Capacity Building to Support Rapid Decentralization: Examples and Demand in Sub-Saharan Africa

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30 August 2007
Presentation

• Capacity Building Needs for Decentralization
• Elements of Intergovernmental Design
• The Special Case of Rapid Transformation
• Three Examples: Salient Features
  Uganda
  South Africa
  Ethiopia
• Lessons in the Design of Capacity Building and Fiscal Support (Investment Support) Responses
Snapshot:
The membership profile of United Cities & Local Governments of Africa includes

- 38 countries
- 15,000 local government associations
- Assume each local government requires a minimum of 10 municipal officials = +/- 150,000 trained professionals to implement decentralization successfully
Elements of intergovernmental design

- Fiscal design (own sources)
- Fiscal design (transfers)
- Accountability (downward)
- Accountability (fiscal, sectoral monitoring and feedback)
- Jurisdictional and administrative structures
- Consolidation, implementation
- Cross-cutting expenditure management systems
- Cross-cutting HRM systems
## Examples of Delivery Responsibilities

<table>
<thead>
<tr>
<th>Roles</th>
<th>Responsibilities</th>
<th>Fiscal sources</th>
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<tbody>
<tr>
<td><strong>Federal</strong></td>
<td></td>
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<tr>
<td>External and national</td>
<td>Defense, foreign affairs, national infrastructure</td>
<td>Customs, excise, duties, national income tax, VAT, external financing</td>
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<tr>
<td><strong>Regional or state</strong></td>
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<tr>
<td>Sub-national and supra-local</td>
<td>Water resources management, trunk roads, intra-regional connector infrastructure</td>
<td>Sales, income, user fees, and intergovernmental transfers</td>
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<tr>
<td><strong>Local</strong></td>
<td></td>
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<tr>
<td>Supra-community and household</td>
<td>Primary healthcare and education, water supply and sanitation, solid waste management</td>
<td>Property, business, sales taxes, user fees, and intergovernmental transfers</td>
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<tr>
<td><strong>Citizens</strong></td>
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<tr>
<td>Demand-side, co-production, accountability, private enterprise</td>
<td>Common pool resources such as livestock and watershed management, involvement in primary education, feeder roads</td>
<td>Community contributions including in-kind (such as labor)</td>
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Rapid transformation as a special case

- Rapid transformation characteristics
  Comprehensive in scope, nation-wide scale, rapid pace
  Accent is on dynamics of change, not steady state
  Balancing overriding political imperatives to deepen democratization and improve service delivery

- Three notable examples (Ethiopia, SA, Uganda)
  Social and political origins of change shape the trajectory and pathways of intergovernmental reform
  Initially characterized by use of radical measures to unlock institutional change through decentralization
  Followed by sequencing capacity building and fiscal support to local governments
  In order to ensure stability, deepen intergovernmental reforms, and scale up implementation
Unleashing change through legal and constitutional reform in Uganda

- Fiscal design (own sources)
- Fiscal design (transfers)
- Accountability (downward)
- Accountability (fiscal, sectoral monitoring and feedback)
- Jurisdictional and administrative structures
- Enabling legislation (expend and revenue assignments)
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Uganda As Legal, Constitutional Reformer (1)

- **Phase I** 1993 Statute
  
  statute defined responsibilities for six primary services  
  envisaged phased approach to transfer of Government recurrent funds as block grants to districts  
  central staff became employees of districts in which they were based as of 1994

- **Phase II** - 1995 Const n/1996 elections
  
  from positive list of 6 to negative list (what central govt will do)  
  Have to deal directly with 39 districts because regions are politically difficult to have - kingdom politics

- **Phase III:** 1997 Local Government Act
  
  List of decentralized services is now very long and 1st LG elections  
  Sub-counties allowed to retain revenues and expend funds  
  Government wants to encourage donor funding to districts for infrastructure  
  Number of districts increases from 39 to 56
Uganda's Capacity Building and Fiscal Response: Deepening intergovernmental reforms (1)

- Ongoing National Capacity Building Plan, CSR & expenditure management reform programs at central government increasingly inter-linked with the decentralization agenda

- Capacity building through CSRP and PEM
  - 1996-97 restructuring of central ministries and transformation to regulatory/coaching functions
  - Local government retooling, CB especially financial
  - Assistance in design of intergovernmental fiscal system including framework for decentralization of development budget

- Limitations
  - Despite focus on service delivery, limited success in introducing performance based culture
  - CB pushed from centre with limited local government choice
Scaling implementation, consolidation through multi-sectoral investment support programs (2)

- Fiscal support for decentralized service delivery
  Government starts with its recurrent budget in 1993
  Development budget follow after a long lag as Government tries to shift from donor projects to the use of the inter-governmental transfer system (LGDP1)
  Shift from sector programs does not occur as sectoral conditional grants proliferate initially
  Recent attempts to pool donor resources around multisectoral infrastructure grant (LGDP2)

- Implications for design
  Emerging architecture of multi-tiered capacity building to support cross-cutting and accountability systems and structures
  And various fiscal support mechanisms to address service delivery investment and recurrent needs (proliferation of conditional, give way to more multi-sectoral instruments)
Designing Capacity and Fiscal Responses in Uganda

<table>
<thead>
<tr>
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<th>Cap Bldg Support</th>
<th>Fiscal Support</th>
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<tr>
<td>I. Ensuring Stability</td>
<td>Uganda EFMP</td>
<td>Sector specific projects</td>
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<tr>
<td>II. Deepening</td>
<td>ICBP, EMFP2?</td>
<td>Uganda LGDP 1</td>
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<td>intergovernmental reforms</td>
<td>CAPEP</td>
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<tr>
<td>III. Consolidation</td>
<td>?</td>
<td>Uganda LGDP 2</td>
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South Africa: Launching Transformation through Jurisdictional Choice

• Local Government White Paper
  Spatial dimensions of local governance is critical issue for post-
apartheid reconstruction
  Eliminating the infrastructure backlog (inequalities in service levels)

• Constitutionally mandated independent third sphere of government
  Amalgamation of racially fragmented local authorities from the
  apartheid era
  Along with enabling legislation such as Municipal Systems Act that
  provide enabling framework for newly amalgamated local governments
  Metros have uni-city structure

• Simultaneously seek to address infrastructure backlog through
  sector specific conditional grants
Unleashing change through re-demarcation in South Africa

- Fiscal design (own sources)
- Fiscal design (transfers)
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- Consolidation, implementation

Enabling legislation (expend and revenue assignments)
South Africa’s Capacity Building and Fiscal Response: Deepening intergovernmental reforms

• Fiscal transfers to municipalities to deal with infra backlog
  Equitable Share
  Municipal infrastructure grants (MIG)
  Capacity building municipal grants to support new jurisdictions
  Restructuring, Financial management, Municipal Systems Improvement

• Issues in management of grants
  Sector specific grants proliferating, management burden on munis
  Challenge of balancing service delivery goals and autonomy objectives for local government
South Africa’s Capacity Building and Fiscal Response: Scaling up implementation

- Fiscal consolidation
  - Multi-sectoral infrastructure grant (MIG)

- Capacity building
  - Towards a multi-sectoral capacity building grant
  - LGSETA and a variety of grants for specific LG capacity needs
  - Recent inventory carried out by WBI/Kevin Allen
## Designing Capacity and Fiscal Responses in South Africa

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<td><strong>II. Deepening intergovernmental reforms</strong></td>
<td>Several cap bldg grants</td>
<td>Several infrastructure grants</td>
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<td><strong>III. Consolidation</strong></td>
<td>Multi-sectoral capacity building grant LGSETA, DBSA Academy, NT</td>
<td>Equitable Share MIG</td>
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Transformation through fiscal decentralization in Ethiopia

- Fiscal design (own sources)
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- Jurisdictional and administrative structures
- Cross-cutting expenditure management systems
- Cross-cutting HRM systems
- Consolidation, implementation
Ethiopia’s Transformation Through Fiscal Decentralization to Woredas

Woreda/muni decentralization following regionalization
- Structures and jurisdictions are more or less in place
- Political decision to use woreda block grant from regions as primary instrument of decentralization
  - Instituted equity-oriented, formula driven block grant to woredas to meet both recurrent and capital needs (60% of regional spending transferred)
  - Rushed definition of delivery responsibilities, some restructuring of bureaus and woredas
  - Pragmatic implementation of block grant by regions
- National Capacity Building Program with comprehensive public sector reform programs under Min of Cap Bldg
  - Civil Service Reform, District Level Decentralization, Urban Management Capacity Building, and Others
Ethiopia: Issues in Deepening Intergovernmental Reforms and Scaling up Implementation Support

• Fiscal design
  Role of block grant within the regional fiscal systems
  • Adequate and predictable capital funding mechanism still elusive
    Amhara’s project based capital transfer for urban centers
  Fiscal costs of creating a local government tier
  Woredas/munis: financing state + own-source functions
  Implications of equity-bias for efficiency, accountability

• Capacity building
  Restructuring and viability/durability of structures
  • Regional bureaus, woredas and munis
  • Who decides on structures?
    Regionally driven, pragmatic approach to restructuring?
  Logistics support and personnel
  Sequencing of cross cutting (PEM and CSRP) reforms
  Fiscal decentralization has risks and opportunities
## Designing Capacity and Fiscal Responses in Ethiopia

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<td>CBDSD and other projects</td>
<td>Sector specific projects</td>
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<td>PSCAP (rules based capacity building)</td>
<td>Block grant Regional project-based capital grants</td>
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<td>1 4S 1 - BT GEF SBM</td>
<td>Conditional capital grant (LIG) &amp; matching grants for creditworthy cities</td>
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<td>TQFDUGD QVSQPTF</td>
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<td>QB</td>
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<td>Success factors</td>
<td>Institutional quality indicators</td>
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<tr>
<td>1. Intergovernmental transfer system</td>
<td>◯ Predictability, adequacy, and simplicity of fiscal flows including development of multisectoral grants</td>
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<td>2. Robustness of the fiduciary framework</td>
<td>◯ Quality of fiscal data</td>
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<td></td>
<td>◯ Safeguards against noncompliance</td>
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<td>3. Data-carrying capacity of system</td>
<td>◯ Quality, timeliness, and accuracy of fiscal data</td>
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<tr>
<td></td>
<td>◯ Coverage of fiscal, input, process, and output data</td>
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<td>4. Top-down and bottom-up accountability</td>
<td>◯ Inclusiveness and transparency of local government reporting processes to executives and electorate</td>
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<td>◯ Compliance with vertical reporting requirements</td>
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Other Decentralizing Countries in Southern Africa

- Zambia
- Lesotho
- Swaziland
- Malawi
- Mozambique
- Plus 30 more UCLGA members
Conclusions

- Rapidly growing demand for local government managers across Africa
- Central governments will also need intergovernmental fiscal experts
- UCLGA, WBI and SA Cities Network working to define a common platform across 38 countries with CA support
- MDIs could play key role