africa including:

- The unwillingness of central ministries to decentralize services they have been providing, particularly in cases where decentralization involves a loss of prestige and or resources;
- The tendency to assign powers and take them away again, especially in cases where they have made the local government visible in a positive manner
- The tendency to assign too many expenditure functions without commensurate finances, and or too many revenue functions without the requisite capacity leading to poor performance by the LG, and
- Subsequently using the poor local performance as an excuse for keeping services centralized or recentralising decentralised responsibilities.

Central government must demonstrate political will, commitment and action in their decentralisation processes. This process should be accompanied with institutions, strategies, systems and procedures to fully enable local governments take on responsibilities successfully. Central governments should adopt measures of influence, developed and implemented in a consultative manner to ensure this success including the following:

a) Recognize local governments as full-fledged spheres of government
b) Facilitate capacity building programmes;
c) Issue guidelines on national policies and priorities, and on available resources;
d) Re-orient central agencies and sector ministries to providers of technical and supervisory support, mentoring and monitoring;
e) Develop process support systems that do not duplicate or create parallel arrangements;
f) Assist local governments in ensuring that local policy and strategic frameworks fall within the national policy guidelines to ensure harmony
g) Develop and institutionalise joint action development fora allowing for participation of key stakeholders in local development planning, management and financing.

The local governments on their part should:

a) Develop local capacity to negotiate with central government;
b) promote leadership and development at the local level;
c) Engage national leaders and ministry officials in ongoing dialogue on decentralisation, while simultaneously working to show good results at the local level;
d) Commit to building their capacity so as to meet their mandated responsibilities to the best of their abilities; and
e) Commit to increase, to the maximum their capacity and efficiency in all spheres of competence (provision of services, collection off taxes and fees, etc).

National Local Government Associations should:

a) Build a critical mass though active participation and support of their members and coordinated individual action to form formidable and effective advocates for local interests;
b) Cultivate and strengthen relationship with the national and regional legislative institutions to ensure protection of gains already realized and to deepen the decentralisation process;
c) Develop and implement decentralisation monitoring, evaluation and reporting systems to help check the decentralisation process with focus on autonomy - financial, political, human resource, institutional, administrative and strategic.

Policy Direction 3: Competence.

Local governments are challenged to create positive impact, be outstanding in service provision, be dynamic institutions, and maintain strong relations with their citizens.

In addition local government functions consist of exclusive competences and concurrent competences: the mandate to deliver most basic services, including education, health and welfare, and infrastructure such as water, sanitation, and electricity. To acquire this level of competence the LG must be aware of itself, its situation and its people. Capacity building and human resource development must be an integral part of decentralisation and local governance. This way the local governments should be able to attract and keep highly qualified and skilled personnel, provide them with required tools to serve the LG and its people.

Effective, faithful and efficient delivery of services endears the LG to its residents and it is bound to gain confidence of its citizens and the loyalty of the consumers of its services and tax payers. In addition the LG should also:

- Focus on long-term planning and visioning at the local level; and
- Work towards greater public participation in priority setting and decision making

Developing LG competences, skills in preparing integrated local government development plans, budgets and resource mobilisation plans, and mainstreaming and strengthening participatory planning and is a step towards deepening democracy and decentralisation, and giving the LG a strong operational platform shared with the people.

The central governments should develop local government service scheme to support human resource development and growth. This should ensure that local government has quality and competitive personnel comparable with central ministries and private sector.

Policy Direction 4: Stability and Growth.

The processes, strategies and systems of decentralisation must be designed to promote local governments as sustainable, futuristic autonomous institutions with focus on posterity.

Two issues are important here:

- Almost without exception, governments in East Africa assign more expenditure functions to local authorities than can be financed from their own revenue sources. The result of this mismatching of functions and finance is the inability to realize financial autonomy and acquire the loyalty and confidence of citizens and residents in service delivery. At the same time, the LG becomes too dependent on central government transfers. Heavy dependence on transfers from the central government suggests that the benefits from fiscal decentralization in terms of improved service delivery due to enhanced transparency and accountability to local citizens are likely to be limited. The intergovernmental transfer system makes local governments more accountable to central government and hence the design of central fiscal management standards is critical and more important than accountability to local constituencies.

- East African governments are seeing the process of building strong institutions as a foundation upon which communities can develop and prosper. In the last decade the Partner States have shown great awareness of the importance of sound public finances and made notable progress in developing and implementing sound public finance systems, budget processes that serve social welfare goals, and accounting systems that have integrity and respect. These institutions, systems and procedures are essential in the deepening of democracy and institutionalisation of decentralisation.

These issues suggest that the East African governments should support enhanced budgetary allocations for decentralisation and local democracy in order to build a strong foundation for equitable and democratic development.

Policy Direction 5: Portfolio Flexibility and Enhancement.
The need to balance expenditure responsibilities with revenue sources is central to the performance, efficiency and effectiveness of local governments.

The five EAC states operate within a coordinated regional macro-economic policy framework that creates new opportunities for the harmonization of legal and fiscal policies. This means that some of the key decisions taken at regional level have a direct impact on the operations of local governments, especially in matters relating to intergovernmental fiscal relations. The taxing powers of local governments in the region have to be determined by national governments that are themselves committed to observing and complying with regional practices. The national government are expected to have a common approach in designing local government revenue sources. Some national governments have allowed local authorities in the region to raise revenues through property rating (tax), local fees and charges on trading activities, water and sewerage, refuse collection, etc. National governments have also opted for various types of intergovernmental transfers in the form of grants, general, conditional and equalization. The common picture given is high dependency on central government grants by the majority of local governments in Burundi, Rwanda, Uganda and Tanzania. The incentive for local governments to develop their own revenue sources is yet to be capitalized upon. Therefore expenditure responsibility analysis, revenue allocation and performance evaluation are crucial steps in the process of local government-wise management, and contribution to local economic development, and it is the key ingredient of developing a sustainable portfolio away from dependence on central government.

Therefore it shall be the responsibility of:

- the **central government** to provide appropriate legislation and policies that allow the local government to build a strong resource base to meet its needs and those of its residents;
- the **local government** to engage the public in contributing to and monitoring fiscal and budget allocation and utilization; and
- **National local government associations** to continuously carry out research and analysis, budget expenditure reviews, budget expenditure monitoring, lobbying and advocacy, and empower local governments to (i) engage purposefully with central government, and (ii) develop its capacity to negotiate and utilize transferred resources efficiently and effectively.

Overall, the focus of the national associations of local governments over the next 3-5 years should be on helping central and local governments to achieve harmony and clarity on decentralisation policy, legal and regulatory institutions, and the working of institutions; competence at the local government level, political will and commitment to action for social development and economic growth at both the central and local government levels in pursuit of equitable and democratic development.

ANNEX

1

AGENDA FOR ACTION

AGENDA FOR ACTION - Decentralization in East Africa

For over two decades East African countries of Burundi, Kenya, Rwanda, Tanzania and Uganda have made significant progress in decentralization and local governance. During the same period the region has established the East African Community anchored on the principles of democracy and good governance; people-centered and market driven.

The decentralization process has had important effects on service delivery, local economic development and citizen well being. However, the process has also been affected by, among others, a lack of clarity in the division of responsibilities, a lack of knowledge on the cost of transferred responsibilities, low capacity in own-revenue generation, limited control over local resources and decisions, lack of qualified staff, and inability to access alternative sources of development funding.

Solving these problems includes a re-examination of the policy, legal and regulatory framework, institutional arrangement, building the capacity of local governments, including increasing the level of autonomy of local governments and to support enhanced budgetary allocations to decentralization and local government financing.

These ten recommendations are offered as a set of regional priorities to meet these goals:

1 Respect Principal of Decentralization and the Role of Local Government

Local decision making is best delivered by the level of government closes to the people.

Central governments must:

- commit to long terms process through the ongoing and progressive decentralization of responsibilities to the local level
- ensuring these responsibilities are matched by the necessary political, financial, and administrative autonomy and local capacity needed to implement them

The East African Community is called on to go beyond its general recognition of local governments as important regional actors to:

- formally recognize EALGA as the lead spokes entity of LGs in the region and provide EALGA with a space within the EAC's decision making process to voice the interests and concerns of LG

Local government and their representative organizations commit to:

- build strong, accountable, transparent local governments
- be responsive to citizens;
- proactively build preparedness to take on new responsibilities

2 Harmonize Legislation

Support adopted commitments towards decentralization across all levels of government.

Central governments should adopt measures, developed and implemented in a consultative manner to ensure this success including:

- Recognize local governments as full-fledged spheres of government;
- Support and develop systems that do not duplicate or create parallel arrangements that weaken local governments capacities and responsibilities;
- Re-orient central agencies and sector ministries to providers of technical and supervisory support, mentoring and monitoring to local governments.

Within the context of the **East African Community:**

- Support flexibility for the alignment of regulations in across frontiers for boarder communities;
- Consider impacts of regional policies on the local sphere of government and to the greatest extent possible mitigate these when negative.

3 Increase Local Autonomy

Local governments must be provided with an enabling environment allowing them to meet their responsibilities, and plan and implement independent local development plans.

Central governments are called on to:

- Clarify the division of responsibilities and tasks between the different levels of government within the established legal framework;
- Ensure local governments full decision making abilities over its assigned responsibilities and streamline reporting mechanisms;
- Ensure local governance structures allow for strong political actors at the local level;
- Support and respect locally defined development plans and priorities as long as they are aligned with national structure and priorities, and to every extent possible support local governments in reaching these goals;
- Prioritize general grants over earmarked grants.

Local government commits to:

- Long-term planning and visioning at the local level;
- Working towards greater public participation in priority setting and decision making;
- Responsibly account for funds both to citizens and central government;
- Build their capacity and efficiency in all spheres of competence (provision of services, collection off taxes and fees, etc).

4 Finance Follows Function

The need to balance expenditure responsibilities with revenue sources is central to the performance, efficiency and effectiveness of local governments.

Central governments are called on to:

- improve assessment of the costs of decentralised responsibilities;
- commit to no unfunded mandated being transferred to local government;

Local government commits to:

- increase transparency and monitoring in the allocation and utilization of funds;

5 Increase Fiscal Decentralization

Currently across East Africa local government incomes are overly reliant on intergovernmental transfers making local governments more accountable to central government than to their local constituency, minimizing their responsiveness to local needs and priorities.

Central governments are called on to:

- provide appropriate legislation and policies that allow local governments to build a strong own-resource base to meet their needs and those of its residents;
- assign local governments good local taxes (property tax; hotel tax; added % on VAT or sales tax; etc) and not undermine local taxes (creating loop-holes; making negative references to local taxes; etc);
- increase dialogue and partnership with LG and their representatives on the management of transfers and shared taxes.

Within the context of the **EAC Common Market Policy**:

- commit to replacing the income lost by local governments in aligning with this protocol with equally or more productive revenues (eg: piggyback % on nation VAT or sales tax).

Local government commits to:

- engage the public as to the need and importance of local taxes (tax education);
- build capacity in tax assessment, collections and management as well as in general financial management, revenue allocation and performance.

6 Timely and predictable transfers

Transfers must be predictable both in terms of timing and amount to allow local government to provide a continuity of services and implement multi-year development plans.

Central governments are called on to:

- set a minimum yearly level of public resource guaranteed to local governments (Kenya's new constitution can be a model);

- commit to multi-year support to certain projects and priorities to allow local governments to plan long term;
- support redistribution and horizontal equity and through local government structures;
- ensure that funds legally assigned to local government are disbursed within the timeframes committed;
- eliminate the requirement for local governments to return committed funding if not spent within a certain deadline.

The **East African Community** is called on to:

- support member states to meet their funding commitments to local government.

Local governments commit to:

- spending disbursed funds in a timely manner and in line with their development plans and mandated responsibilities;
- build their capacity in executing their budget to as to meet their responsibilities

7 Access to loans and financial markets

The financing of local and urban investment should be seen as a priority in public expenditure policy, and in the allocation of assistance provided by international cooperation.

Central governments are called on to:

- Provide a legal framework which will enable and support local governments to access financial markets;
- Develop financial institutions specialized in granting loans to local governments and/or support national development banks to target local governments;
- Support local governments to develop their capacity towards accessing loans and markets (possible thought the creation of intermediary institutions; programs to build accounting and financial management capacity; etc)

The **East African Community** is called on to:

- Ensure the East African Development Bank makes investment in local communities a priority area and develops specific lending lines for local government.

Local government commits to:

- Build the capacities necessary to access loans and financial markets (book keeping; accounting; project proposal & management; etc);
- Build investor confidence through good governance, meeting objectives and commitments.

Capacity building (HR)

Capacity building and human resource development must be an integral part of decentralization and local governance to ensure local governments can meet their current and future responsibilities towards their communities.

Central governments are called on to:

- support human resource development and growth for elected officials and technical staff;
- ensure that newly transferred responsibilities are supported thought necessary equipment, trainings, follow up and the possible secondment of ministerial staff;
- ensure alignment of local officer positions with the larger civil service (equipment & infrastructure; equivalence in registry & salaries; career progression opportunities).

EAC is called on to:

- Support the establishment of a regional training institution of local government.

Local governments commit to:

- timely review and assessment of their capacity, to monitor progress and target specific areas for improvement;
- ensuring the possibility of career progression within LG system;
- hiring staff through a transparent, accountable process based on best qualified application process.

9 Recognize local governments as important development actors

Local governments are key actors in organizing the access of citizens to basic services, improving quality of life and meeting the Millennium Development Goals (MDGs) in the local sphere.

Central governments are called on to:

- recognizes local government as key actors and consult them on all issues related to local governance;
- synchronise national and local development plans, respecting local priorities;
- ensure all donor funds are clearly acknowledged and accounted for in the national budget and that development resources are channeled through local governments;
- support cross-border cooperation in setting and reaching development goals.

EAC is called on to go beyond its recognition of LG as important actors in the region to:

- recognize the important role local governments play in relocalizing regional development priorities and support local governments in implementation.

Local governments commit to:

- ensuring transparent goals based use of funding;
- prioritize medium and long term strategic planning for development ;
- set priorities for improving service provision and work with civil society, the private sector and other actors to meet those goals;
- cooperate in trans-frontier areas, and sectors of co-jurisdiction to ensure consensus on priorities and cooperation in reaching goals.

10 Strengthen Citizen Participation

Local governments are challenged to create positive impact, be outstanding in service provision, and be dynamic institutions that maintain strong relations with their citizens.

Central governments are called on to:

- support democratic local governments, ensuring regular and competitive elections;
- build national strategies of information on participation and communication and support local strategies (civic education).

Local governments commit to:

- integrating methods of citizen participation into their models of governance (such as: participative budgeting; targeting development strategies; LG day; referendums) ;
- increase available information on local decision and the decision making process;
- make citizen ownership a key requirement of any strategy; engage with all stakeholders in open and accessible processes.

This agenda is the outcome of a process of collective reflection and debate among EALGA's member organisation (ABELO; ALAT; ALGAK; RALGA; ULGA) between December 2010 and December 2011. The process began in the workshop "Decentralisation in East Africa", held December 10-11, 2010 in Nairobi, Kenya, which was followed by a process of exchange and debate over the course of 2011. The current version of the Agenda for Action was refined and validated in a follow-up workshop held November 9, 2011, in Arusha, Tanzania.

ANNEX

2

EALGA ROLE IN ADVOCACY AND AGENDA SETTING

EALGA ROLE IN ADVOCACY AND AGENDA SETTING

1. Introduction

Advocacy is Action Area 4 in the EALGA Corporate Strategic Plan 2007-2011, designed to support and to inform the local government sector on important aspects of human development through local government. This Action Area gives EALGA the space for lobbying with the state governments, the East African Community and the international community on behalf of its members for an enabling policy and regulatory environment for sustainable development.

Advocacy is a key part of the relationship that EALGA has with its membership (National Local Government Associations - NLGAs), the Local Government sector, the central government, the business community, the civil society and the citizens and residents. EALGA and the NLGAs exist to provide representation and services that deliver value to Member Local Governments.

The EALGA and the NLGAs will deliver these benefits by:

- Providing strong representation for Local Government;
- Providing effective leadership for Local Government;
- Building a positive profile for Local Government; and
- Enhancing the capacity of Local Government to deliver services

There are currently 725 (Burundi 128, Kenya 175[25], Rwanda 31, Tanzania 294 and Uganda 97) Local Governments in East Africa and each one is responsible for providing political representation and services to their residents, ratepayers and electors. Decentralisation and local governance, and the reforms that come with it, is of significance to the livelihood of local governments in East Africa because it provides the local government with the authority, mandate, validity, identity and rationale for existence.

The associations build and maintain relationships with other spheres of government on a regular basis. The relationship with the State is complex and often intersects, in particular on issues of planning and development (both statutory and strategic), resource mobilisation and utilisation, policy analysis and formulation, service delivery, risk and emergency and environmental management. These areas have associated decentralisation and local governance issues, it is important that the needs of Local Governments are considered in

[25] With effect from the next elections (scheduled for late 2012) Kenya will be reconstituted into 47 County Governments representing the local government sphere.

any changes to legislation, policy or practice, and in particular where external expectations on local government are concerned.

Advocacy is a whole of association activity; it is not confined to one or two main players. As a consequence, this Advocacy Strategy, though specific to decentralisation and local governance at this time, has been developed to be multi-dimensional and capable of deployment across the EALGA and NLGAs. While it is acknowledged that EALGA does not have capacity at the moment to carry out this task, it is also acknowledged that its member associations provide the requisite framework, and that EALGA will require input from a range of internal and external stakeholders in order to fully address the needs of decentralisation and local governance in the region.

In order for the EALGA's decentralisation advocacy to be effective the following elements must be operationalised:

- A clear understanding of the long term priorities and initiatives;
- The internal resources to contribute to the delivery of effective advocacy;
- Knowledge of the external organisations and individuals that have funding capacity and / or political influence;
- Greater integration into other policy teams;

This Advocacy Strategy has been developed to address the long-term needs and priorities of local government while maintaining the flexibility to respond to opportunities to advance the decentralisation and local governance agenda.

2. The EALGA's Position on Decentralisation and Local Governance

For the purposes of this document it is necessary to briefly outline the information, strategies and policies with which the Association endeavours to address the needs of local governments with respect to decentralisation and local governance in East Africa.

2.1 Information

The Association through its members and in partnership with the United Cities and Local Governments (UCLG) is in the process of building up a knowledgebase on decentralisation and local governance in the region and beyond. The Association also commits to keeping abreast of the most relevant information available through reputable scientific, research and policy organisations and through the East African Community and State Government Departments.

2.2 Strategies – Research and Analysis, Adaptation and Structural Adjustment and Communication

In order to build the capacity of the sector to carry out effective decentralisation and to respond to decentralisation impacts, costs and liabilities, EALGA proposes to develop a three tiered approach to decentralisation. The Association with its members shall concurrently work on

a) **Research and Analysis**, to assist local governments to understand the implications and impacts of proposed State decentralisation actions, policies, programmes, laws and regulations in the lives of local governments; and recommend local government position;
b) **Adaptation/Structural Adjustment**, to assist local government to adapt to the impacts of decentralisation; and
c) **Communication**, to analyse and clearly communicate International, EAC and State legislation, regulation and policy on decentralisation and local governance. Review and dialogue with the Centre on their respective roles and mandates vis a vis the Local Governments.

The Association shall also work towards a regional approach to decentralisation and local governance management, wherein the local governments shall be facilitated to learn from one another and efficiencies are gained through pooling resources and management strategies.

2.3 Statement of Policy – EALGA Statement of Policy on Decentralisation and Local Governance

Decentralisation is an on-going process of democratisation of power, services and resources. The institutionalisation of decentralisation and democratic institutions and systems of accountability in local governments entails particular challenges for the residents, in which political agency and access to information are frequently limited by traditional and modern-bureaucratic systems of hierarchy and control. Decentralization means increased efficiency, more equity, and greater participation and responsiveness of government to the demands of their citizens.

Decentralisation, as a political and administrative process, defines a shift in the locus of power (political and administrative) from traditional lines of command and control to popularly elected local level. It involves the transfer of powers and functions from the center to the lower political entities. When the transfer of authority is sufficient, local governments obtain political, financial, administrative autonomy to better address citizen's needs. Local Governments become more easily inclusive and accountable to the public with increased autonomy from the center. In order to properly assess and address decentralisation and local governance local governments need to identify and address key decentralisation and local governance indicators in their strategic planning frameworks and dialogue with the central government.

Decentralisation and local governance have a range of legal and regulatory, fiscal and budgetary, asset management, infrastructure, planning and environmental, institutional and structural implications, all of which will need to be embedded in strategic frameworks and executed at both a political and operational levels in order to ensure a successful and sustainable decentralisation process.

3. Advocacy Priorities and Principles

The overall aim of the decentralisation advocacy is to facilitate sharing of knowledge and expertise, and develop recommendations on how to effectively address those challenges of preparedness and institutionalized sustainable mechanism to develop Local Governments.

3.1 Mapping against the Association's Principles

This advocacy strategy for will require advocacy priorities to be identified and mapped against the defining principles and values of the Association and its members. This strategy, and its outcomes, will be required to meet the expectations of these principles at all times. In addition the strategy should meet the following:

- Professional and constructive relationships with other organisations;
- Effective and consistent communication;
- Proactive, responsive and timely services and policy initiatives.

3.2 Identification of Advocacy Priorities for the Local Government Sector

The Association, based on the GOLD Report on Decentralisation and Local Finance in East Africa will consider the under-listed advocacy issues. However, it will consult with the NLGAs in order to identify advocacy priorities, and will also consult with the broader local government sector.

a) Harmonization and alignment of legal frameworks;
b) Enhanced budget allocations to local governments;
c) Local governments in the architecture of national expenditure;
d) Alternative local government financing mechanisms and products;
e) Capacity building and institution strengthening for local governments;
f) Enhanced citizen participation and demand for accountability from the Local Governments and the Centre:

3.3 The Association's Mission & This Strategy's Response

EALGA has as its mission; Strong Representation, Effective Leadership, Positive Profile and Enhancing Capacity. This strategy will strive to fulfil these objectives by:

- being targeted (working with the right people for the right purpose);
- being comprehensive and holistic (addressing individual issues within the wider context of local government operations);
- maintaining key relationships over time (acknowledging that strategic relationship building and positive interaction is key to successful outcomes);
- focusing on the sustainability of local government (acknowledging that priorities that contribute across social, economic and environmental well-being are of value both to the Association and the sector);
- focusing on utilizing existing mechanisms (acknowledging that where structures and documents exist to further a campaign, there is no need to duplicate these resources);
- focusing on the possible (acknowledging that not all campaigns are likely to achieve a successful outcome and that agendas should be carefully considered so that resources are not allocated unnecessarily);
- realizing long-term benefits through relationship building and engagement (acknowledging that long term goals are key to climate change management and that 'short term' successes won't necessarily meet Local Government priorities); and
- Monitoring progress and celebrating success (acknowledging that successful campaigns are only as strong as their communication and publication).

4. Alliances and Networks

Fundamental to deepening decentralisation and local governance is a focus on building and developing relationships with potential funders, decision makers and allies. Some of these allies include:

CSO including NGOs

The CS sector frequently runs successful campaigns, both to elicit community support for change initiatives and to prompt political engagement. Working with CSOs to support campaigns and strengthen advocacy is a positive way for Local Governments to build external networks and increase political commitments.

National Parliaments and Legislative Organs

The legislature is responsible for nurturing a favourable environment for decentralisation. A favourable environment usually requires a change in laws and regulations for efficient, effective and sustainable revenue source. A favourable environment also means that the legal norms, be they old or new, are understood by the political actors involved and implemented. Local governments shall develop capacity for policy, legal and regulatory analysis so that they can inform and shape the formulation and implementation of local government friendly and pro-poor supportive policies and regulations.

Other State Departments

Many State Departments are also working towards best practice local governance and management in their own sectors, and have the capacity to support local government in decentralisation and local governance initiatives where they are directly relevant to their portfolios.

Regional Councils and the East African Community (EAC) Economic and Social Forum

Regional Councils have the capacity to collate information and communicate on behalf of the Local Governments in their region, putting them in a strong position to advocate on decentralisation and other related regional issues. For issues that are of particular relevance to regions, or for issues that require strong additional support to the Association's position the Regional Councils can provide invaluable assistance.

The proposed EAC-Economic and Social Forum is designed to integrate the concerns and interests of non-state actors in the structure and processes of the EAC. This Forum will be instrumental in raising the decentralisation agenda to regional level, and levelling the playing field between the state and local governments within the EAC Treaty.

Individual Local Governments

Each NLGA will identify local governments within their jurisdictions with capacity to undertake lobbying and advocacy and who are willing and able to assist the NLGAs and EALGA to identify advocacy needs and to respond to them. These can provide significant support to any campaigns or advocacy processes run by the Association.

5. The Decentralisation Advocacy Processes

5.1 Order of Process

This section of the Strategy outlines the process that the Association will undertake, in conjunction with relevant reference groups and partners as identified above, in order to achieve successful and positive outcomes for the Local Government sector. In brief this process will run as below:

1. **Priority Setting:** The Association, in consultation with relevant reference groups, will develop and deliver to the Local Government sector a survey to determine current decentralisation priorities, concerns, risks and impacts.

2. **Advocacy Action Plan:** The Association, in consultation with relevant reference groups, will develop an 'Advocacy Action Plan' post sector consultation addressing the following:

   - strategic intent, desired outcomes, inputs and opportunities;
   - key relationships (decision-makers, influences, gate-keepers, alliances);
   - identification of environmental, economic and social benefits (e.g. how does the proposal help the decision-maker fulfil their requirements); and
   - Proposed actions and monitoring.

3. **Identify Advocacy Recipients:** The Association, in consultation with relevant reference groups, will identify appropriate recipients of specific advocacy actions (i.e. State Government Departments, EAC, Media, and Members of Parliament, etc).

4. **Identify Advocacy Partners:** The Association, in consultation with relevant reference groups, will identify possible partnerships for each advocacy action as articulated in the Advocacy Action Plan and consult /work with these partners to articulate, work towards and achieve mutually beneficial outcomes.

5. **Identify Advocacy Champions:** The Association, in consultation with relevant reference groups, will identify Local Government 'champions' with whom to consult on the campaign / action and will work with these Councillor's / Officers to further sector engagement.

6. **Identify Appropriate Networks:** The Association, in consultation with relevant reference groups, will identify opportunities to utilize existing networks, frameworks and activities to further advocacy actions (i.e. NGO

networks, Local Government networks, MP contacts lists etc).

7. **Developing a Framework:** The Association, in consultation with relevant reference groups, will develop and provide a consistent framework and templates for the conduct of advocacy on climate change matters both internal to the Association and on behalf of Local Governments.

8. **Monitoring Outcomes:** The Association, in consultation with relevant reference groups, will monitor and assess the success of the campaigns in terms of raising profile and achieving objectives. The success / performance measure applied to advocacy campaigns will include the extent of financial and non-financial benefits achieved as a result of articulated advocacy initiatives outlined in the Advocacy Action Plan.

   It is proposed that the following indicators be used to quantify the extent of benefits achieved:
   - The sector is informed of advocacy initiatives and opportunities in a timely manner;
   - The level of funding / support received by the Association towards decentralisation and local governance initiatives identified as an Advocacy Action;
   - The extent of State investment in EALGA and NLGA towards decentralisation and local governance initiatives identified as an Advocacy Action and reported as such;
   - the visibility of EALGA at regional level and at State levels as an avid decentralisation and local governance advocate.

5.2 Long-term Implementation

The development of this Strategy will identify opportunities to substantially improve the Association's ability to monitor and implement decentralisation and local governance advocacy actions on behalf of the sector. These opportunities require the ability to disseminate and capture information through a central contact point for the actions.

The Association will establish and retain responsibility for the coordination of proposed actions, supported by NLGAs, local governments, and other partners as required.

5.3 Relationship Management Database

To support a focus on managing relationships and effectively track the decentralisation process it is proposed that a relationship management database be developed and implemented for use by all Advocates, both within the

Association and from Local Governments. Initially this will be developed as a web enabled email ready copy to be sent to all Local Government advocates and lobbyists and to relevant reference groups and partners.

If a requirement to develop a centrally networked relationship management database arises the Association should consider updating to this system, which would provide for 'once only', immediate update of any changes in contact details for identified relationships and enable tracking of contacts by phone, fax, email or mail with any person identified through the Advocacy Action Plan as a Key Relationship.

The UCLG has already embarked on developing a web-enabled information sharing and communication system on local governance. This should strengthen the proposed EALGA Relationship Management Database.

5.4 Expected Outcomes

The completed Advocacy Action Plan will be developed into an overall matrix of:

- Advocacy priorities (relative importance to the local government sector);
- Relationship status (relationships that give the most leverage to the Association and Sector);
- Funding opportunities (sort of activity necessary to pursue funding);

The outputs of the Relationship Management Framework will be:

- Identifying key decision-makers and influencers;
- Development of themes and key messages;
- Development of a contact management system suitable for deployment within the Association and across participating Councils;
- Setting targets for the type and levels of activity for each key relationship;
- Assigning roles and responsibilities to key champions and partners for each key activity;
- Establishing the capacity to monitor activity and report outcomes.

Initial steps in the implementation of the Advocacy Strategy will focus on developing sector survey and collating responses, developing the Advocacy Action Plan and developing a Relationship Management Database.

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