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Local Level Service Delivery, Decentralisation and Governance SYNTHESIS REPORT March 2008 IFIC/JICA

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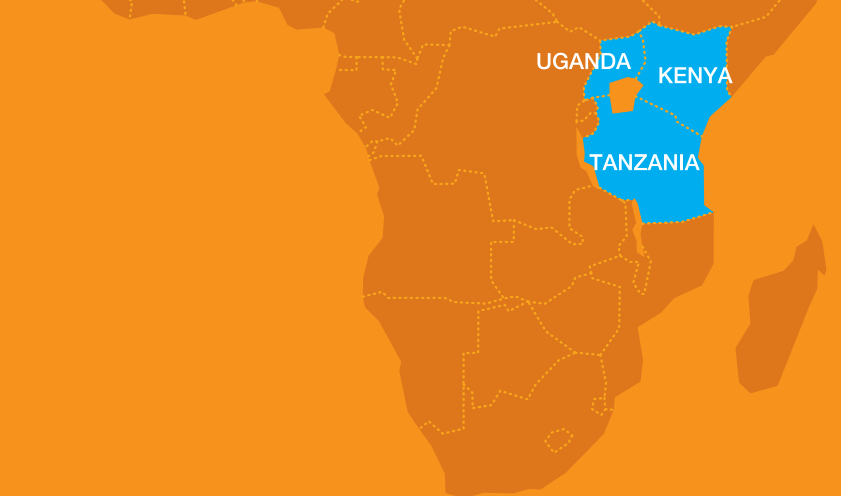
A Comparative Study of Uganda, Kenya and Tanzania
Education, Health and Agriculture Sectors

SYNTHESIS REPORT



Institute for International Cooperation
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This report is one of the study results conducted by DEGE Consult (www.dege.biz) with
Nordic Consulting Group Denmark (www.ncg.dk), ETC East Africa (www.etc-international.org)
and Mentor Consult Uganda in February 2007, under the framework of the study group on
"Cooperation for Decentralisation in Africa" organised by JICA.

The study reports of JICA are available in PDF format on the JICA's website
(URL: http://www.jica.go.jp/).

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and Nazar Sola (Tanzania)

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Photos: DEGE Consult

Selected Photos from Fieldwork

The Constituency Development Fund (CDF) in Kenya has grown significantly in recent years. It often establishes its own separate offices (here Mbeere District, Siakago Constituency) adding to the proliferation of planning and service delivery institutional arrangements in Kenya.

See Kenya Case Report.

Class room construction has in all 3 East African countries been targeted fro improvements – here an old class community constructed a Primary Education (PE) facility in Kenya, Mbeere District (with consultants Gerhard and Jesper).

All photos by DEGE Consult

New Classrooms constructed in Mbeere District, Kenya with funding from CDF.

The health facility constructed in Tanzania, Moshi District – still awaiting staff and funds for recurrent costs. The missing linkages between community/ political planning (whether through Local Governmet (LG) structures or CDF) and technical health district planning are found in all 3 countries. While probably most significant in Kenya it is still serious in Uganda and Tanzania.

See chapters 4 on health in *Country Case Reports* (2006) and summary in *Synthesis Report*.

Example of the office of a Ward Development Committee in Tanzania (Moshi District).

The sub-district Local Government (LG) structures have in particular in Tanzania very limited support in terms of finance, staff and facilities.

See chapters 2 in *Country Case Reports* (2006) for general overview of LG structures in each country.

Information on LGs budget and accounts is in all East African countries increasingly been advertised, but findings from Tanzania indicates that it is still difficult for citizens to make sense of the information.

See summary discussion on local accountability in chapter 6 and in *Country Case Reports* (2006).

She is an Ugandan female farmer benefiting from technical advice under NAADS (Rakai District). She is now supposedly the “client” in a new form of contractual relationship with private extension providers. Does this work effectively?

See chapter 5 on Agriculture in *Uganda Country Case Report* (2006) and *Synthesis*

Contents

List of Tables, Figures and Box

Abbreviations

AFC	Agricultural Finance Corporation
AIE	Authority to Incur Expenditure
AKIS	Agricultural Knowledge and Information System
ALAT	Association of Local Authorities Tanzania
ALEEF	Agriculture and Livestock Enterprise Enhancement Fund
ALGAK	Association of Local Government Authorities of Kenya
ANC	Ante Natal Coverage
AOP	Annual Operational Plan
ARV	Anti Retro Viral
ASAL	Arid and Semi Arid Lands
ASDP	Agricultural Sector Development Programme
ASPS	Agricultural Sector Programme Support
ASSP	Agricultural Sector Support Programme
BBS	Broad Based Survey
BEOC	Basic Emergency Obstetrician Care
BFP	Budget Framework Paper
CAO	Chief Accounting Officer
CAP	Community Action Plans
CB	Capacity Building
CBOs	Community Based Organisations
CCHP	Comprehensive Council Health Plan
CDC	Constituency Development Committee
CCG	Classroom Completion Grant
CDF	Constituency Development Fund
CDTF	Community Development Trust Fund
CDG	Capacity Development Grant
CEO	Chief Executive Officer
CG	Central Government
CHF	Community Health Fund
CIG	Common Interest Group
CKRC	Constitution of Kenya Review Commission
CSO	Civil Society Organisations
DAC	District Agricultural Committee
DADG	District Agriculture Development Grant
DADP	District Agricultural Development Plan
DAO	District Agricultural Officer
DC	District Commissioner
DDC	District Development Committee
DDO	District Development Officer
DEB	District Education Boards

DEO	District Education Officer
DFID	Department for International Development
DFRD	District Focus for Rural Development
DHMB	District Health Management Board
DHMT	District Health Management Team
DHP	District Health Plan
DHT	District Health Team
DIIS	Danish Institute for International Studies
EC	European Commission
EFA	Education for All
EMIS	Education Management Information System
EPD	Education Planning Department
ESA	Education Standards Agency
ESAC	Education Sector Adjustment Credit
ESIP	Education Strategic Investment Plan
ESR	Education Sector Review
ERS	Economic Recovery Strategy
ESP	Extension Service Provider
ESSP	Education Sector Support Programme
EU	European Union
FBO	Faith Based Organisation
FDS	Fiscal Decentralisation Strategy
FEW	Frontline Extension Workers
FMS	Financial Management System
FPE	Free Primary Education
FY	Fiscal Year (Financial Year)
GDP	Gross Domestic Product
GoK	Government of Kenya
GoT	Government of Tanzania
GoU	Government of Uganda
HC	Health Centre
HFC	Health Facility Committee
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HLG	Higher Local Government
HR	Human Resource
HRH	Human Resource for Health
HSD	Health Sub-District
ICT	Information Communication Technology
IEC	Information Education Communication
FMS	Financial Management System
IGFT	Intergovernmental Fiscal Transfer
IGFTS	Intergovernmental Fiscal Transfer System

IPAR	Institute of Policy Analysis and Research
IP-ERS	Investment Programme - Economic Recovery Strategy
JICA	Japan International Cooperation Agency
JPWF	Joint Program of Work and Funding
JRF	Joint Rehabilitation Fund
KAPP	Kenya Agricultural Productivity Programme
KARI	Kenya Agricultural Research Institute
KDHS	Kenya Demographic and Health Survey
KEPH	Kenya Essential Package for Health
KEPSA	Kenya Private Sector Alliance
KES	Kenya Shillings
KESSP	Kenya Education Sector Support Programme 2005-10
KHRC	Kenya Human Rights Commission
KIPPRA	Kenya Institute of Public Policy Research and Analysis
KLA	Kenya Land Alliance
KLGRP	Kenya Local Government Reform Programme
LAIFOMS	Local Authority Integrated Financial Operations Management System
LA	Local Authority
LASDAP	Local Authority Service Delivery Action Plans
LATF	Local Authorities Transfer Fund
LCC	Local Council Court
LDU	Local Defence Unit
LG	Local Government
LGCG	Local Government Capital Grant
LGDP	Local Government Development Programme
LGFC	Local Government Finance Commission
LGSIP	Local Government Sector Investment Plan
LLG	Lower Levels of Local Government
MAAIF	Ministry of Agriculture, Animal Industries and Fisheries
MAFS	Ministry of Agriculture and Food Security
MDG(s)	Millennium Development Goal(s)
M&E	Monitoring and Evaluation
MENR	Ministry of Environment and Natural Resources
MoARD	Ministry of Agriculture and Rural Development
MoE	Ministry of Education
MoES	Ministry of Education and Sports
MoEST	Ministry of Education Science and Technologies
MoF	Ministry of Finance
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoFPED	Ministry of Finance, Planning and Economic Development
MoPND	Ministry of Planning and National Development

MPER	Ministerial Public Expenditure Review
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
NAADS	National Agricultural Advisory Services
NAEP	National Agricultural Extension Policy
NALDP	National Agriculture and Livestock Development Programme
NARO	National Agricultural Research Organisation
NASEP	National Agricultural Sector Extension Policy
NASEP-IF	NASEP Implementation Framework
NCDC	National Curriculum Development Centre
NEP	National Extension Programme
NER	Net Enrolment Rate
NFF	National Farmer Forum
NFS	Non Formal Schools
NGO	Non Governmental Organisation
NHIF	National Health Insurance Fund
NHSSP	National Health Sector Strategic Plan
NIP	National Indicative Programme
NPA	National Planning Authority
NPA	Non Project Assistance
NRM	National Resistance Movement
NSCG	Non-Sector Conditional Grant (under PMA in Uganda)
NTC	National Teachers College
NUSAF	Northern Uganda Social Action Fund
NWCPC	National Water Conservation and Pipeline Corporation
NWSS	National Water Services Strategy
OOB	Outcome Oriented Budgeting
O&OD	Opportunities and Obstacles in Development
OPP	Out of Pocket Payments
PAB	Provincial Agricultural Boards
PAF	Poverty Action Fund
PCR	Parliamentary Constitutional Review
PE	Primary Education
PE	Personal Emoluments
PEAP	Poverty Eradication Action Plan
PEB	Provincial Education Board
PEDP	Primary Education Development Programme
PETDP	Primary Education Teacher Development Project
PEO	Provincial Education Officer
PFM	Public Finance and Management
PLE	Primary Leavers Examination
PMA	Programme for Modernisation of Agriculture

PME	Performance Based M&E System
PMOH	Provincial Medical Officer of Health
PMO-RALG	Prime Minister's Office Regional Administration and Local Government
PMU	Project Management Unit
PNFD	Private Not For Profit
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSC	Public Service Commission
PTA	Parents Teachers Association
PTC	Primary Teachers College
PTR	Pupil Teacher Ratio
QA	Quality Assurance
RBM	Result Based Monitoring
RHF	Rural Health Facility
ROM	Result Oriented Management
SFG	School Facilities Grant
SIDA	Swedish International Development Cooperation Agency
SMC	School Management Committee
SOE	Statements of Expenditure
SRA	Strategy for Revitalizing Agriculture
STR	Student Teacher Ratio
SUPEP	Support to Uganda Primary Education Project
SWAp	Sector-wide Approach
SWG	Sector Working Group
TASAF	Tanzania Social Action Fund
TB	Tuberculosis
TDMS	Teacher Development Management System
TOR	Terms of Reference
TSC	Teachers Service Commission
TSH	Tanzania Shilling
UAU	Urban Authorities Uganda
ULGA	Uganda Local Government Associations
UNDP	United Nations Development Programme
UPE	Universal Primary Education
USAID	United States Agency for International Development
UGX	Uganda Shilling
VHT	Village Health Team
WB	World Bank
WHO	World Health Organisation

Exchange Rates October 2006

1 USD = 72 KES

1 USD = 1,825 UGS

1 USD = 1,270 TSH

Table 0-1 Country Profile – Fact Sheet

Issue	Kenya	Tanzania	Uganda
Population 2006 estimated	34.1 million	35.8 million	29.8 million
Size of the territory	580,400 km^2	945,100 km^2	241,000 km^2
GDP 1996 (billion USD)	12	6	6
GDP 2006 (billion USD)	18	12	9
GDP per capita 1996	426 USD	218 USD	218 USD
GDP per capita 2006	428 USD	329 USD	267 USD
Tax revenue of GDP	22.2 % (2002/2003)	12.3 % (2003)	11.7 % (2002/2003)
Present decentralisation reform start	1995 2004 Draft Constitution	1996 – 1998 LG Reform Agenda and Policy	1992 Decentralisation Policy
Service/development Life expectancy Literacy rate (> 15 yrs) Infant mortality (1,000) Under 5 mort (1,000)	 45.5 84.5 78.0 112.0	 43.1 77.1 104.0 165.0	 43.1 68.9 83.0 141.0
Agric share of GDP 1996	31 %	48 %	45 %
Agric share of GDP 2006	27 %	44 %	34 %
Governance system	Multi-party (strongly dominated by 2 parties)	Multi-party (strongly dominated by 1 party)	Recent introduction of multi party system dominated by NRM
Layers of government	2 layers CG and LAs Parallel system of provincial and district administrations	3 layers CG, HLG and LLGs	3 layers + regions in future. In addition, a number of administrative units. CG, HLG (urban and districts) and LLGs (sub-countries/town councils).

CG: Central Government, GDP: Gross Domestic Product, HLG: Higher Levels of Local Goernment, LAs: Local Authorities, LG: Local Government, LLG: Lower levels of Local Government, HLG: Higher Levels of Local Government, NRM: National Resistance Movement

Source: Data on GDP and economy: World Bank Development Indicator Database and IMF website, 2006. Other data is from the *Case Reports on Kenya, Tanzania and Uganda*

1. INTRODUCTION

1-1 Background

Decentralisation reforms are currently ongoing in the majority of developing countries. The nature of reforms varies greatly – ranging from mundane technical adjustments of the public administration largely in the form of deconcentration to radical redistribution of political power between Central Governments (CGs) and relatively autonomous local governments.

Decentralisation reforms hold many promises – including local level democratisation and possibly improved service delivery for the poor. However, effective implementation often lacks behind rhetoric and the effective delivery of promises also depends on a range of preconditions and the country specific context for reforms. In several countries it can be observed that decentralisation reforms are pursued in an uneven manner – some elements of the government may wish to undertake substantial reforms – other elements will intentionally or unintentionally counter such reforms. Several different forms of decentralisation – foremost elements of devolution, deconcentration and delegation may be undertaken in a mutually supporting or contradictory manner.

Japan International Cooperation Agency (JICA) recognises that its development assistance at the local level generally and specifically within key sectors that have been decentralised will benefit from a better understanding of the nature of decentralisation in the countries where it works. The present study on decentralisation in East Africa is undertaken with this in mind. The study is undertaken to enhance the understanding of decentralisation reforms in East Africa among key government stakeholders, JICA staff and other development partners and is not specifically undertaken as part of a programme formulation although future JICA interventions in East Africa are intended to be informed by the study.

1-2 Objective of Study

The specific objectives of the study are:

1. Provide a basic comparative analysis of the forms and processes of decentralisation reforms in the 3 East African countries: Kenya, Uganda and Tanzania,

2. Analyse the specific modalities in the 3 countries for local service delivery planning and provision within the 3 sectors of basic education, primary health care and agricultural extension with a particular emphasis on rural areas.

3. Explore the impact of the specific forms of decentralisation and local level service delivery arrangements in terms of efficiency, accountability (transparency) and democratic process (participation); this will include analysis of various practices for direct user participation in planning and delivery of services.[1]

The precise focus and scope of the study was agreed upon during the inception period[2].

1-3 Key Concepts

Decentralisation is often used as concepts without strict definitions.

The World Bank (WB) for instance use the term "decentralisation" to describe a broad range of public sector reorganisations:

Decentralisation — the transfer of authority and responsibility for public functions from the CG to intermediate and Local Governments (LGs) or quasi-independent government organizations and/or the private sector — is a complex multifaceted concept. Different types of decentralisation should be distinguished because they have different characteristics, policy implications, and conditions for success.

There is a broad agreement to this use of terminology although it may be debated whether "privatisation" rightly should be included or the term reserved exclusively for transfer of functions and powers within the public sector itself[3].

It is also generally accepted to make a distinction between at least 3 main types of decentralisation[4] - a distinction we will use throughout this study:

Deconcentration is often considered to be the weakest form of decentralisation; it redistributes decision making authority and financial and management responsibilities among different levels of the central government. It can merely shift responsibilities from CG officials in the capital city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision of CG ministries.

Delegation is a more extensive form of decentralisation. Through delegation CGs transfer

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1 Referred to in the Terms of Reference (ToR) as "forms of collective action".

2 Dege Consult with Nordic Consulting Group (NCG), ETC East Africa and Mentor Consult: Local Level Service Delivery, Decentralisation and Governance – A Comparative Study of Uganda, Kenya and Tanzania, for JICA, Inception Report, 29th August 2006.

3 United Nations Development Programme (UNDP) 2004 also includes privatisation as part of its definition of decentralisation. See http://www.undp.org/governance/docs/DLGUD_PN_English.pdf

4 The definitions follow the World Bank Decentralisation Briefing Notes. (www.worldbank.org/html/fpd/urban/decent/decent.htm)

responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the CG, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints on regular civil service personnel and may be able to charge users directly for services.

Devolution a third type of decentralisation is devolution. When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of LG with corporate status. Devolution usually transfers responsibilities for services to municipalities/district councils etc. that elect their own mayors and councils, raise their own revenues and have independent authority to make investment decisions. In a devolved system LGs have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralisation that underlies most political decentralisation.

In addition, it has furthermore been a common trend within many sectors to strive for decentralisation directly to various user groups such as health users management committees, school committees etc. This is often done in combination with above-mentioned forms of decentralisation through devolution, deconcentration or delegation. In this study we will analyse the various forms of decentralisation as they in practice have been interpreted and applied in the 3 East African countries for local level service delivery of (basic) education, (primary) health care and agriculture. In practice this includes:

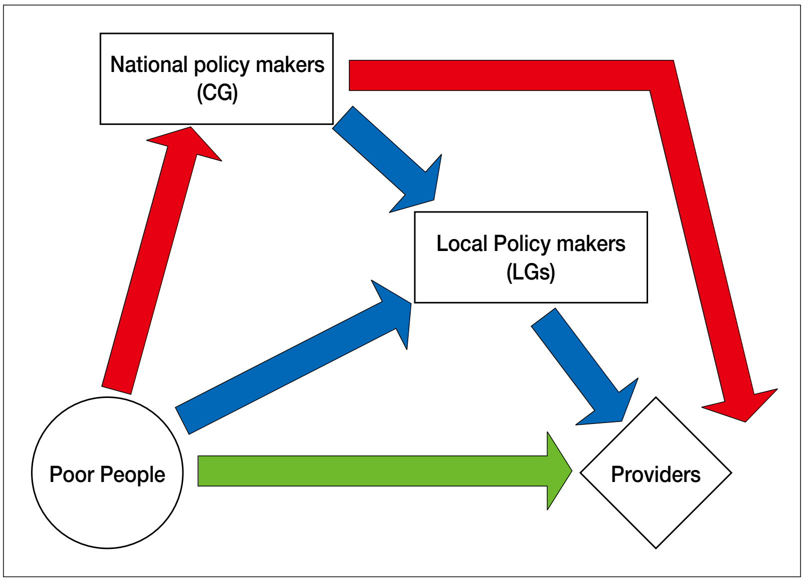
- Examples of devolved systems of service delivery; in principle for all 3 sectors in both Uganda and Tanzania as the LGs are primary responsible for these services,

- Examples of deconcentrated local service delivery: the most dominant form for local service delivery in Kenya, but when a service provided by LGs in Uganda entirely is funded by CG transfers and in great detail planned for an controlled at central level we will in this study also refer to such situations as "deconcentration".

- Some examples of partial privatisation – most prominently a feature of the reforms of the systems for delivery of agricultural services and

- In all sectors various forms of direct decentralisation to user groups: school management committees, health user management committees and farmers groups. As we will find in the study, this is an increasingly common form of decentralisation.

Figure 1-1 Basic Accountability Relationships



: demonstrate the "long route of accountability" whereby citizens only very indirectly influence service providers through their elected government and possible deconcentrated structures.

: demonstrate the relatively shorter route of accountability through a devolved system of local service provision and finally,

: refers to more direct voice by citizens in service delivery planning and management through user groups etc.

Source: drawn by author

1-4 Previous Studies on Decentralisation and Service Delivery

While there is consensus on the fact that decentralisation – in particular devolution – has a significant potential for enhancing accountability of and local participation in public sector service delivery, there is less consensus in the degree to which it necessarily per se will contribute significantly to improved service delivery or poverty eradication for that matter.

Some efforts have been made more systematically to assess the impact of devolution on service delivery. One approach applied in study of the relationship has been to compare a large number of countries with varying degree of decentralisation and compare this with trends in service delivery of various sorts. In 1 analysis[5], a comparison was made with all countries in the world with available data between the share of public expenditure managed by sub-national governments and child mortality and other health indicators. The conclusion by the authors was clear: greater fiscal decentralisation is consistently associated with lower mortality rates.

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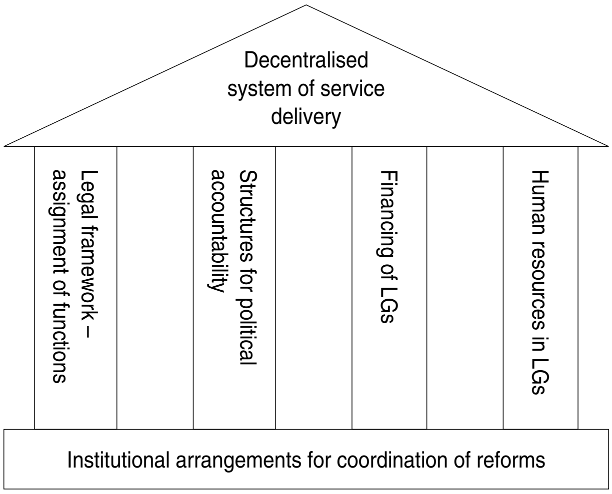
[5] David Robalino, Oscar Picazo and Albertus Voetberg 2001: *Does Fiscal Decentralisation Improve Health Outcome?*, World Bank Policy Research Working Paper 2565.

A similar study was undertaken to compare fiscal decentralisation with levels of corruption, and the authors made similar optimistic conclusions: "Empirical estimates suggest that fiscal decentralisation is associated with lower government corruption"[6]. These studies have been criticised for simplifying matters too much, but the authors of the studies also recognise that it is not fiscal decentralisation per se that automatically will lead to improved service delivery; some preconditions for effective decentralisation need to be fulfilled. Another recent study concluded that decentralisation is hard to measure, but found, based on a large data set from Central and Eastern Europe, that if fiscal decentralisation is rightly measured and reflect degree of autonomy in local revenue raising decisions, fiscal decentralisation has a positive impact on growth in per capita Gross Domestic Product (GDP) and a negative impact on the public sector size, suggesting that the public sector's expenditure share of GDP decreases with the increase in sub-national tax autonomy[7].

Although the findings of the impact of decentralisation are often disputed, also due to the lack of clear definition of the exact mode of decentralisation and mixed modes of service delivery in most countries, a consensus is emerging that certain preconditions for effective devolution can be summarised in the following manner[8] as 5 dimensions (or pillars) of decentralisation:

Figure 1-2 Five Pillars for Effective Decentralisation



The study will explore the extent to which these 5 pillars for effective decentralisation are present in each of the 3 countries in order to provide key lessons and tentative recommendations for how decentralised service delivery may be improved upon.

Source: drawn by author

6 Raymond Fisman and Roberta Gatti: *Decentralisation and Corruption*, World Bank Policy Research Working Paper 2290.

7 Ebel, Robert D. and Serdar Yilmaz (2002): *On Measurement and Impact of Fiscal Decentralisation*, Policy Research Paper No. 2809, The World Bank: Washington D.C.

8 This follows Steffensen and Tidemand 2004, for a brief summary of the emerging consensus on preconditions for effective decentralisation see also for instance: PREM Notes 2001 number 55: *Decentralisation and governance – does decentralisation improve public service delivery?*, (http://www1.worldbank.org/prem/PREMNotes/premnote55.pdf)

1. A **legal framework**, which clearly stipulates the division of roles and responsibilities between different layers of governments. Only if significant responsibilities are assigned to LGs can they play a role in poverty alleviation. Assignments of responsibilities should be in accordance with local capacities.

2. **Financial resources** adequate to undertake functions. Finances to be provided by local revenue sources, fiscal transfers or borrowing. Fiscal autonomy is required to ensure that potential benefits of decentralisation can materialise.

3. **Human Resources (HR)** (staff numbers, qualifications, motivation etc.) adequate to undertake functions. Some degree of local control of staff is required to ensure local level autonomy and thus benefit from decentralisation.

4. **Effective mechanisms for local level accountability** – the local election of LG councillors is the most basic precondition. However, in several countries even this element is only partially fulfilled. Effective local accountability will also require citizens and politicians' access to information, institutional arrangements for politicians oversight of planning, finances, staff; and be influenced by political structures, civil society organisations among others.

5. Finally all of the above needs to be supported by relevant – **central institutional arrangements** – for instance a reform secretariat, a strong Ministry of Local Government (MoLG), an Association of Local Authorities (LAs), a Local Government Finance Commission (LGFC) and similar institutions. Effective decentralisation of the public service will require significant coordination across sectors and a substantial overhaul of most line ministries and other central institutions – this part of reform is often the most challenging.

1-5 Study Team and Methodology

A team of consultants undertook the 3 country case studies and the work on this synthesis report. The study team includes the key authors of the 2004 study but also include other strong regional consultants with extensive practical experiences with decentralisation in East Africa.

The Ministries responsible for LG in the 3 countries provided logistical support and methodological guidance to the study. The study was financed by JICA and the team also benefited from professional comments and guidance from JICA and its Institute for International Cooperation. However, the study does not necessarily reflect the official view of JICA or the Governments of Uganda, Tanzania or Kenya. The consultant team is responsible for all conclusions and any errors.

Table 1-1 Team of Consultants

Name	Key qualifications	Main responsibility in study
Per Tidemand	Ph. D. International development studies. +20 years of international experience with work on decentralisation reforms in more than 10 countries. Has lived and worked for more that 12 years in East Africa (mainly Uganda and Tanzania). Currently based in Tanzania.	Team leader: overall coordination of study, liaison with JICA. Participation in fieldwork in all 3 countries. Synthesis chapter on Agriculture and overall institutional arrangements.
Jesper Steffensen	M. sc. +20 years of international experience with work on decentralisation reforms in more than 30 countries. Numerous TL assignments. Extensive work in East Africa; esp. Uganda and Tanzania. Based in Denmark (NCG).	Updating the LG finance part of the 2004 study. Fieldwork in Uganda and Tanzania. Led the sector work on decentralisation of education, synthesis chapter on education.
Hans B Olsen	M. sc. +20 years of international experiences in 15 countries. Has worked as PO-RALG advisor on health and decentralisation in Tanzania for 2 years. Recent TL on LGSIP in Uganda. Based in Belgium.	Led fieldwork for country study on Tanzania. Guided the sector work on decentralisation of health. Synthesis chapter on health.
Emmanuel Ssewankambo	M. A., Ugandan with extensive local and international experiences on decentralisation. He has in Uganda been involved in almost all analytical works in support of decentralisation the last 10 years. International experiences from Tanzania, Angola, Sudan. Based in Uganda.	Led the country study on Uganda – updating the 2004 study and responsible for chapter on the health sector in Uganda.
Gerhard V Land	M. sc. +20 years of international consultancy experience with extensive work as TL on numerous assignments on decentralisation in both Uganda and Tanzania – is based in Kenya. International experiences from some 10 countries.	Led the sector work in Kenya and overall responsible for Kenya report.
Harriet Naitore	B. sc with extensive experiences on LG finance in Africa. Some 30 years of work experience with almost half as LG practitioner in Kenya, previous senior consultant in PwC. Kenyan and currently based in Tanzania.	Led the updating of the general Kenya LG profile.
N Sola	M. A. Tanzanian with extensive (+15) years of experience with LG and decentralisation in Tanzania.	Work with Tidemand and Olsen with the updating of the Tanzanian country study and data collection on sectors in Tanzania.

LGSIP: Local Government Sector Investant Plan, PO-RALG: President Office Regional Administration and Local Government, PwC: Pricewaterhouse Coopers, TL: Team Leader

The study is based on the following:

1. Review on the extensive literature on LGs and local level service delivery within education, health and agriculture. This includes a large number of LG and sector plans, policies, reviews and evaluations.

2. Interviews at national level with:
   - Staff from the Ministries of LG,
   - Staff from ministries responsible for finance, planning and public service, including the Public Service Commission (PSC),

- Staff from ministries responsible for health, education and agriculture – in particular the relevant Directors of Policy and Planning as well as various programmes and secretariats such as the National Agricultural Advisory Services (NAADS) Secretariat and Programme for Modernisation of Agriculture (PMA) Secretariat in Uganda,
- The associations of local authorities, the LGFC (Uganda), local reform programmes and various support unitis,
- Selected key informants.

3. Fieldwork in selected **rural** districts. These districts were selected to represent variation in effectiveness of local governments in planning and delivery of services. The criteria for their selection included their performance in annual assessments of LG capacities as well as their ranking in provision of health and educational services. Other selection criteria included the extent to which Government pilot programmes of specific interest were included in the sample. In each district the team conducted interviews with:
   - General administrative staff (planners, finance, Human Resource Management (HRM) staff),
   - Sector staff – heads of departments,
   - Lower level administrative staff (sub-county, ward, village etc),
   - Politicians (at various levels such as district, ward and village),
   - Representatives of various user groups:
     - Health user management committees,
     - School management committees,
     - Farmers groups,
   - Frontline service providers: health staff at clinics, teachers/head teachers and extension workers.

1-6 Report Outline

The entire study is comprised of 4 reports:

1. Country Case Report Tanzania
2. Country Case Report Kenya
3. Country Case Report Uganda and
4. Synthesis Report (this report)

The Synthesis Report provides a summary of the 3 country reports in the form of a comparative analysis of decentralisation and local service delivery across the 3 countries. This Synthesis Report is divided into the following 6 main chapters:

1. **Introduction;** background and methodology for the study,

2. **The overall institutional arrangements;** a discussion of the general institutional arrangements, in particular the LG system responsible for local service delivery. The chapter is in part an update and synthesis of the study we undertook for the WB in 2004[9] and in a similar manner it analyses 5 main dimensions of the system:
   - The overall legal and policy framework,
   - The administrative and political structures,
   - The fiscal dimensions (expenditure assignments, sources and levels of funding, expenditure patterns)
   - HR dimensions (LG HR capacities and systems for personnel management),
   - Institutional arrangement for reform coordination, donor coordination and CG oversight and support.

   The chapter is an abridged update of the study we undertook in 2004 and readers may consult the 2004 report for more detailed discussions of the 5 dimensions.

   This is followed by 3 chapters **Education Sector, Health Sector and Agricultural Sector:** where each chapter discusses the strategies for decentralizing the sector, the planning, financing and human resource aspects of decentralised service delivery and the role for private sector. Analysis is made of each sector of the impact of decentralisation within the sector on governance and service delivery.

Finally **Chapter 6** presents the overall **Conclusion of the Analysis, and**

- Summarises the overall situation of the reform so far, including progress, achievements, impact of decentralization and key lessons:
  - Linkages between different forms of decentralisation and service delivery,
  - Linkages between different forms of decentralisation and governance,
  - Coherence between different sector modalities,
  - Coherence between sector user groups and overall (LG) structures.

- Summarises the key challenges and bottlenecks that affect the future evolution of decentralization policy in each country, given the current achievements and performances.

- Summarises key explanatory variables for the reform process (or lack thereof) in the

[9] Jesper Steffensen, Per Tidemand, Harriet Naitore (Kenya Only), Emmanuel Ssewankambo (Uganda Only), Eke Mwaipopo (Tanzania Only) 2004.

3 countries and outlines key policy issues/options.

- Suggests possible ways in which Donors/Japan might be able to provide effective support in the area of decentralisation for improved local service delivery in East Africa.

2. OVERALL INSTITUTIONAL ARRANGEMENTS FOR LOCAL SERVICE DELIVERY [10]

2-1 Legal and Policy Framework

2-1-1 Key Historical Developments

The 3 East African countries share a great deal in the historical development of their Local Government (LG) system. Foremost, a similar colonial history with most of the colonial period characterised by various forms of undemocratic and indirect rule by the British, followed by a gradual introduction of elected LGs in the period approaching independence – to a great extent as a measure for the colonial administration to control African aspirations for rapid transfer of powers from the colonial government. At independence, all 3 countries inherited rather strong LGs with substantial responsibilities for services. In Uganda, this even took the form of a functional federal system. In Kenya, a proposed regional system was an entrenched part of the new Constitution the country started off with.

In all 3 countries the decentralised systems were, with different speeds, abolished after independence. The nation building exercises in all 3 countries required such "departicipation" [11] – which also included the abolition of multi-party politics. While a full abolition of elected LGs only occurred for brief periods, the elected LGs have in all 3 countries and in most of the immediate post-colonial period, played only marginal roles in development administration.

Major changes occurred when there was a reintroduction of LGs in the 1980s in Uganda and Tanzania – followed by a process of devolution and strengthening of LGs through the 1990s and onwards. However, these reforms occurred for very different reasons. The National Resistance Movement (NRM) came to power in Uganda in 1986 after a protracted guerrilla war. It initiated a radical reform, of which the reform of LGs became a core of both the political and administrative transformation. In Tanzania, the LG reforms grew more cautiously out of the wider political and economic liberalisation that took place from the mid 1980s. These changes, initially, only occurred on the Mainland, and Zanzibar took longer to consider a reform of its public administration. Zanzibar is part of the United Republic of Tanzania, but it maintains its own LG system that is quite separate from the Mainland – in the 2 sections below we very briefly describe some of the characteristics [12]. In Kenya, the government has, until recently, mainly pursued a policy of deconcentration, with only a marginal role for LGs. However, in the latest proposed (March 2004) draft Constitution, suggestions

[10] This chapter is an updated and abridged version of our previous report: Steffensen and Tidemand 2004 op. cit.
[11] Concept from Hyden, 1983 p. 47 following Kasfir, 1976.
[12] Annex 2.1 to the Tanzania Country Outline gives an elaborate description of the LG system in Zanzibar.

were made for a substantial devolution of powers to elected LGs. Although the Constitutional Amendment has not been agreed upon as yet and substantive discussion is still ongoing on the overall architecture of sub-national government in Kenya (see discussion below) it is expected that some form of devolution will take place in future. In all 3 countries, the general move towards political liberalisation and experienced inability of the centralised system to provide efficient local services have been stated as the major rationale for LG reforms, but real reform progress towards devolution has primarily been determined by national political expediencies.

The history of LGs can thus be characterised as a ***pendulum movement***, whereby institutional arrangements for local-level service delivery over the last 40 years have alternated between systems based on devolution and centralised planning.

Table 2-1 Key LG Policy Changes and Related Legal Benchmarks

Policy Change	Kenya	Tanzania Mainland	Tanzania Zanzibar	Uganda
Introduction of democratic LGs during late colonialism	1950 African District Councils Ordinance	LG Act of 1953	1944 introduction of LGs	1949 LG Ordinance
Devolved systems at independence	1963 Constitution outlined in detail a system with strong regions and LGs	1962 LG legislation extending modern LGs nationally	Weak system	1962 Constitution devolved powers to Kingdoms and LGs
Abolishment of devolved systems – LG decline and deconcentration	"Transfer of Functions Act" in 1969 reduced the powers of LGs substantially	Rural LGs abolished in 1971 and urban LGs in 1972	1964 Revolution merged party and state	1967 LG Act. Decree no. 2 of 1971
Recent decentralisation policies and legislation	2004 Draft Constitution	1998 LG Reform Policy, 1997 Reg. Act 1999 and 2000 amendments to LG Act	1995 LG legislation and 2003 Good Governance Strategy	1993 Decentralisation Policy, 1995 Constitution; with significant amendments December 2005. 1997 LG Act and amendments – mainly minor until 2005/2006, where recruitment of CAO was centralised and regional tier introduced.

CAO: Chief Accounting Officer

2-1-2 Clarity of Current LG Legislation

Current LG legislation in the 3 countries differs significantly in terms of clarity and the extent it is constitutionally entrenched.

It can be observed that Uganda has by far the most clearly outlined LG legislation, which furthermore is embedded in great detail in the Constitution. In Kenya, the LG Act has remained relatively unchanged for a long period. It gives LGs very limited mandates as deconcentrated administrations, and sector ministries provide most of the local services. In Tanzania Mainland, a reform has been embarked upon, but not yet fully reflected in revised legislation. The Tanzanian reforms do not include Zanzibar, where LGs play a rather marginal role and operate in parallel to strong regional and district administrations.

Table 2-2 Key Characteristics of Current LG Legislation

Legislation	Kenya	Tanzania Mainland	Tanzania Zanzibar	Uganda
Key LG legislation	The LG Act (Cap. 265) of 1963 with numerous amendments up to 1998	The LG Act 1982 and various associated Acts; amended 1999 and 2000	Act to establish the Zanzibar MC 1995; Act to establish the district and town councils 1995	1997 LG Act, with minor amendments 2002 and major changes as Constitution amended in 2005
LG system is entrenched in Constitution	No, but 2004 draft Constitution does include a significant chapter.	Yes, but only very briefly, it is mentioned that there shall be LGs.	Yes, but Constitution of Zanzibar only mentions briefly that there shall be LGs.	Yes, very detailed description. Constitution (1995), also prevents amendments without endorsements by the LGs
LG legislation compiled in one comprehensive LG Act	Yes, but several sector laws that overrule LG Act regulates LG functions.	No. Described in 6 pieces of principal LG legislation.	No. 3 separate pieces of legislation in addition to legislation for regional administration etc.	Yes. Very detailed and succinct Act.
LGs have clearly defined functions	Burial of destitute persons is the only mandatory function. Multiple other functions are permissive.	Functions described in rather broad and vague terms – few mandatory functions.	LGs' mandate very vague and overlapping with deconcentrated district and regional administrations.	Yes. LGs have key responsibilities for PE, agriculture, water and sanitation, primary health care, roads, among others.
Each level of LGs has clear responsibilities	Not applicable.	Very unclear below district level.	Not applicable.	Until recent amendments generally clear, except for sub-district functions which were left to each district to define. The role of new Regional Tier is very unclear.

MC: Municipal Council, PE: Personal Emoluments

2-1-3 Division of Tasks Across Levels of Government

Major service provision responsibilities are devolved to LGs in Tanzania and Uganda, whereas LGs in Kenya and Zanzibar have very limited service delivery mandates.

While LGs have a rather clear service delivery mandate by law in Uganda and Tanzania they are in practice facing central government control through such measures as the tight earmarking of fund transfers, CG control of staff and other measures discussed in respective sector chapter.

The situation within each of the major local service delivery sectors is summarised in Table 2-3.

Table 2-3 Extent of Devolution of Key Sector Responsibilities to LGs

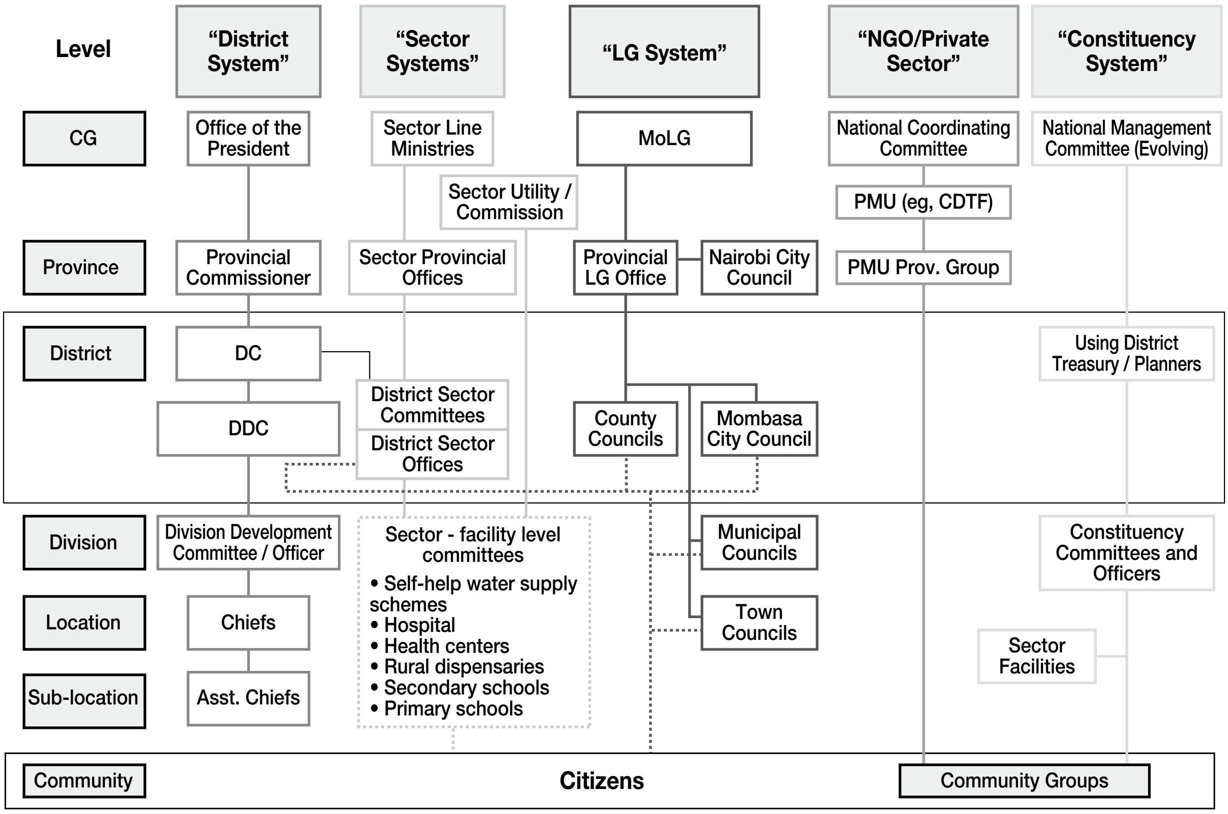
Sector	Kenya	Tanzania Mainland	Uganda
Education	Minor role. Seven of the major urban LGs are designated as "education authorities"; the remaining LGs play no major role in provision of educational services.	PE in principle devolved – however teachers recruited by TSC. Yet no specific role in secondary education.	PE fully devolved to LGs; secondary education still with CG.
Health	No major role by LGs – mainly undertaken by MoH.	LGs responsible for primary health care. Hospitals managed by health boards.	LGs responsible for primary health care and district hospitals.
Water	Largely centralised with MENR, NWCPC. However some LGs operate water boards.	Rural LGs mainly responsible for rural water. Urban water managed by autonomous authorities. Capital investments largely managed centrally.	Rural water largely with LGs. Urban water capital investments managed by centre and O&M by water boards. Newly established Technical Support Units by CG tend to operate in parallel to LGs.
Agriculture	No major role for LGs.	LGs are in legislation main responsible – but resources largely allocated through central programmes.	LGs are main responsible, but current efforts are made for privatising services.
Roads	No major role for LGs – centralized with creation of Road Board. Only a few LGs have recently been appointed as road sub-agents.	District and feeder roads and all municipal roads the responsibility of LGs.	District and feeder roads and all municipal roads the responsibility of LGs.

CG: Central Government, MENR: Ministry of Enviroment and Natural Resources, MoH: Ministry of Health, NWCPC: National Water Conservation and Pipeline Corporation, O&M: Operations and Management, PE: Personal Emoluments, TSC: Teachers Service Commission

As evident from Table 2-3, the responsibilities for local service delivery in the 3 key sectors analysed in this study (primary health, PE and agricultural extension) are in Uganda and Tanzania firmly placed with LGs.

In Kenya, the system is substantially more complex: CG has put in place a general deconcentrated administration (the district system) with broad local planning responsibilities, separate sector systems that through a deconcentrated structure are main responsible for sector service delivery in the 3 sectors in rural areas. In addition the Non Governmental Organisation (NGO)/private sector play a very significant role in Kenya, just as the recently introduced system for management of the Constituency Development Funding (CDF) is becoming increasingly important and now manage the largest part of locally available development funding – primarily spent in sectors such as education, health and agriculture. The system is illustrated in Figure 2-1.

Figure 2-1 System for Local Service Delivery in Kenya [13]



DC: District Commissioner, DDC: District Development Committee, MoLG: Ministry of Local Government, PMU: Project Management Unit

Source: drawn by author

2-2 LG Council Structures

Table 2-4 provides a brief description of some of the key features of LGs in the 3 countries. As it appears, there is considerable variation. Please refer to the Steffensen and Tidemand (2004) for a more general discussion and Annex 1 for country organogram.

2-3 LG Financing

2-3-1 Introduction and Strategy

This section provides a brief up-date of the development in the reforms and initiatives within the field of LG finance since 2004 [14]. As described in *Comparative Analysis of Decentralisation in the*

[13] See *Kenya Country Case Report* (2006) for details.

[14] Please refer to Steffensen, Tidemand and Ssewankambo (2004) and the Lister, Steffensen et al.: *Joint Evaluation of General Budget Support Uganda – Country Report* – Annex on Links Between General Budget Support (GBS) and Decentralisation, 2005 for a detailed overview of the developments until May 2004.

Table 2-4 Key Features of Local Government Structures

Issue	Kenya (1)	Tanzania (2)	Uganda (3)
Tiers of LGs	1 layer	Two layers (with legislative power in rural LGs, and 1 layer in urban LGs)	At present 2 layers Rural: district – sub-county Urban: municipality-division However also decided to introduce a Regional tier.
Number of the upper layer of LG	**175** (only 1 layer)	**122** 96 districts, 5 CC, 18 MC, 3 TC	**93** 79 districts (55 in 2004), 1 CC, 13 MCs
Average size of the upper layer of LGs	164,000	293,000	307,000
Number of LLGs	Not applicable	**10,018** rural villages + townships. (The 2,834 urban mitaa [15] are not real LGs)	857 sub-counties, 92 TCs, 5 city divisions, 34 municipal divisions
Sub-ordination	There is variation in the status of the LGs, but generally no subordination.	The upper level coordinates the functions of the lower levels.	In principle "non-subordination", but in practice substantial control, strong support/mentoring and coordination from the upper layer of LG.
CG deconcentrated units	Eight provinces (1 is Nairobi). Districts (66) + sub-districts and locations (deconcentrated units)	21 Regional Secretariats DCs Division Secretaries at divisional level.	No CG administration units. There is a district resident representative (coordination functions).
Trend	Proliferation and gradual increase in the 80s. The coming reform is supposed to reduce the number of LGs.	Gradual increase in the number of districts	Very substantial increase in the number of districts

CC: City Council, LLGs: Lower Level of Local Governments, TC: Town Council

3 countries (Steffensen and Tidemand 2004), the design and implementation of the systems of LG finance are very different. Both Uganda (through the design of the Decentralisation Strategy and the Local Government Sector Investment Plan (LGSIP) and Tanzania (within the Sector Policy on Development grant and the Strategic Framework for Financing of LGs) have continued moving towards a defined strategy on fiscal decentralisation. In Kenya, this will still depend on the discussions and adoption of the New Constitution, but there are ongoing considerations on elaboration of a LG fiscal framework and the preparatory analytical work has been planned for.

2-3-2 Summary of the Recent Developments

Table 2-5 provides a snapshot of the development on some core issues in the 3 countries. The various sections below provide further information.[16]

[15] Mitaa is Kiswahili for "street" – it refers to a kind of "neighbourhood" as an administrative (not LG) unit.
[16] Please refer to the *3 Country Case Reports* for more detailed information on the situation as per 2006.

Table 2-5 Achievements and Challenges Since 2004

Reform areas	Achievements	Challenges	Factors/comments
Reforms in the IGFTS			
Uganda	As part of the FDS, 10 % flexibility is allowed across the PAF service areas (non-wage). It has been implemented for the first time in FY 2006/2007 and many LGs have used the increased flexibility to reallocate funds across sectors according to local needs. This has started a sound dialogue on local priorities across sectors. New allocation formulas for the sector grants have been elaborated, but not yet implemented. New allocation criteria have been implemented for the equalisation grants (and the unconditional grants, however, the latter have some pitfalls). A new poverty sensitive allocation formula for the LGDP development grant component is under elaboration by LGFC. New reporting formats combining fiscal data and outputs have been introduced.	The sector budget guidelines still contain many restrictions in the utilisation of each grant (budget lines) and provides limited local flexibility. Still multiplicity of grants although work is ongoing to reduce the number. The sector *development* grants have not been folded into the non-sectoral grants or targeted by the FDS initiatives; hence the LG flexibility in resource allocation on development expenditure has not been improved beyond the LGDP. The proposals in 2003/2004 for new allocation criteria for the sectors have still not been implemented; a draft cabinet paper is pending. The equalisation grant is still insignificant (below 1 % of the total grants).	Some of the sectors (including education) have been against the increase in LG flexibility in grant utilisation and been concerned that it will compromise the achievement of sector national service delivery targets. Some of the sectors, particularly Education have resisted the new transparent formulae without clear explanation. The regional disparities in Uganda has increased, but the grant system is only one amongst several means to mitigate this development.
Tanzania	Improvement in the direction of formula based transparent allocation of sector recurrent grants. Full country-wide coverage by the performance based non-sectoral development grant (LGCDG). The grant has introduced incentives for LGs to improve performance and boosted local options for priority-setting. Performance based grants is being introduced in some of the sectors as well (e.g. agriculture and urban environment).	Still restrictions in the possibilities to switch between salary and non-salary funding, leading to inefficiency in resource allocation.	Although the LGs have been compensated for the abolition of some tax assignments, this has been insufficient and has made LGs more dependant on the CG.
Kenya	LATF has gradually increased, but not in the same tune as other parallel funding systems.	Further complications in the direction of multiple funding systems. The grant system has lacked sufficient CB support, supervision and actions in cases of non-compliance. The LASDAP (local planning process) is still weak and without sufficient involvement of communities/citizens.	LATF is seen an insufficient tool for LG finance and LGs do not have the capacity to be the main vehicle for funding of service provision in the local areas.

Reform areas	Achievements	Challenges	Factors/comments
	LG own source revenues		
Uganda	A number of activities have been launched to improve LG revenues, including studies, setting up of revenue desk in MoLG, CB support to LGs, sensitization and sharing of best practices, etc. at the technical level and this had a certain impact on the development in own source revenues between 2003 – 2005, but the recent abolishment of the major tax (G-tax) and other political initiatives have overshadowed this short-lived improvement.	The LG tax base is now extremely narrow, and the revenue autonomy significantly decreased. The abolished tax sources, and the insufficient and late compensation has impacted negatively on most of the LG core operations, and on the good governance performance, particularly in the LLGs, which were nearly entirely dependent on G-Tax, see below. LGs now finance less than 5 % of their expenditures from own source.	Incongruence between the political and technical initiatives on LG own source revenues. Legal initiatives have reduced the LG tax assignments prior to establishment of alternative LG sources. The lack of sufficient compensation has worsened the problems within the core functions of the LGs.
Tanzania	New studies to explore alternative LG tax assignments. Incentives established in the LGCDG to boost LG revenues. LGs have managed to increase the revenue from some sources, although the total yield is rather stagnant.	The abolishing of taxes has continued to challenge the sustainability of the LG funding system, and the system is getting more and more dependant on transfers than 3 years ago.	Changes require strong political will to introduce a more high yielding LG revenue mobilisation system.
Kenya	Limited progress	The LG revenue generated has been stagnant/declining and LGs are now more dependant on CG transfers than 3 years ago.	The unclear and weak expenditure assignment and lack of LG efficiency in service delivery have constrained the options for revenue mobilisation.
	Improved institutional coordination of the LG finance issues		
Uganda	The established LG Budget Coordinating Committee is operating and important issues are being discussed on a regularly basis. The associations of LGs are also involved in dialogue on core issues. The LGFC still has a role in coordination and fiscal studies. MoLG has increased its capacity within LG revenue mobilisation support. The coming LGSIP will promote a better coordination of the support to LGs.	To bring the sectors sufficiently on board in the FDS implementation is still a great challenge.	Support to the roll out (replication country-wide) of the fiscal decentralisation strategy (grant and revenue reforms, reporting and accountability) implementation has been inadequate.
Tanzania	The coordination within the field of LG finance has improved and the new development grant system has acted as a common funding vehicle towards a SWAp kind of arrangement.	There are still multiple funding channels and programme and projects which need to be harmonised and mainstreamed with GoT procedures.	

Reform areas	Achievements	Challenges	Factors/comments
Kenya	No further improvement, but initiatives to explore the problems and elaborate a roadmap for reforms will be launched in the new future.	Increasing number of systems for funding of local services not well coordinated impacting negative on planning, operational capacity and implementation arrangements.	As the LA system is not working efficiently and has a weak legal basis, parallel systems have emerged and blurred accountability links.

CB: Capacity Building, FDS: Fiscal Decentralisation Strategy, G-tax: Graduated tax, IGFTS: Intergovernmental Fiscal Transfer System, GoT: Government of Tanzania, LA: Local Authority, LASDAP: Local Authority Service Delivery Action Plans, LATF: Local Authorities Transfer Fund, LGCG: Local Government Capital Grant, LGCDG: Local Government Capacity Development Grant, LGDP: Local Government Development Programme, LGFC: Local Government Finance Commission, PAF: Poverty Action Fund, SWAp: Sector-wide Approach

Tanzania and Uganda have focused on improvements of the IGFTSs, in recent years most fundamentally in Tanzania. Kenya has moved in a very different direction with establishment of additional new funding modalities outside of the local government system (see below), where the resources of the local authorities constitute a decreasing share of the total resources spent on local service delivery. Mobilisations of LG own source revenues have been an increasing problem in particular in Uganda and Tanzania.

2-3-3 Expenditure Assignments

As in 2004, the LG share of the total public sector and of Gross Domestic Product (GDP) vary greatly across the countries, with a relative high share in Uganda and Tanzania (rather stable since 2004 although with some decrease) and a very low share in Kenya, where most services are delivered through the deconcentrated provinces/districts and various funds and project/programmes, see Table 2-6:

Table 2-6 LG Share of Public Expenditures

Size of the LG sector of total public expenditures	Share of LG expenditure of total public expenditures (including interest rates etc.)	Share of LG expenditure of total public expenditures (including interest rates etc.)	LG expenditure share of GDP (%)
Uganda	27.3 % (B 2002/2003)*	25.5 % (2004/2005)	6.2 % (2003/2004)
Tanzania	20.2 % (2001/2002)	19.4 % (2005/2006)	
Kenya	5.1 % (B 2002/2003)*	3.7 % (2005/2006)	1.0 % (2005/2006)

Steffensen/Tidemand; *Country Reports* (2004); *Country Case Reports* (2006): Uganda: Assumed that the LG revenues (added on both sides) in 2004/2005 = 2003/2004 (Country Report). Tanzania: Source: Local Government Fiscal Review 2006 (Local Government Reform Programme (LGRP)). Kenya – source: Medium Term Expenditure Framework (Medium Term Expenditure Framework (MTEF)) 2006/2007 – 2008/2009 Ministry and Finance and LATF, Annual Report FY 2004/2005 (LA planned figures).

* B: Budget

LG spending has increased nominally in all countries, but has not fully followed the development in the total public expenditures. The low share in Kenya reflects the fact that most local services are delivered by deconcentrated CG authorities (provinces and districts), constituency funds and various programmes and projects outside of the LAs.

2-3-4 LG Revenues

The development in LG own source revenues and grants is summarised below. The level of LG own source revenues as share of the total LG revenues has further decreased since 2004 in all 3 countries.

Table 2-7 Composition and Size of the LG Revenues

Type of Revenue	FY 1997/98	FY 1998/99	FY 1999/00	FY 2000/01	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07
LG own source revenues (country currency and USD per capita)										
Uganda (billion UGX)	128.9	119.7	110.7	109.4	94.2	100.7	114.2	Increase*	Expected decrease	Expected decrease
Tanzania (billion TSH)					51.2	57.7	48.3	42.9	49.3	
Kenya (million KES)				7,729	7,910	9,100	9,496	8,495	9,741	
Uganda USD per capita				2.4	2.1	2.2	2.5			
Tanzania USD per capita					1.2	1.3	1.1	1.0	1.2	
Kenya USD per capita				3.7	3.8	4.4	4.6	4.1	Budget 4.7	
Grants (Nominal Size in country currency and size per capita (USD))										
Uganda (billion UGX)	224.9	285.2	389.0	502.0	610.9	657.1	726.7	805.5	864.9	863.8
Tanzania (billion TSH) Actually reported					201.1	247.0	313.9	386.8	452.8	
Tanzania Transfered incl. Dev. Grants									630.8	
Kenya (million KES)				2,798	2,809	3,046	4,041	4,453	5,457	
Uganda USD per capita				11.1	13.6	14.6	16.1	17.9	19.2	
Tanzania USD per capita					4.7	5.8	7.4	9.1	12.4	
Tanzania USD per capita (incl. dev. grants)									14.8	
Kenya USD per capita				1.4	1.4	1.5	2.0	2.2	2.6	
Local own source rev. as % of total rev.										
Uganda	36.4 %	29.6 %	22.2 %	17.9 %	13.4 %	13.3 %	13.6 %			Estimated < 5 %
Tanzania					20.3 %	18.9 %	13.3 %	10.0 %	9.8 %	
Kenya				73.6 %	73.8 %	74.1 %	71.2 %	65.6 %	64.1 %	

Source: Steffensen/Tidemand: *Country Reports* (2004), *3 Country Case Reports* (2006). Current figures. Kenya: 2005/2006 Budget figures. The figures should be treated with due caution, are rough figures and rounded. However, Table 2-7 shows the clear trends.
The present exchange rates are applied (October 2006, i.e. the figures are not 100 % adjusted). The exchange rates applied are: 1 USD = 72 KES, 1,825 UGX, and 1,270 TSH. * Uganda: Revenue figures for 2004/2005 are only available for the districts not other LGs.

LGs are increasingly dependent on grants, which are financing an increasing number of new functional areas. The Kenyan system is still very different from the systems in Tanzania and Kenya, as the grant from the CG is rather small (about 2-3 USD per capita against 15 USD in Tanzania and 19 USD in Uganda), and as most of the funding at the local level comes through parallel structures such as the recently established CDF, Road Constituency Funds, donor projects, etc. (by-passing the LAs). The grants have continued to increase in all 3 countries although much faster in Tanzania. The per capita size of the local revenues is still higher in Kenya than in the 2 other countries, but also Kenya has experienced a stagnant trend in development of LG own source revenues.

2-3-5 LG Own Source Revenues

Mobilisations of LG own source revenues have been problematic in all 3 countries. Uganda followed the trend in Tanzania and abolished some of the major taxes from July 2005 without prior identification of alternative local tax assignments. The compensation for the loss of revenues came late and was insufficient. Tanzania and Kenya have managed to keep the collection at the previous (low) levels, but as the grants have increased, the relative share of total revenues has declined, leading to concerns about the LG autonomy and possibilities to address local needs.

2-3-6 Intergovernmental Fiscal Transfers

The grants to LGs have continued to increase in all 3 countries, although modestly in Uganda and Kenya. Work has been ongoing to improve the allocation criteria towards a more needs based system in Tanzania (where new formula based criteria have been introduced from 2004/2005 and 2005/2006) and in Uganda, where the proposed new criteria (except for the equalisation grants and unconditional grants) are still pending a Cabinet decision. The aim is to provide a better targeting of funds to the deprived areas and support the equalisation of the great regional disparities in service facilities and provision. Most of the expenditures in the 3 sectors reviewed are funded by CG grants.

Interesting developments are noted in the area of development grants, where the planned system of integrated non-sectoral performance Capital Development Grant system (LGCDG) has been established and rolled out (replicated) to all districts in Tanzania. The system has attracted funds from several core development parts and the GoT and allowed the LGs to prioritise in line with local priorities. It has led to a gradual mainstreaming and consolidation of the multiple area based programmes and sector development grants and established strong incentives for the LGs to perform. It is evaluated to be a great achievement in a country, which had basically no genuine development grants to LGs a few years back.

The system in Uganda (LGDP-II) has continued, but not yet managed to bring some of the sector grants on board and to consolidate the overall IGFTS.[17] The future programme is being discussed at the moment.

In Kenya, the fragmentation of funds for local development has continued, with the establishment of new funding systems, most importantly the CDF, which is among the largest source for local development projects, managed by the MPs at the constituency level. Both the CDF and the Road Constituency Board funds (constituency and district funds) are distributing a larger amount of funds for development than the funds managed by the LAs (the LATF fund). The multiplicity of funding for local development has imposed high administration and transaction costs, and has led to lack of comprehensive and composite planning and organisation of the development project for the sectors and lead to lack of financial management control and higher fiduciary risks.

2-3-7 Funding to User Groups/Committees

In all 3 countries, the transfer funds has increasingly been made directly to the end-service providers — the user boards and committees —, particularly in the sub-sector: PE, e.g. transfer of funds to the School Management Committees (SMCs) in Kenya (about 14 USD per child). The funds are appreciated by all stakeholders and have boosted these committees' possibilities to make local planning meaningful and address local needs in the implementation. But the experiences have been that it requires significant Capacity Building support to the various committees, and the supervisory bodies (local authorities and accountability bodies) to avoid inefficiencies and wastage. The linkage to and roles of the LAs vis-a-vis these committees also need to be clearly defined.

2-3-8 Financial Management Issues

The challenges identified in our 2004 study pertaining the LG financial management performance are still persistent. One of the tools applied in all 3 countries, the performance based "incentivising" development grant, has had and a positive impact, but needs to be backed up by strong capacity building support, mentoring, supervision, inspection and clear and prompt sanctions in cases of mal-practices and a strong, fair, impartial and highly qualified assessment of LGs. The positive trends observed in Kenya from 2001−2004 in some areas of financial management, particularly caused by the introduction of the LATF and LASDAP have not been deepened and sustained due to lack of sufficient support, mentoring and focus on support to the weaker LGs from the centre, and the overall weaknesses in the LG structure with lack of clear responsibilities and enabling structures. In Uganda the major problem at the moment impacting negatively on the financial management performance, has been the under-funding of basic administrative structures caused by a combination of

[17] Although few sector specific indicators have been added to the performance assessment system.

reduced LG own source revenues, stagnant unconditional and equalisation grants, lack of sufficient compensation for new functions and tax abolishment, introduction of new costly administrative standard structures and finally the costs of the establishment of new districts. In Tanzania, the financial management systems have steadily improved as reflected in annual benchmarking exercises and the reports from the Auditor General. The systems LG finance monitoring have improved, but substantial challenges remain, including substantial problems with the operationalising of Integrated Financial Management Systems (FMS).

2-3-9 Future Sustainability

There is a general agreement amongst most stakeholders that the sustainability of the LG funding system has decreased in the most recent years in all 3 countries. The abolishment of core LG taxes in Uganda and Tanzania and the stagnant revenue mobilisation in Kenya has led to changes in the accountability patterns and led to overall less interest and participation of citizens in the LG decision-making and activities [18]. Due to the strong improvements in the transfer system, these negative features are less pronounced in Tanzania. The changing pattern of LG revenues has lead to:

- Further undermining of LG ownership of the investments and service facilities,
- Reduction in the LG possibilities to cater for operational, maintenance and safeguarding the increasing stock of investments in infrastructure and service facilities,
- Diminishing of the possibilities to make co-funding of programmes,
- Reduction in the funding for core administration functions important for service delivery, efficiency, such as planning, Monitoring and Evaluation (M&E) and inspection,
- Reduction in the LG autonomy,
- Reduction in the participation and operations of lower levels of LGs (Uganda and Tanzania),
- Reduction in people's sense of being a part of the LG society – and productive efforts,
- A negative impact on and weakening of the interaction between politicians and citizens,
- And finally a reduction in the longer term LG sustainability.

The non-sectoral performance based development grants in the 3 countries (LATF, LGDP and LGCG) have to some extent mitigated these problems, as they provide room for local planning and priorities, and support to local involvement in planning and operations, but the size and the sole funding source cannot alone establish (and substitute) the important links between the tax payment and benefits from the services and strong local accountability patterns.

Strategies to confront these problems are currently being developed in Uganda and Tanzania (in Kenya it is pending the debate on the Constitution), but these have to be followed up by strong

[18] General anecdotic evidence from the field studies; more studies of this important area are required.

political willingness to support the development of a sustainable system of local governance with a better balancing of the revenue and expenditure assignments and increase in the LG autonomy on the revenue side.

2-3-10 Concluding Comments

There is still a great need to address the emerging issues, challenges and need for support, identified in the 2004 Study, particularly the need to:

- Continue the work towards clear and coherent strategies for fiscal decentralisation, clearly linked to the overall decentralisation strategy,
- Clarify the expenditure assignments and division of roles and responsibilities across tiers of governance,
- Better coordination and harmonisation of the various planning and budget guidelines and procedures, particularly caused by multiple funds and programmes,
- Focus more on the ways and means to strengthen the LG own source revenue assignment and administration,
- Establish better systems to address the financially distressed LGs and the poor regions of the countries,
- Establishing stronger systems of fiscal monitoring and indicators for performance, coordinated data collection, storage and use of fiscal data,
- Strengthen the downwards accountability and the links between the LGs and the communities/ citizens (most fiscal systems still focus on upwards reporting and monitoring).

2-4 LG Human Resources (HR)

2-4-1 Legal Framework for Human Resource Management (HRM) in LGs

The systems of management of personnel in LGs differ substantially among the 3 East African countries although reforms in Uganda and Tanzania over the most recent years (2003 – 2005) have brought the systems of the 2 countries closer.

Uganda has since 1993 had a rather clear legal framework, whereby LGs hire and fire through each of their respective District Service Commissions. However, terms and conditions of service for employees are determined nationally and similar to those for CG employees. As LGs in Uganda largely depend on CG transfers for payment of salaries their staff establishments, except for a few financially stronger LGs, are in this manner also effectively – although indirectly – controlled. The legal framework has recently been changed although not fully operationalised since the December 2005 Amendment of the Constitution centralised the recruitment and appointment of the chief executive officers of LGs (in rural districts, the Chief Accounting Officer (AO))

In Kenya, the LGs have been delegated the responsibility for hiring and firing lower cadre staff (salary scales 10-20), whereas senior staff are hired and fired by the Public Service Commission. Terms and conditions for LG staff differ from central government employees and are negotiated between the unions and the LGs. As LGs in Kenya rely on own revenue for salaries, they can in practice exercise more autonomy in decisions regarding the size of their lower cadre staff establishments. Note that in Kenya, most of the local sector staff are working within deconcentrated sector offices at district level – separate from the LAs.

In Tanzania, the legal system for management of LG personnel has for many years (1999 – 2004) been under transition and rather confused as contradictory legislation and regulations were issued to LGs from CG. A new Public Service Act was passed in 2002 and amended in 2003/2004. The Act abolished existing LG legislation and regulations for staff management. The new Act gives in principle LGs the powers to hire and fire all staff except for the Chief executive Officers, but the Act leaves practical management of the HRM functions to a committee with substantial CG representation and it maintains that all staff at LG level can be transferred by Central Government when it is "in public interest". The effective control over staff by LGs thus depends on the administrative practice by central Government. Furthermore it has recently been decided to exclude both health and education sector staff from the provisions in the new Public Service Act that requires all staff to be recruited on competitive (merit) basis as it was deemed unpractical in the current situation with many vacancies in the LGs in these sectors.

In all countries there are now substantial differences among procedures for management of different staff categories. These apply partly to different sectors, but also to whether the staff are senior (For Uganda and Tanzania this refers to the Chief Executives but in Kenya to staff on salary scales above 10) or junior – this is reflected in a simplified manner in Table 2-8 [19].

In summary Table 2-8 demonstrates that a range of HRM functions have been decentralised to

[19] For a more detailed discussion see chapter 5 of each of the *2004 country reports*, Steffensen and Tidemand (2004) and comments on recent legal updates in the *Country Case Reports* (2006).

Table 2-8 Overview of the Personnel Management Functions

Function	Kenya	Tanzania	Uganda
Personnel provision			
Recruitment, senior staff	PSC	PSC with some hearing of LGs.	PSC
Recruitment, junior staff	LGs	Council establishes a Recruitment Board.	LG (DSC)
Appointment of senior staff	PSC	President for City Council Director. Minister for district, town or municipal Director.	PSC
Appointment of junior staff	LGs	LGs	LG (DSC)
Transfers, senior staff	PSC (MoLG)	Minister	Not yet determined – probably MoLG.
Transfers, junior staff	N.A.	N.A.	Not applicable except on request from LG.
Promotions, senior staff	PSC	LG recommends to appointing authority.	In future probably PSC or MoLG.
Promotions, junior staff	LGs	Director recommends to council.	LGs (DSC)
Staff development			
Performance appraisals, senior staff	The Clerk by the Provincial LGO/PSC; otherwise immediate supervisor and PSC/MLG.	Dual: LG and PMO-RALG.	Not determined yet but likely to be MoLG.
Performance appraisals, junior staff	Clerk and immediate supervisor.	LG (by CEO)	LG (the CAO and HODs)
Training	LGs	Mainly through externally funded and managed programmes – but also some LG managed through CBG.	In sectors mainly controlled by CG but also some LG managed through LGDP.
Salaries and other benefits			
Salaries and salary scales	ALGE and unions	LGSC	PSC and the Ministry of Public Service.
Incentive packages	ALGE and unions	LGs	LGs
Staff relations and discipline			
Disciplinary and Appellate Authority For Senior Staff	PSC/ MLG – Appellate Body Not Clear.	Minister For Directors, LG advised by committee for personnel for HODs.	Not determined yet – probably MoLG.
Disciplinary and appellate authority for junior staff	Clerk LG; appeals to PSC.	LGs	dsc with the Public Service Commission as the appellate body.

Centralised functions
Decentralised functions

ALGE	Association of Local Governments Employers
DSC	District Service Commission
HODs	Head of Departments
LGSC	Local Government Service Commission

CAO: Chief Accounting Officer, CBG: Capacity Building Grant, CEO: Chief Executive Officer, LGO: Local Government Office, PMO-RALG: Prime Minister's Office Regional Administration and Local Government, PSC: Public Service Commission

LGs, but mainly for junior staff. The formal rules for HRM in Tanzania and Uganda have with the recent centralisation of the management of the chief executives in Uganda become increasingly similar. An important difference between Uganda and Tanzania is the extent to which the formal role of "LG as the employer" is adhered to in practice – CG continues in Tanzania with transfers of staff across LGs on a substantial scale whereas this is not the case in Uganda.

2-4-2 LG Employment Trends

LGs share of total public employees is increasing in all 3 countries. However, the reasons differ. In Uganda and Tanzania, the share is very substantial (75 % and 67 %) and foreseen to increase further. This is the result of the ongoing reforms, whereby staff for key social service delivery sectors (in particular PE and health) has been transferred to LGs. These transfers happened earlier, but as the Poverty Reduction Strategies emphasis continues to be on improvements in social service delivery (e.g. universal primary education), these social sectors continue to expand their staff substantially, whereas there is an attempt to keep administrative staff at the same level. In both Uganda and Tanzania, the phases of the public service reforms that focused on "right sizing" were completed almost a decade ago, and total public employment has, during the last years, increased.

Table 2-9 LG Share of Public Employment in East Africa

Total public employment	1998	1999	2000	2001	2002	2006
Uganda	168,956	177,520	178,741	196,311	211,420	226,000
LG share	65 %	67 %	68 %	71 %	73 %	75 %
Tanzania	275,178	266,426	274,408	271,674	280,830	323,829
LG share	57 %	58 %	62 %	62 %	63 %	67 %
Kenya	661,300	650,300	644,500	610,900	612,100	571,000
LG share	12 %	12 %	13 %	13 %	14 %	7 %

Source: Central Bureau of Statistics (Kenya), Ministry of Public Service (Uganda), Presidents Office – Public Service Management (PO-PSM) Tanzania – see details in *Country Case Reports* (2006).

In Kenya, the situation differs substantially, as the public service is still "right sizing", and as the LGs have a much more marginal role in service delivery. Thus, it is no surprise that they only employ a much smaller proportion of public employees.

2-4-3 LG Restructuring Exercises

In both Uganda and Tanzania various LG restructuring exercises have taken place; for details see the *Country Case Reports* (2006). In Uganda the latest restructuring exercise was centrally driven and led by Ministry of Public Services (MoPS). The recommended structure includes substantial increases in many sectors and was approved on the assumption that the new structures in part will be co financed by LGs. However especially as LG revenues have been abolished it is now apparent that the structures are largely unaffordable in near future.

In Tanzania a more localised restructuring exercise has been undertaken as part of the LGRP. The process has dragged out over many years since 2001 and new structures not yet fully established in part because of the challenges in staffing many remote postings with graduates.

2-4-4 LG Capacity Building Approaches

As discussed in Steffensen and Tidemand (2004), CB of LGs has mainly been undertaken through sector or project modalities with limited control by LGs themselves. An exception is the system of discretionary funding under LGDP and LGCG. Only in Tanzania have sectors started to use similar approaches. For details see *Country Case Reports* (2006).

2-5 Current LG and Decentralisation Reform Efforts

The LG reform efforts vary substantially among the 3 countries.

Uganda is characterised by a comprehensive decentralisation reform based on devolution of authority to elected LGs and an elaborate multi-tier LG system, where main elements of the reform were undertaken 1992 – 1997. The reform was officially launched in 1992, and it has for several years been guided by presidential and other high-level announcements, and technically spearheaded by a committed secretariat. Substantial legal reforms were undertaken and are today prominently reflected in the 1995 Constitution, as well as in a clear LG Act. The reforms have been characterised as radical in their focus on devolution to LGs and have been very high over the years on the political agenda of the NRM Government, as the reforms have been politically as well as technically motivated. Since the reforms matured in 1997, and since the finances of LG budgets increased mainly by conditional grant transfers, some centralising tendencies have emerged as line ministries have sought control over the implementation of transfer of funds to LGs. The Decentralisation Secretariat was abandoned in the late 1990s and reform efforts for some time mainly facilitated by the Programme Management Unit of the LGDP and with LGDP as a joint donor funded programme. It has for several years been sought to mainstream reform support into the MoLG, and in 2005/2006 the Ministry spearheaded the development of an overall LGSIP, which intends to coordinate and prioritise all activities and support for LG reforms and decentralisation reforms. However in practice most of the external support to decentralisation continues as separate project funding and more seriously it can be observed that policy reforms are implemented less consistently. Thus the reforms are today at a crossroads, where the Government have made 2 fundamental changes of the system in connection with the Constitutional revisions:

1. Introduction of a regional tier of government above the districts and
2. Centralisation of the appointments and management of the CAO in the districts.

Tanzania is some ten years into a substantial reform programme. The reform in Tanzania grew out of an ongoing Civil Service Programme in the 1990s, and it is part of a wider governance reform that also included the introduction of multi-party politics. A policy for LG reforms in Tanzania was endorsed in 1998 and an operational programme for reform subsequently launched. The reform programme has undertaken substantial training and introduced a process of restructuring LGs as well as undertaken some legal reviews. LG Acts have been amended; just as a process of harmonising sector legislation is ongoing. As elaborated in the sections below, the practical translation of policies has in some areas recently progressed very well, in particular with regards to decentralisation of recurrent and development funding from CG to LGs. Some progress has also been made on decentralisation of human resource management, although recent legalisation has stopped short of devolving control over the directors to the elected councils. Recent proposed amendments to the LG legislation may if passed unchanged further blur local accountability mechanism and give CG appointed officers at regional, district and divisional levels more control over LG development planning and implementation contrary to the intentions of the LG Reform Policy.[20] Zanzibar is not part of the mainland LG Reform Policy, and it has only very recently taken steps for initiating reforms.

In Tanzania it has been decided to phase out the current LG reform Programme in its present form by 2008. The LGRP is managed by a component manager reporting directly to the PS PMO-RALG and has a substantial number of national and international experts working on the different dimensions of the reform. It will be a major challenge to mainstream reform elements into the normal structures of PMO-RALG. Other key challenges to the reforms are the proposed amendments to the LG legislation[21], which inter alia propose a strengthening of CG representation in various coordinating bodies at various levels in the LG system in a manner, which may not be supportive of the official policy of decentralisation by devolution.

Kenya has since the mid-1990s initiated an incremental reform of LGs that, foremost, has focused on improving the fiscal aspects of LGs without, to date, substantial legal, structural and organisational reforms. However, as part of the ongoing Constitutional Review, much wider and very radical proposals related to decentralisation reform have been debated. The National Institutional Conference endorsed the draft Constitution on 15 March 2004, but since then the proposals have been rejected in a referendum and been subject to much debate. Although many details are being debated, then there is some consensus on a future reform based on devolution of powers to a Local Government System and merger/abolishment of the many parallel local institutions. If and when the Constitution is adopted, it

[20] For detailed discussions see *Tanzania Country Case Report* (2006), Chapter 2.
[21] See *Tanzania Country Case Report* (2006) for detailed discussion.

will signal the start of a comprehensive decentralisation programme based on devolution. In anticipation, the MoLG is currently in the process of drafting various LG laws and amendments.

Table 2-10 Current LG Reform Initiatives

	Kenya	Tanzania Mainland	Tanzania Zanzibar	Uganda
Key guiding policy documents	2004 Constitution – not yet approved. Internal draft concept papers have been elaborated.	1998 LG Reform Policy + emerging fiscal decentralisation strategy.	LG reforms considered as part of Zanzibar. Good Governance Strategy 2002.	No overall strategy, but a FDS, 2002 is being implemented. A decentralisation strategic framework has recently been elaborated by MoLG and is subject for final endorsement.
Reform objectives	Main objectives (Section 2006 of Constitution) of the reform to foster democratic local governance.	Main emphasis on improved service delivery. However governance objectives stated in Constitution.	Main emphasis on enhanced local governance. Secondary emphasis on efficiency gains from abolition of parallel structures.	Primary emphasis on enhanced local democracy and participation. FDS emphasis on rationalisation and efficiency gains and improved accountability.
Operational programmes for LG reforms	KLGRP and PROLOGS	LGRP with a current approved work programme to June 2008. Funded by GoT, and a large group of donors. Additionally WB supported LGSP.	Zanzibar Good Governance Strategy 2002 is partially funded by RGoZ, UNDP and DFID.	LGSIP completed 2006 as overall guiding document for implementation of the decentralisation strategy and LG sector.

DFID: Department for International Development, FDS: Fiscal Decentralisation Strategy, KLGRP: Kenya Local Government Reform Programme, PROLOGS: Poverty Reduction through Optimising Local Governance Systems, UNDP: United Nations Development Programme

2-6 Key Issues and Challenges

2-6-1 Uganda

Uganda has for many years been leading decentralisation reforms as substantial powers were devolved to LGs under a clear legal framework. The system in Uganda is still relatively devolved and many aspects of the LG system including financial management procedures, planning procedures and CB modalities have over the years been fine-tuned. However, several challenges are now emerging to the decentralisation reforms:

- Introduction of a regional tier of governance without any substantial technical arguments for its functions and financing,
- A significant increase in the number of districts without additional funding for new structures,
- Centralisation of some elements of personnel management, specifically, the appointment of the CAO,

- Abolishment of LG revenue without provision of alternatives,
- Rather slow progress on many aspects of fiscal decentralisation – LGs depend on a large number of centrally earmarked grants.

2-6-2 Tanzania

Tanzania has embarked on a comprehensive LG reform, which since 1998 has been guided by the LG Reform Policy. An overriding challenge in Tanzania has been how to translate the rather clear and radical policy into law and reformed procedures and practices. Within the last 3 years very substantive progress have been made in reforming the recurrent and development grant systems and further plans including sectors responsiveness to these systems are quite promising. However, progress on devolution of personnel management to LGs has been more limited and planned rationalisation of legislation including possible Constitutional Amendments has not yet been implemented. Thus the wards and villages in Tanzania remain with rather weak and undefined mandates, just as the role of the CG institutions for oversight of LGs (the Regional Secretariats) is still widely considered as unsatisfactory. The proposed Amendments to the LG legislation will if passed unchanged only worsen this situation. Hence, some of the future core challenges will be:

- LG own source revenue mobilisation and implementation of planned reforms of intergovernmental fiscal transfers,
- HR management at LG levels; in particular developing systems that will allow LG meaningful control over local staff, while still maintaining principles of merit based HRM and deployment of staff also to weaker and remote LGs,
- Legal reforms coherent with the decentralisation policy – where the current main challenge is with the proposed amendments of the Regional Administration and LG Act,
- Mainstreaming the reforms into the Government institutions once the agreed lifetime of the current LG Reform Programme expires in 2008.

2-6-3 Kenya

In Kenya, the current legal framework of for local governance is widely recognised as in need of reform. The existing parallel system for local-level service delivery gives no clear mandate to LGs for the provision of key services. Instead, the responsibilities for local service delivery and planning is scattered across various sectors, the LGs, the deconcentrated (district and provincial) administrations and the increasingly important CDF arrangements. Studies, confirmed by the field visits, have indicated that this not only leads to duplication and poor local governance, as citizens cannot hold government accountable at the local level for local level service delivery, but it also entails a waste of public resources and an ineffective provision of services.

The draft 2004 Constitution proposed a radical reform in support of devolution to LGs.

Box 2-1 Local Government in the Rejected Draft Constitution 2005

The draft Constitution of Kenya as published by the Attorney General on 22nd of August 2005 in a special issue of The Kenya Gazette Supplement No. 63, and that was the subject of a referendum held on 21st of November 2005, provided, as far as decentralisation is concerned amongst other things for:

- A government structure with 2 tiers, i.e. national and district level, based on the principles of a devolved government and the notion of subsidiarity;
- A choice for the district as the principal level of devolution;
- A list of activities to be exclusively mandated to each level of government (schedule III, part II), whereby district governments are given the mandate (and delivery obligation) for key-services such as all public service delivery activities related to agriculture and livestock, all health services apart from national referral facilities, all education services up to secondary level, all roads apart from national and regional roads, and all district water and sanitation services; and
- Fiscal decentralisation, as each devolved government would be entitled to an equitable share of the nationally raised revenues, and may receive on top of that equalisation grants and other allocations, either conditional or unconditional.

However, this draft constitution was rejected in the referendum held in November 2005 and as a result, the prevailing legal framework for decentralised service delivery will remain to be associated, at least for the near future, with centralised planning and management of local services. As elaborated in *Kenya Country Case Report* (2006), the reasons for rejection were not related to the chapter on decentralisation titled 'devolved government', but mainly the result of a protest vote against the way the final draft versions were prepared.

However, even if the Constitution had been adopted, the implementation of the proposed transition towards a devolved system would certainly be very challenging as discussed in *Kenya Country Report* (2006). Many lessons can be drawn from Uganda and Tanzania in this respect. Previous structures for deconcentrated service delivery will have to be abolished; staff employed by sector ministries will have to be transferred to local governments, if they are to undertake their new functions. Modalities for sufficient (discretionary) funding need to be developed. The most critical aspects of future reform will probably be:

- Clear assignment of specific responsibilities to the different new LGs, in line with the broad guidance of the draft Constitution and considering factors like linkages between the size of the government units and the type of services to be provided, links between the services, economies of scale, possibilities for citizens' participation and accountability, political representation, closeness, etc.;

- Reform of key sectors along the lines stipulated in the Constitution, with the active and constructive involvement of sector ministries;
- Development of a system for balancing the new transferred functions, with properly assigned revenues to LGs,
- Development of a decentralised system for management of personnel that guarantees meaningful local accountability of staff, while at the same time, safeguarding the interests of personnel in terms of career development prospects and job security.

3. PRIMARY EDUCATION

3-1 Sector Policies for Local Level Service Delivery

As it appears from Table 3-1, there are many similarities in the policy and strategy on the sub-sector Primary Education (PE) in the 3 countries. All 3 countries have clear policies and strategies to improve quantity and quality of PE, and 1 comprehensive programme to support this strategy (most recently in Kenya 2005 with Kenya Education Sector Support Programme (KESSP) 2005 – 2010. Strong SWAps and programmes have been established in Uganda and Tanzania and are emerging in Kenya. Universal (free) Primary Education (UPE) has been the major tool to increase the number of enrolled pupils and all 3 countries have started the reform progress focusing initially on quantitative

Table 3-1 Primary Education Sector Policy

Policy/Strategy	Kenya	Uganda	Tanzania
Policy	Important part of the overall development strategy; ESR 2003 – 2007 and Sector Strategy: Sessional Paper No. 1. Adherence to the MDGs.	The overall PEAP 2004 – 2008 encompass an important chapter on Education, with clear targets and benchmarks. Education Sector Strategic Plan 2004 – 2015. Adherence to the MDGs.	Tanzania Development Vision 2025. NETP ESDP PEDP Adherence to the MDGs.
SWAp with one core programme	Emerging with KESSP, however several development partners are not behind this due to concerns with the weaknesses in GoK systems and procedures.	Strong SWAp with clear strategy, funding plan and common reviews and support systems.	Strong SWAp with most development partners behind.
Core strategic components	Increase enrolment rate by UPE Focus on quality, e.g. increased books and materials. Improve the transition rate to secondary education. Construct new facilities in disadvantage areas.	UPE, Decentralised service delivery. From quantity to quality Improve facilities, improve capitation funds, strengthen teachers skills and conditions. Recent wish to move towards universal post-PE and training.	Increasing the enrolment – the(re) introduction of free primary was an important tool, but still some (reduced) contribution from the parents. Improve the links between primary and secondary education.
Strategy on LG involvement and governance	LAs have a minor role. The focus has been on the districts (deconcentrated units) and the SMCs, which has received increased funding and responsibilities. The CDF has also had a major role in construction of facilities.	LAs have a strong role in the strategy, and funding arrangements. Decentralisation to LGs have been supported, but under a strong “upper hand” and central guidance.	The schools are the major unit for implementation of the policy, and the districts mainly coordinate, supervise and are used as transfer vehicles for the transfers from CG.

CDF: Constituency Development Fund, CG: Central Government, ESDP: Education Sector Development Programme, ESR: Education Sector Review, GoK: Government of Kenya, LAs: Local Authorities, LG: Local Government, MDGs: Millennium Development Goals, NETP: National Education and Training Policy, PEAP: Poverty Eradication Action Plan, PEDP: Primary Education Development Programme improvement, then subsequently moved more towards focusing on improvement of the quality (e.g. training facilities, qualifications of the teachers and availability of school books).

All 3 countries have a declared policy and strategy to involve the *communities* actively in service delivery, particularly through the strengthening of the SMCs, which have received increased attention, responsibilities, funding and Capacity Building (CB) support in the most recent years.

However, the countries differ significantly in the policy and strategies in respect of the involvement of LGs in service delivery and management. Uganda has a declared policy to involve the LGs in planning, budgeting, monitoring and inspection. This is not the case concerning the rural authorities in Kenya, which are supposed to have minor roles (limited to smaller investments in structures). Tanzania has taken the middle position, where the LAs (districts) are envisaged to plan, monitor, coordinate and supervise, see below, but where the major activities are undertaken by the primary schools through the user committees at the school level.

3-2 The Division of Responsibilities in PE

Table 3-2 [22], provides an overview of the division of some of major roles and responsibilities across the levels of governance.

Overall division of tasks and planning

It appears that the division of some of the functions is rather similar across the countries. Most of the countries have strong central government functions in the area of policy and target setting, supervision and monitoring and funding, but there are important differences. The LGs in Uganda are more centrally involved in terms of the planning, coordination and budgeting than is the case in Tanzania, and particularly in Kenya, where the LGs have very limited roles.

Inspection

The inspection is a major challenge in all 3 countries due to lack of sufficient funding and organisational weaknesses. In Kenya, this is performed by the districts/provinces outside of the LA system, whereas the LGs in Tanzania, and particularly Uganda, have important roles in this area. The SMCs in all 3 countries are supposed to monitor and report on the day-to-day issues, but their capacity to fulfil this role is often constrained.

[22] Please refer to the *Country Case Reports* (2006) for further details.

Table 3-2 Division of Tasks for Primary Education

Task	CG	HLG/LA	LLG	User committees	Communities/ citizens
Planning					
Uganda	Strong. Strong coordinative role, Set the targets and policy objectives. Approves work-plans.	Strong. Participate in the dialogue with CG. Make the district plans, work-plans and budgets, coordinate local investments.	Minor role, but involved in planning of minor LGDP investments.	Some role. Involvement through hearing and sector work Planning of use of capitation grants and of books purchases.	Involvement through hearing and sector work. Represented in the SMCs (parents).
Kenya	Strong. Overall planning, targets and strategies. Overall guidance and planning through the Provinces/districts (major local inst.).	Weak (most planning is handled through the deconcentrated central authorities – provinces and districts).	NA	Strong role. In management of capitation grants and book purchases, but also in smaller investments.	Involvement through the SMCs (parents) and PTAs.
Tanzania	Strong. Overall planning, targets, coordination etc.	Some role. Coordinate the school plans, but the DEO has limited discretion.	Weak role.	Strong. Submit school plans to the districts. Management the budgets for capitation.	Represented in the school committees.
Inspection					
Uganda	Strong role.	Strong role through the district inspectors.	Limited role.	Some roles in the day to day operations.	Some roles, e.g. through the SMCs.
Kenya	Strong role through the districts, which performance most of it.	Limited, most of the inspection is organised around the districts.	NA	Some roles in the day to day monitoring of the schools.	Some roles through the SMCs.
Tanzania	Strong. Handle most of the insp.	Some role.	Limited.	Some role in the day to day inspection.	Weak, although through the SMCs.
Overall funding					
Uganda	Most funding comes from the CG through grants to LGs.	Limited contribution from own sources, some co-funding under the LGDP.	Limited, some co-funding through the LGDP.	Very limited.	Very limited/no User payments abolished.
Kenya	Most funding sources from the CG, direct funding, salaries and capitation grants.	Limited role within support to facilities from LATF.	NA	Some limited role in mobilisation of additional sources.	Limited and decreasing role. Mandatory user payments abolished.
Tanzania	Major funding source through the conditional grants.	Limited through contribution from own source revenues.	Limited.	Limited.	Still some parents' contribution, although the user payment has been reduced.
Management of teachers					
Uganda	Sets the targets.	Strong management of the teachers, who are supposed to be under the HLG. Recruited locally by the District Service Commissions.	Minor roles within inspection.	SMCs supposed to play a role as a first instance and daily monitoring.	Monitor through input in the SMCs.

Task	CG	HLG/LA	LLG	User committees	Communities/ citizens
Kenya	Strong: Combination of TSC and the district authorities.	No role for the LAs except in few urban LAs.	NA	Limited, may send proposals to the district education boards.	Limited.
Tanzania	Strong.	Formal role in hiring of the teachers and work-relationship, however in reality the teachers still refer to the Ministry.	No role.	Limited role.	No role.
School admin. -DEO's office					
Uganda	Guidance.	Strong role with an significant DEO office.	No role.	No role.	No role.
Kenya	Strongly managed by the HQ in terms of staffing, funding etc.	No role as this takes place at the province and district levels.	NA	No role.	No role.
Tanzania	Guidance.	Moderate role.	No role.	No role.	No role.
School construction					
Uganda	Overall guidance.	Strong role through the planning, use of SF grants and supervision.	Moderate role. Provides planning inputs.	Moderate role. Provides inputs and supervise.	Input in the planning phase.
Kenya	Strong coordination and identification of needed districts.	Limited role within the funding from LATF.	NA	Role the areas funded by LATF, SMCs can do the contracting and monitoring.	Some role through the SMCs.
Tanzania	Overall guidance.	Coordinate the school plans.	Limited: provide planning inputs.	PEDP funds for school construction sent to district/ school a portioned according to agreed share. SMC is in charge of tendering process for local contractor and for supervision of works together with Dept. of Works of the District. Payment for finished work sanctioned by SMCs.	Some supervision and inputs through the SMCs.
School materials, equipment and mgt.					
Uganda	Guidance and target setting, monitor and supervise.	Role in coordination, supervision and input on priorities.	Limited role.	Strong role in the priorities and operations (can purchase the books).	Important role through the SMCs.
Kenya	Guidance and target setting, monitor and supervise.	No role as handled by the district (deconcentrated bodies).	NA	Strong role in priorities, purchase of books and materials and organisation (handle significant funds).	Through the SMCs.
Tanzania	Guidance and target setting, monitor and supervise.	Coordination and supervision.	Limited role.	Strong role, can purchase under local procurement.	Role through the SMCs.

DEO: District Education Officer, HLG: Higher Local Government, LATF: Local Authorities Transfer Fund, LGDP: Local Government Development Programme, LLG: Lower Levels of Local Government, PTAs: Parents Teachers Associations, TSC: Teachers Service Commission

Source: The *3 Country Case Reports*.

Funding

The CG also finances most of the expenditures in PE either through direct funding and grants (Kenya) or mostly through grants to LAs (Uganda and Tanzania), where complex intergovernmental fiscal transfer systems have been established.

Management of teachers

Management of teachers (hiring, firing, posting, disciplining etc.) have to a certain extent been “localised”, but still with strong central coordination, mentoring and control. In Kenya, the districts (deconcentrated units) have certain roles in this area under strict rules and guidelines and in corporation with the central TSC, whereas the local authorities in Uganda and Tanzania have formal roles in hiring of teachers, inspection and supervision of primary school teachers. However this is an area, where many of the LGs feel that they lack sufficient tools to incentivise and strengthen the performance and where the centre still have strong control either through the funding system or through the accountability measures (reporting systems, pattern for interactions, etc.). In Tanzania, the monitoring of the teachers is the head teachers’ responsibility and any problems should be reported to the district education officers. However, the DEO has no available sanctions and will have to rely on the district service commission. Problems with the management of teachers were also reporting from the schools and the LGs in Uganda.

School administration and planning

The administrative capacity at the LG level to manage the school administration and actually plan for the development in primary education varies greatly across the countries and across the LGs within each country. LGs in Uganda have a significant role through the DEOs office, whereas the LGs in Kenya only have a marginal role restricted to minor investments sources from the LATF.

School construction

The division of tasks across the countries within construction and up-grading of school facilities varies greatly as well. In Uganda, the LGs are in charge of the planning and contracting of service provides within the area of construction (from the LGDP and School Finance Committee (SFC) grants), in Kenya, most of these investments take place outside of LG control, although LAs can contribute with minor facilities, whereas in Tanzania both LGs and directly the schools receive funds for construction and can make their own procurement funded by the PEDP. LGs also receive the non-sectoral LGCDG for investments in various sectors, including education, but the CG demands the LGs to use these for secondary schools (as investments in primary education is funded from PEDP).

School materials, books etc.

Purchase and coordination of books and training materials at the school level has been decentralised in all 3 countries with good experiences from prior piloting and testing (e.g. in Uganda).

The *user boards/school management committees* have strong and increasing roles in all 3 countries, particularly spearheaded by the central government provision of capitation grants. SMCs take care of smaller cost items like operation of the schools, maintenance and the SMCs are to an increasing extent also responsible for the selection and purchase of school learning materials, books, equipment, etc. with specified guidelines. Tanzania has moved fastest and has decentralised parts of the development budget to the school level as well. All the respondents in the field appreciated the decentralisation to the committee level. However, the financial management, capacity to handle the new funds and tasks, supervision and audit has been a challenge, particularly in the first phases of the decentralisation process. Significant CB is required as well as close linkage to the LGs in areas of coordination and supervision.

3-3 Local Service Delivery Financing

The 3 countries have experienced a number of common trends, but also important differences in the modalities for funding of PE. There has been a significant increase in the expenditure on PE in all countries in the most recent years, both nominal and as share of the total public expenditure, particularly within the component: teachers' salaries. The extent to which the funding is decentralised to the LGs varies significantly across the 3 countries. In Kenya, LAs only spent a very small amount (most of the funding comes through parallel sources and flows), whereas in Tanzania and Uganda, PE is one of the core expenditure areas of the LGs' operations and accounts for a large share of the total expenditure on education in the countries.

Capitation grants

All 3 countries transfer significant amount of funds (capitation grants) to the schools for minor expenditure items. In Uganda this amounts to about 1.2 USD per pupil in average ((FY 2006/2007) + funds to school books approximately < 1 USD per pupil). In Kenya the capitation grant is much higher about in average 5 USD per pupil for operational costs and 9 USD for instruction materials. In Tanzania, the expenditures are also significant, about 7 – 8 USD per capita for recurrent PE and ± 2 USD for capital development[23]. These funds are largely managed by the SMCs and are examples of decentralisation of major funds to the representatives of the users. Although there have been up-start problems in all countries, the experiences have shown that SMCs can handle funds if these are combined with significant CB support and supervision. Funds in Tanzania and Uganda are routed through the LGs to ensure planning, management and supervision, whereas in Kenya, LAs have no role in this area, however, the deconcentrated CG districts are supposed to supervise and inspect the schools.

[23] According to Oxfam GB (2004), the LGs spent on average 2.6 USD per capita on development.

Table 3-3 Finance of Primary Education

Expenditure	Uganda	Kenya	Tanzania
LG expenditure on education as share of total LG expenditures	The total LG *recurrent* expenditure on education (salary and capitation grant) of total LG recurrent expenditures: (B 2006/2007): 55 % = 7.9 USD per capita [24] In addition to this are: School development grants: = 0.3 USD per capita (B 2006/2007) and: LGDP non-sectoral grant where approx. 26% of the 1.0 USD per capita is spent on primary education = about 0.3 USD per capita. i.e. the total LG expenditure on primary education is about 8.5 – 9 USD per capita FY 2006/2007).	LAs' capital expenditures on education of total LG capital exp. (2004/2005 actual): 10.8 % = only about 0.1 USD per capita. Most of the funds, about 4 USD per capita, spent locally on PE, is transferred directly to the school management committees (of this capitation grant which is 14 USD per pupil) and not through the LAs and or through various funds and donor projects. i.e. the total LG expenditure on PE is about 0.1 USD per capital.	Total LG recurrent expenditure on education of total LG expenditure: (FY 2005/2006): 61 % = 7 – 8 USD per capita. In addition to this are: a) Capital sector grants to education: 0.5 USD per capita and b) the LG CDG, where a part of the approximate 1 USD per capita is spent on education. i.e. the total LG funds on primary education is about 10 USD per capita (FY 2005/2006).
LG share of total public education expenditures	B FY 2006/2007 – 55 % (1) (but nearly 100 % of the expenditure on education expenditures)	FY 2005: > 1 % (rural LAs)	FY average: 2003 – 2005: 45 – 50 % (but LG receive 98 % of PEDP funds)

CDG: Capacity Development Grant

Average figures from the country reports. (1) LG expenditures on the DEOs office and funding from LG own source revenues are not included, i.e. only the grant share, which is more that 90 % of entire amount (reasonable proxy). Estimated share of the LGDP (24.5 % like in 2003/2004) used on Education is included in the figure

Source: Budget Speech, Ministry of Finance, Planning and Economic Development (MoFPED), Uganda, 2006/2007 and *Country Case Reports*.

Source: written by author

A large part of the funds have been established to compensate for the abolishing of user payment (introduction/re-introduction of UPE, Uganda (1997 for 4 children and 2002/2003 for all), Tanzania (2001) and Kenya (2003) and are considered crucial for the quality of the school operations. The size of the capitation grants is smaller in Uganda and has been an area of great concern. The capitation grant in Kenya (more than 5 times higher than in Uganda), which has been very appreciated at the local level is higher than the funds available in the other countries, and has meant that Kenya to some extent has been able to catch up in the book-pupil ratio and in availability of various school materials, which was lacking behind the other countries prior to the reform. It has also made the work in the SMCs more meaningful as funds are now available for planning and implementation of activities prioritised locally.

Although the introduction of free PE has been compensated by the central government through establishment/increase in grants directly routed to the schools (in Uganda and Tanzania funds are routed through the LGs to the school management committees), the preparation of the introduction and

[24] Only the funds sources from grants (which is 90 % +) are included in this figure, see the *Country Case Report* (2006) for further information.

the amount of sources required compared to the availability of the funds in the compensation scheme has been a major problem.[25] The fast expansion of the level of enrolment combined with the abolition of the user payments, have put the primary schools and LGs under fiscal pressure from the onset of the reform process.[26]

Table 3-4 compares the funding modalities for some of the major expenditure items:

Table 3-4 Main Funding Modalities for PE

Expenditure area	Uganda	Kenya	Tanzania
General administration of education office	Funded from part of the UPE grants from CG (5 %) and from the (decreasing) LG revenue sources. The LGs feel that they have been financially deprived recently, partly because of the abolition of the G-Tax and other legal initiatives. The abolition of the G-Tax has meant that the school levy (1,000 UGX) per tax payer has been abolished as well, leaving a fiscal gap.	Direct funding of the deconcentrated provinces/districts.	Grants to the districts + small share of own source LG revenues.
Teachers' salaries	Conditional grants to LGs earmarked for salaries specifically. The costs of salaries have increased significantly due to the increase in the number of teachers and more recently the increase in the salary rate.	Direct payment of salaries from the central government.	Recurrent grants to the districts covering both PE and other charges. The formula makes no distinction between the PE and other charges parts, but the budget guidelines do. The PE is determined by the wage bill of the number of staff on the local payroll as reported to The President's Office, Public Service Management, hence the other charges will be the recurrent grant minus the PE requirements as per the staffing level.
School construction (new facilities, classrooms, up-grading of existing etc.)	A conditional grant from the centre, earmarked for LG SFG. The grant has amounted to 1 – 1.5 USD, but will be significantly reduced in the coming years. Part of the cross-sectoral LGDP grant is also being used for school construction (estimated about 0.3 USD per capita). Very limited LG own source funding. Until last FY the SFC covered all districts and had from the onset a significant size, but has now been restricted to few core priority areas with special needs, and the overall funds have decreased.	Very limited and only focused on few poorly endowed districts. This has been one of the major challenges in Kenya, as the conditions of the school buildings are very poor in many districts.	PEDP funds to the schools through the districts for capitation and minor investments. Development grant from the CG non-sectoral grants. (An average of about 2 USD per pupil has been transferred to the schools for development expenditures (Oxfam, 2004) Various donor funded flows. Still some user contribution through various co-funding requirements from programme and projects.

25 See e.g. Oxfam GB (2004)

26 This is also one of the findings from a recent World Wide Review of Support to PE Reforms: Independent Evaluation Group (IEG) (2006) which states that the fast expansion of UPE in many countries have compromised the focus on learning outcomes/skills (quality).

Expenditure area	Uganda	Kenya	Tanzania
Capitation Smaller cost items at the school level such as equipment, stationary, and school mgt. Costs	Small UPE capitation grant based on the number enrolled pupils in each school. This was introduced to compensate for the abolition of user fees. The grant has decreased recently, but is seen as very important for the schools to enable them to operate efficiently. The size of support has been in the range of 3 USD per pupil or about 1 USD per capita	Part of the capitation grant to the school management committees. The grant is 370 KES or around 5 USD per pupil.	Grants from CG. The size per child for capitation grant should presently be 10 USD in total, (facility repairs 2USD, text books materials 4 USD, Stationary/pens: 2 USD, Administration materials: 1 USD and exam papers/printing: 1 USD [27], but actually only 7 USD in average has been transferred.
School books and learning materials	Tot total budget allocation was 8.6 billion UGX for FY 2006/2007. This is about 0.65 USD per pupil. However, additional funds are spent centrally. Financed centrally (kept at a MoES HQ vote), but HLGs are getting an indicative figure per school and separate funds (not part of the grants) to issue LPOs to the schools. It is allocated based on the enrolment rate. The SMCs decide the use within provided guidelines and guidance. There has been a trend towards allowing the schools more decision-making power on the use of these funds within a defined list of books (HQ) and defined lists of service provides (set by the HLG level).	Part of the capitation grant. This part amount to KES 650 per pupil or about 9 USD per pupil. Books are purchased locally by the SMCs.	This is part of the capitation grant above. Books are purchased locally.
Inspection and monitoring	HQ inspectors financed from the general MoES budget. Local inspection from share of grants and LG revenues. This is an area, which has become under pressure from the new developments.	Inspection is financed centrally through the district and provincial budgets.	Inspection is financed centrally, but performed from the district level.

G-tax: Graduated tax, HQ: Head Quarter, LPOs: Local Purchase Orders, MoES: Ministry of Education and Sports, SFG: School Facilities Grant

Financial management procedures have been a great challenge in all 3 countries, particularly with the introduction of direct or indirect transfer of significant amount of funds to the schools (SMCs). Despite CB support, this is an area where continuous capacity building support, strong monitoring and audit is required, and where the fiduciary risks in all countries are high. However, tools such as publication of transfers, tracking studies, sanctions in cases of malpractices are reported to have improved efficiency in Uganda and Kenya and it is the impression by all stakeholders interviewed (and documented in piloting arrangements, e.g. in Uganda) that decentralisation of scholastic materials,

[27] The size per pupil in average (2003) was 9.5 USD (Oxfam GB, 2004).

smaller maintenance items etc. to the SMCs have been a qualified success. The same is the case with the decentralisation of the school construction to the LGs with involvement of the SMCs although more research is required to quantify the unit costs, quality etc.

3-4 Local Planning Procedures

The system and procedures for local planning within PE differs greatly across the 3 countries.

Kenya is characterised by multiple parallel planning systems depending on the specific funding source and is rather centralised with controlled linkages between the centre – provincial – district levels, however the SMCs at the local levels are allowed more discretion in planning in the most recent years.

Uganda has the district as the major planning unit, with rather elaborated district education work-plans and budgets.

Tanzania, has decentralised much of the planning to the school level, which provides inputs for most of the planning areas. However, the CG provides rather detailed budget guidelines and guidance to the LGs, e.g. within the utilisation of the non-sectoral capital development grants, where CG requires LGs to focus on secondary school buildings as the primary buildings are targeted by the PEDP grants.

Although the formal access to citizens' involvement in planning has been established, it has, in reality, been a major challenge and weaknesses in all 3 countries, particularly due to low community awareness and interest in the planning process. The abolition of user fees and (more recently some of the taxes) has added to the lack of incentives to contribute actively, as there is an increasing notion that everything will be funded and handled by the centre.

It has also been a challenge in all countries to find the right balance between local autonomy and the wish to ensure adherence to national targets. The financial instruments have often been used to ensure control on the LGs through the input side, e.g. through earmarking of grants and or detailed budget guidelines. The experiences have been that when LGs are allowed more discretion for local priorities and planning functions, if combined with strong CB support, good incentives and supervision, (e.g. the utilisation of the non-sectoral grants in Uganda, which has been a rather efficient tool to involve lower levels of LGs in the planning of school buildings and promoted discussions at the local levels of cross-sectoral priorities) have been rather encouraging. Another good example has been the decentralisation of selection and purchase of school materials/books to the SMCs in Uganda, Tanzania and Kenya, which have been evaluated by most stakeholders to be a great achievement. [28]

[28] In Uganda, this followed a pilot in a few districts and a comprehensive evaluation of the new measures, see the *Country Case Report* (2006) for further details.

Table 3-5 provides a snapshot of the factors, which have facilitated and constrained the possibilities for local planning and priority setting.

Table 3-5 Factors Facilitating and Restraining Planning and Local Priority Setting

Promoting factors	Uganda	Kenya	Tanzania
Non-sectoral grants	LGDP: A non-sectoral performance based grant to HLGs and LLGs. It involves the LLGs and promotes bottom up- planning and budgeting. Co-funding enhanceed participation and interest. As the grant is cross-sectoral, several actors are involved to ensure a strong local priorities and that local needs can be addressed.	The disbursement of the LATF grant, although it has not achieved the major objectives in this area due to the limited size, the fragmentation of sources and weak monitoring and CB support.	The new LGCG has provided better opportunities for the LGs to address local needs in a flexible manner with strong performance incentives.
Capitation grants	Despite some restrictions, it promotes the roles of the SMCs and the involvement of citizens (parents) and the dialogue between the LGs and the SMCs/headmasters. However the recent decrease has limited this impact.	Promoted planning in the SMCs.	Promoted planning and been a major instrument to involve the schools in the planning tasks.
Flexibility in the use of funds, e.g. between recurrent and development	The FDS with more flexibility has made planning and budgeting more challenging, but also more meaningful, as local decisions now has an impact on the allocation or resources.	LATF has promoted local non-sectoral planning operations, but with related weaknesses.	The PEDP funds have provided room for local priorities, although there are restrictions on the use of funds.
Tracking studies	Education was one of the first areas to benefit from expenditure tracking studies, which has lead to improved targeting of funds, less leakage and better achievements of the planned expenditures and information important for planning purposes.	Audits of the use of the capitation grants have improved the focus on ensuring that funds arrive to the end users.	Various fiscal studies have defined the problems and the ways and means to address the financial management issues.
Decentralised priorities within purchase of school books	The flexibility in the use within conditional grants makes it easier for the schools and the LGs to address particular needs and improve efficiency in resource allocation.	Has been a major achievement.	Has been an achievement.
CB	The CB rendered to the LGs but also the SMCs and the users have been appreciated, although seen as insufficient.	Has promoted the planning in the SMCs.	Positive factor. GoT has taken initiatives to harmonise central and local fiscal processes, adoption of MTEF and IFMS.
Large number of conditional grants	According to the districts, strong earmarking leads to inefficiency in local resource allocation and lack of possibilities to address local needs, however there is a general agreement that some “guidance ” is required to ensure national targets. These challenges are addressed by decentralisation of MTBF and FDS, but have not taken sufficient root in many places.	Most funds are handled centrally for investments, which has hampered local priorities.	The strict division in salary, non-salary recurrent and development has been a restriction for local planning. It is a major challenge how to address this in fiscal decentralisation reforms as HRM procedures are very centralised.
Non-reliability of the IPFs and the grant transfers (several months delays)	This makes the planning and operations inefficient, and leads to ad hoc decisions and wastage.	This has been a problem, but has been improved over the most recent years.	This has been a major problem.

Promoting factors	Uganda	Kenya	Tanzania
Multiple funding sources	Has been major problem but is being addressed, however still challenge in the linkage between the SFG and the LGDP.	Major problem (CDF, LATF, donor funds etc.).	Multiple funding flows is a major problem for planning, reporting and implementation.
Weak linkage between the sector and the district/LA overall local plan	This is a challenge, but the overall plan integrate the sector plans, however for the investments in school facilities there are parallel planning processes depending on the funding schemes.	No linkage.	Still a challenge.
Abolition of use fees and charges	The funds available for topping up of sector grants have been reduced, but more importantly, the citizens are less interested in planning and monitoring, when they have not contributed (through tax payment and or user payment) and this weakens downward accountability. Many parents now have an impression that they should not participate and contribute to the operations of the schools. Active parents move to the private schools.	According to the LGs and the schools, parents now have an impression, that they should not participate and contribute to the well-being and operations of the schools. Active parents move to the private schools, which are in increase (like Uganda).	The use payments have not been completely abolished and the parents still contribute in various ways, hence the impact on the planning and involvement of citizens has been different from Uganda and Tanzania.
Abolition of taxes	Has reduced the LGs options for topping of funding to essential service delivery areas and general administration, including planning.	The LATF has substituted some of the local taxes, but the recent stagnation in LG revenues will impact on the LA options to contribute to the sector.	This is expected to have a negative impact on the LGs possibilities actively to contribute to planning and implementation.
Capacity of the SMCs and communities restricted	Lack of sufficient capacity building support to the SMCs, and high illiteracy rate among the parents lead to decision-making dominated by the technicians.	Despite capacity building support at the SMC level, many parents needs support and awareness to be able to contribute in the active planning process.	Limited awareness amongst the parents about the role of the SMCs and their possibilities to influence the decision-making process.
Insufficient and conflicting planning and budgeting tools and overall guidance	MoES still use their sector specific planning and reporting formats. This maintains parallel systems and increases transaction costs. Insufficient linkage between the overall decentralisation objectives and the sector. Late final planning figures from the CG.	The system is constrained by the multiple guidelines for planning linked to each funding flow and lack of an overall strategy and legal framework for local planning in PE.	Competition between various ministries and authorities and various funding schemes with different planning instruments have added to the transaction costs. Late issuing of planning and budget guidelines.

FDS: Fiscal Decentralisation Strategy, GoT: Government of Tanzania, HRM: Human Resource Management, IFMS: Integrated Financial Management System, IPF: Indicative Planning Figure, LGCG: Local Government Capitation Grant, MTBF: Medium Term Budget Framework, MTEF: Medium Term Expenditure Framework

Source: The 3 *Country Case Reports* (2006).

3-5 HR Issues

The HR is handled quite differently in the 3 countries. In Uganda and Tanzania, the teachers are in principle hired locally by local service commissions, but the control of the teachers' performance is perceived to be low an effective tools to improve the situation have been missing or not utilised. In Kenya, the districts hire the teachers, but under strong guidance and control from the central TSC (see Table 3-6). Many of the challenges are similar in the 3 countries, typically caused by the general imbalances in the economic development across the countries, but also absence of local management tools to promote the performance of the teachers and lack of the parents' interests in the school management.

Table 3-6 Management of the Teachers

Expenditure area	Uganda	Kenya	Tanzania
Hiring of teachers	DSC under the district with guidance from the centre.	Districts with guidance from the centre.	According to the LG Act, it should be the LGs, but the TSCs at the local level are reporting to the centre and not to the LGs.
Major developments	Increase in the number of teachers from 81,564 (1996), 139,484 (2002) to 247,242 (2004).	Training and capacity building. There has actually been a decrease in the number of teachers from 185,740 in 1999 to 176,887 in 2004.	Increase in the number from 112,860 (2002) to 151,882 (2006).
Major challenges	Weak local means to discipline the non-performing teachers. Weak incentives to move to remote/ poor areas due to poor living conditions. Health standards of the teachers. Lack of teachers houses. Very uneven distribution of teachers.	Lack of increase in the number of teachers, despite great increase in enrolled pupils. Large number of unemployed teachers and lack of funds to hire additional staff. Weak health standards amongst teachers and pupils particularly in certain areas. Uneven distribution of teachers across the districts.	Lack of flexibility between salary and non-salary budget. Lack of sufficient LA control No incentives to move to the remote areas. Uneven distribution of teachers.

DSC: District Service Commission

Uganda and Tanzania have managed to expand the number of teachers and thereby slightly improved the Pupil/Teacher Ratio (PTR), despite the large increase in enrolments, whereas the stagnant development in the number of teachers in Kenya has lead to a negative development in the PTR (see Table 3-7). Inequality in the distribution of teachers has historically been a major problem and it is still a great challenge. The teachers are still not equally distributed across the country due to lack of incentives for the teachers to move to remote areas, lack of sufficient funding for teachers houses and general logistical and infrastructural challenges. Allocation of funds for hiring of teachers in these remote areas have also not been sufficiently targeted, but it is expected that the new formula in Tanzania[29], which is transparent and needs based, will lead to some incremental improvement, although this challenge requires a comprehensive and multi-focused emphasize on funding, incentives, improvement of general economic development conditions in remote areas, etc.

The modalities for promotion and disciplining of teachers, have been another challenge and despite some formal rules in all 3 countries, the practice has shown that the education departments of the LGs and/or the districts have lacked (of felt a lack of) sufficient tools to address the issues, e.g. in

[29] In Uganda, consultants under the Local Government Finance Commission (LGFC) have also developed a new formula for allocation of salary grants for teachers (2003/2004), but it has not yet been submitted to the Cabinet for approval.

the area of working morale or misuse of positions. More research is required on how to improve the modalities and practices surrounding the management of the core input for primary education- the teachers, but the centralised model in Tanzania where the districts have lacked sufficient tools to intervene, seems not to be the answer [30].

3-6 Trends in Service Delivery Outputs and Outcomes

Table 3-7 provides a snapshot of some of the key input, output and outcome indicators applied in PE. The most notable improvement in the 3 countries has been the significant increase in the enrolment rates. Most of this improvement is linked directly to the introduction of the free primary education. Uganda and Tanzania have managed to increase the number of teachers as well, whereas the number in Kenya has been stable despite the increases in number of pupils. None of the countries have been able to increase the number of classrooms sufficiently to follow the trend in the increase in enrolled children, although the PEDP funds availed to the districts/schools in Tanzania and the School Construction Grants and LGDP grants to the LGs in Uganda have lead to a significant increase in the number of schools.

The involvement of the LGs in this process has been rather instrumental. Although the trend has been in the negative direction, the pupil classroom ratio (PCR) is still better in Kenya than those in the 2 other countries. The completion ratio and the transition ratio to secondary education have been some of the major challenges in all countries and are still low, despite initiatives to improve the quality of education. Major reasons cited in the 3 countries are rather similar: general poverty reasons (feeding problems, problems with health, need for child labour, etc.) and lack of quality in education due to lack of funds, due to overcrowded schools and so on. The quantitative improvements in terms of inputs and enrolment rates have been more impressive than the development in quality (skills development reflected in drop out rates, completion rates, share of pupils with satisfactory language and mathematics skills), which is still a major challenge and a matter of concern amongst all respondents in the 3 countries. This development has also been observed in a recent comprehensive evaluation of more than 700 projects in PE where the access to PE has improved in most countries, but where there are persistent high drop out rates, and low level of skills upon completion of the PE in most countries.[31] The study concluded that there should be more (and in parallel with the focus on the quantity) focus on the outcomes and the quality in education to ensure strong learning skills.

Despite major emphasises to funds to all districts/LGs in the 3 countries, the geographical inequity is still very high in all 3 countries and there is a need for further initiatives to support the low endowed areas in terms of initiatives to ensure better distribution of the teachers, facilities and training materials.

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30 See the *Country Case Report Tanzania* (2006).

31 IEG (2006), op cit, p. 22 (A comprehensive review of World Bank supported projects).

Table 3-7 PE Output and Outcome Indicators

Inputs and Outputs / Year		2000	2001	2002	2003	2004	2005
Teachers on government payrolls							
Uganda Total teachers in primary schools		82,148	101,818	113,232	121,772	124,137	126,227
Total teachers	(Year: 1996) 81,564	110,366	127,038	139,484	145,587	147,242	
Kenya	(Year: 1999) 185,740	184,660	181,8471	172,424	176,572	176,887	NA
Tanzania (public)			112,109	114,660	119,773	132,409	148,507
Number of pupils enrolled							
Uganda: Gov. aided (1) All primary schools (3)	(Year: 1996) 3,068,625	 5,351,099 6,559,013	 5,917,216 6,900,916	 6,575,827 7,354,153	 6,835,525 7,633,314	 6,687,574 7,377,292	 6,491,260*
Kenya: Government All enrolled	(Year: 1999) 5,811,670 5,917,162	 5,730,669 5,926,067	 5,745,991 5,941,610	 5,874,776 6,062,742	 6,906,355 7,159,523	 7,122,407 7,394,926	 7.3 million 7.5 million
Tanzania: (all primary schools)			4,881,558	5,981,388	6,562,772	7,083,063	7,541,208
Gross enrolment rate							
Uganda (4)		128 %	130 %	126.3 %	127 %	124 %	118 %
Kenya	(Year: 1990) 92.2 %	88.7 %	87.6 %	88.2 %	102.8 %	104.8 %	NA
Tanzania			98.6 %	105.3 %	106.3 %	109.9 %	112.7 %
Net enrolment rate							
Uganda (4)	(Year: 1992)(6) 52 %	85.5 %	86.5 %	84.8 %	86.7 %	88.7 %	(expected) 95 %
Kenya	(Year: 1999) 68.8 %	67.8 %	75.0 %	76.4 %	80.4 %	82.1 %	NA
Tanzania			80.76 %	88.5 %	90.5 %	94.8 %	96.1 %
Pupil teacher ratio							
Uganda (Gov) (1)		65	58	56	56	54	51
Kenya (public)	(Year: 1995) 30.0	31.0	31.0	31.6	34.1	39.1	40.3
Tanzania			53:1	57:1	58:1	56:1	52:1
Pupil classroom ratio							
Uganda (Gov) (1)		106	98	94	94	85	79
Kenya (public)		31.3	30.5	31.6	34.4	34.7	NA
Tanzania	(Year: 2000) 72						78
Book-pupil ratio							
Uganda		6:1			3:1	1:1	
Kenya (1)							
English Math					2:1 3:1	2:1 3:1	
Tanzania							

Inputs and Outputs / Year		2000	2001	2002	2003	2004	2005
Completion rate for primary school							
Uganda: P7 (4) a) total b) boys c) girls			 62.9 % 71.1 % 54.9 %	 49.1 % 58.8 % 41.0 %	 56 % 66 % 47 %	 60 % 71 % 50 %	 51 % (PROV) NA NA
Kenya (PE) a) total b) boys c) girls		 57.7 % 60.2 % 55.3 %	 59.5 % 62.2 % 56.8 %	 62.8 % 65.5 % 60.1 %	 68.2 % 71.3 % 65.2 %	 76.2 % 80.3 % 72.1 %	
Tanzania		22 %	28.6 %	27.1 %	40.1 %	48.7 %	61.6 %
Transition rate to secondary							
Uganda (S1)		65 %	61 %	69 %	59 %	64 %	
Kenya (secondary) total		42.6 %	45.4 %	42.7 %	49.8 %	48.6 %	
Tanzania		21.7 %	22.4 %	21.7 %	30.1 %	36.1 %	49.3 %
Development in quality of PE (2)							
Uganda		Stagnant and in some places decreasing, however initiatives are taken to address some of the problems e.g. through training of teachers, focused classroom construction etc.					
Kenya		Poor quality is of main concern, however, most stakeholders found that a modest improvement has taken place.					
Tanzania		Modest improvements due to increase in teachers, classrooms, training materials, etc., but still a great challenge indicated by poor completion rates and high drop out rates.					

P7: Primary School-Grade 7, S1: Senior 1; the first class in senior secondary schools

Source: The *3 Country Case Reports* (2006)

(1) Kenya: Book-pupil ratio varies across the subjects.

(2) Based on interviews in the field and at the central government level.

3-7 Impact of Decentralisation

The impact of the service delivery modes/types of decentralisation on service delivery outputs and outcomes is hard to isolate as many other factors have contributed to the development observed in quantity and quality of primary education (e.g. the general level and development in poverty, insurgency, available funding, etc.).

Furthermore, the modes of decentralisation are not seen in the "clean form" in any of the countries. Hybrid models have been practiced with features of centralised and decentralised (delegation, deconcentration and devolved) service delivery. This is the fact despite the governments' clear policies to decentralise by devolution in particularly Uganda and Tanzania. CG has still got a strong role and control of major decisions in all the 3 countries, particularly through the funding arrangements (Intergovernmental Fiscal Transfer Systems (IGFTSs)). Locally generated funds for PE are very limited and the studies have shown that all lower governance units are heavily dependent on transfers from the centre. Despite these challenges in terms of attribution, it is possible to identify some common trends and developments where the mode of decentralisation has had a certain impact.[32]

Impact on transparency and equity

There is a general trend towards increased transparency in resource allocation in all the 3 countries, with formula based budget allocations (particularly the system in Tanzania has improved where the new allocation formulas target the needs and previous imbalances in resource allocations across districts) and publications of transfers to LGs (e.g. in newspapers), expenditure tracking studies, improved audits, etc. An increasing amount of funds has been distributed locally in all 3 countries, (although in Kenya this has largely been done outside of the LG budget system), compared to the situation prior to the decentralisation reform process where funds tended to stay more at the centre.[33] The allocation of funds to the SMCs/schools with public announcement of the size and information on transfer flows, timing etc., has also promoted a sense of transparency. LGs in Kenya, Tanzania and Uganda have introduced open planning and budget conferences/workshops to catalyze involvement of citizens in the local decision-making, although the impact of these have been mixed.

Despite these improvements, there are still great variations in the service delivery outputs and outcomes across the districts in all 3 countries. Initiatives are being taken in all 3 countries to allocate resource more towards the deprived areas, provide special support to these areas in terms of CB, backstopping support, investment programmes, etc. Funding systems have moved from investment and CB support to a few districts (tendency to create "island of development" supported by development partners through area based programmes focusing on a few districts) towards more comprehensive on-budget allocation systems covering the entire country in a more need-based manner. But it is the impression that more should be done to improve the equity in education outcomes. For example, the proposed new allocation formulas in primary education in Uganda have still not been adopted, salary increases are provided across the board to all teachers instead of reserving more funds for hardship areas, and capitation grants in Kenya are allocated more per capita or per child in the school-going-age groups towards the areas where the enrolment rates are high (fund allocation is based on enrolment rates). Significant progress on improved equity requires a multifaceted approach with emphasizes on the funding flows, living conditions for teachers, initiatives with linkages to health challenges and water/sanitation supplies and production efforts. Decentralisation of resources and/or decision-making will not make it alone, but can be one of the contributing components if probably designed. As stated in a recent study of 700 WB projects (IEG, 2006)[34], there is generally a need for further research in this area as the results seem to be mixed.

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32 Please refer to the Study on General Budget Support, *Uganda Country Case Report* (2006), Lister et al. (2006) for a discussion of the difficulties of isolating factors in public administration, including decentralisation.

33 E.g. op. cit., pp. 279 – 280.

34 IEG (2006) p. 43.

Participation and accountability

The decentralisation of service provision in the 3 countries (still only partial and through the SMCs in Kenya) has provided room for more local participation as funds have moved closer to the citizens. Particularly the capitation grants, which are allocated to the SMCs, have provided room for involvement of user representatives in budget and budget executive decisions. Furthermore, LGs in Uganda and Tanzania have built up capacity in planning and budgeting and have introduced some measure to ensure dialogue with the citizens, although there is great room for improvement. However, the abolition of user payments and more recently the decline in LG revenue mobilisation have had a negative impact on the level of participation in the SMCs and a general sense amongst the citizens, that if everything is provided by the centre, the local activities are less important. The evidence from all 3 country-studies shows that roles and the activity level in these SMCs and their interactions with the LGs could be strengthened. The funding system where most funds are sourced from the centre, with strict earmarking of fund for specific expenditure items and less possibilities for cross-sectoral allocations, has tended to move the focus towards up-ward accountability (to the centre) instead of strengthening the links between the LGs and the citizens.[35] There is an increasing awareness of this problem in Tanzania and Uganda and the reforms in transfer systems are intended to provide more local discretion and thereby promote the participation. However, findings from other countries (e.g. El Salvador) suggest that decision-making in areas such as management of teachers, could be further decentralised.[36] There is an observed need to elaborate better systems and practices (capacity) for handling of the staff in PE.

Table 3-8 summarizes some aspects of participation and accountability in the 3 countries.

Table 3-8 Aspects of Participation and Accountability

Aspect of participation and accountability	Kenya	Tanzania	Uganda
Community participation in planning and budgeting through elected representative bodies (councils)	Limited through the LASDAP process, but the funds available for LG investments are very limited and the process not very interactive.	Yes, through the allocation of the PEDP and LGCG processes.	Mainly for planning of investments through LGDP. LGs arrange open budget conference at the district level, but the attendance of citizens is often meagre.
Citizens participation through organised groups and forums (SMCs etc.)	Yes. SMCs are active and are in charge of prioritisation of major funds for books, smaller materials and O&M. They have recently been boosted financially.	Yes. SMCs at the school level important for priorities on scholastic materials, procurement, facilities etc.	Yes. Significant role in priorities of the use of the capitation grant and funds for purchase of school books (i.e. not in investments for facilities).
PE accountability to local elected bodies	Nil. All staff accountable to CG	In principle yes, but in practice not at all as the teachers refers through the service. Commissions are accountable to the centre.	Yes, but in practice limited by finance and procedures.

LASDAP: Local Authority Service Delivery Action Plans, O&M: Operations and Management

35 This has also been documented in other studies (e.g. Lister et al. (2006)).
36 IEG (2006) p. 44.

Service delivery

The comprehensive IEG study[37] of WB projects supporting primary education concluded that support for LG and school management of PE has been more effective than support for central government management, although the study does not provide firm conclusions about the impact on decentralisation on service delivery. From the 3 country study, there is a general agreement amongst various stakeholders on the factors, which have promoted and constrained the development in the 3 countries[38]. First, the decentralisation of funds and decision-making power to the user boards – the school management committees – is evaluated to be of great benefit for efficiency, effectiveness and has promoted good governance in service delivery. But it requires significant CB support, supervision and support. The decentralisation to the LGs of funds for development of school facilities has also been rather instrumental in Uganda[39] and Tanzania as well as the involvement of the local levels in planning and inspection functions. Local planning and management of school construction (Tanzania and Uganda) have been evaluated to be rather successful. In Kenya, the parallel funding systems (LA, CDF and project fund) and lack of sufficient coordination of funds for investment in facilities have created problems in planning and supervision with negative impact on efficiency and quality. The school facilities visited in the rural areas in Kenya were of general poor condition. The recent decentralisation of decision-making on selection of schoolbooks and training materials (all countries) has so far been perceived to be a success as well.

However, there are obvious factors, which have constrained the development of efficient service delivery in all 3 countries:

Constraining factors in all countries

- Contextual factors such as poverty, draught, insecurity, Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome (HIV/AIDS). There are pockets of poverty, which makes it hard to sustain any development in a sector like education without solving more fundamental problems such as insurgency, draught etc.,
- Unpredictable and late transfer of funds to the LGs/schools (SMCs),
- Insufficient possibilities to address and target hardship areas, leading to uneven distribution of teachers and facilities. However, as mentioned, the grant system has ensured that some resources have been transfers to the remote areas,
- Inabilities of the LGs/SMCs to manage, discipline and incentivise the teachers,
- Insufficient preparations prior to the abolishing of user fees for PE and in Uganda and Tanzania prior to the abolition of the main LG taxes, which should contribute to the local service provision,
- Decline in the LG revenue assignments, particularly in the most recent years. This

[37] IEG (2006) op. cit., p. 44.
[38] Only some of the core factors are mentioned here, please refer to the *Country Case Reports* (2006) for further details.
[39] This is also confirmed by Lister et al. (2006), Annex 6.

has reduced the LGs possibilities to perform effective management and monitoring of primary education.

In addition to these general challenges, it should be mentioned, that in Kenya, the multiple planning and funding systems have lead to overlapping functions, lack of coordination, capacity to implement and inefficiency in many areas. The centralised system with limited planning and operational authorities and weak downwards accountability at the district level has also been a major obstacle. In Uganda, the focus in the beginning of the reform process on fast quantitative improvements and lack of local flexibility in the resource mobilisation and utilisation, central control of the funding and priorities have been important constraining factors. Tanzania has suffered from weak capacity of the lower levels to perform and manage the new functions, and probably lack of involvement of the HLG and LLGs in the planning and supervisory functions vis a vis the SMCs and lack of local possibilities to manage (promote and discipline) the staff within PE. Decisions and actions, which have shown to benefit efficient and transparent service provision are summarized in the following section.

3-8 Key Lessons and Challenges

The abolition of user fees for PE has, on the one hand, had a positive impact on the enrolment rates in all 3 countries, particularly from the poor segments of the population, but has, on the other hand, led to less participation and involvement of the parents in the contribution and support of the primary schools. It has thereby impacted unintentionally on the broader governance issues in Kenya and Uganda. It has increased the demand for the service, but weakened the downward accountability. Introduction of these schemes requires significant inflow of government sources financially, but also in terms of CB support, awareness raising and a serious attempt to change the notion that everything should be taken care of and funded by the centre without participation of the users/parents. The top level should emphasize that local contributions are appreciated in terms of involvement in decision-making, in-kind support to O&M costs, and extra contribution from the ones who can afford it. In Tanzania, despite the abolition of mandatory user payment, there is still significant contribution from the parents and involvement of the communities with labour, fiscal and non-fiscal resources, hence the community involvement has been observed to move in a positive direction.

The *intergovernmental funding system*, the size, the allocation criteria, the reliability and transparency in the transfers, is of pertinent importance for the possible to plan and implement local decisions. Late transfers and lack of information and coordination across the various fund channels, diminish the local planning options, lead to sup-optimal use of funds and reduce the general accountability (increase fiduciary risks) of funds as money will be spent ad hoc. A communication strategy within this area and measures to improve the regularity of fund flow is utmost important.

CG *control over the resource allocation* with detailed grant guidelines and budget lines should concentrate on the broader lines and overall targets, and not on the smaller details, which will increase transaction costs and limited local priorities. The experiences from places where SMCs have been allowed more autonomy, when combined with CB support and supervision, have been encouraging. But the linkages to the LG system in terms of coordination and supervision are equally important. Hence LGs should be allowed greater flexibility within the CG grant system for local adjustments.

Local funding of the primary education sub-sector is still meager leaving the major funding source to be CG transfers. This is particularly the case after the abolition of the major LG revenues sources in Tanzania and Uganda (and earlier on in Kenya). This is expected further to undermine the local accountability as citizens are aware that the LGs have contributed only marginally to the provided services. Genuine revenue reforms, which improve the LG revenue assignments, are therefore urgently required.

The study has shown a great need to harmonize, streamline and consolidate the *multiple planning and budgeting systems* within the sector and the linkage to the overall LG financial management systems. Various ministries make announcements and system, which sometime contradict each other and send mixed messaged to LGs within limited resource to respond.

A reform will typically start with the focus on the *quantity*, but should quickly move towards the equally important challenge to improve the quality (ultimately the skills development). This has been the challenge in all countries, where the improvements in quantity has not yet been matched by similar improvements in and focus on the quality and the learning outcomes.

There is a need for a stronger link in the beginning between the *development in primary and secondary education* to ensure that the pupils from PE are not completing in a large number without any further education (or working possibilities), i.e. to consider a more gradual phasing in of the sector reforms.

A comprehensive school facility programme is required in a situation with a significant scaling up in service delivery. This has happened in Tanzania and Uganda, but is still to come in Kenya. Systems, which ensure citizens participation and involvement of all local governance tiers are preferred, as these provide better changes for long term sustainability and ownership. Parallel systems have been used quickly to boost school construction in all countries either from the government or from development partners, but these systems should be synchronized and merged as soon as feasible towards a more flexibility harmonised LG investment programme.

The teachers' conditions are important, but salary increases alone will not make it. The management of teachers, their general living conditions and the conditions in the schools, including the possibilities to provide hardship allowances and topping-up salaries for the remote areas and proper involvement in decision-making are equally important and should be considered as a matter of top-priority. The LGs also needs better tools and capacity to manage the staff in primary education, particularly the teachers.

Resources towards inspection, and more serious sanctions against mal-practices and support in terms of guidance to the schools and LGs should be prioritized, as problems tend to escalate if not addressed at an early stage. The review has shown the importance of strong supervision and dialogue between the levels of governance. This goes particularly for supervision of construction work as savings here may compromises quality of the output and long-term sustainability.

Finally the study has shown the importance of balanced reforms in terms of simultaneous decentralization of decision-making power, management of HR (including teachers), fiscal decentralization, systems and procedures for improved accountability (e.g. transfer of new mandatory functions without compensating funding should be avoided).

4. HEALTH

4-1 Sector Policy and Strategy

All 3 countries have a policy and strategy for national health delivery systems in place that is putting an increased focus on the local (government and facility) level as the key service delivery points. Both Uganda and Tanzania have very strong SWAps in place, which have been in operation for over 5 years and a similar arrangement is emerging in Kenya as well. All 3 countries have, in principle, adopted bottom up planning as the tool for planning health interventions at the local level. However, this is most strongly seen in Uganda with comprehensive District Health Plans (DHPs), while Tanzania now also has Comprehensive Council Health Plans (CCHPs), and in Kenya, starting this year, all districts were required to prepare DHPs.

Within the Health Sector, there are several key similarities within the 3 East African countries, but also some striking differences. All 3 countries have a 5-year plan for the sector in place, and in all 3 countries the Millennium Development Goals (MDGs) have become part of those plans. The reform issues have some similarities in all the 3 countries – run down infrastructure at local levels, poor service delivery systems, non-ability of poorer segments of society to contribute for treatment – and oscillate around efficiency, partnerships, financing, governance and the new (regulatory) role of the central Ministry. The big difference between Uganda and Tanzania on the one side and Kenya on the other is that in the latter country for health service delivery (as for many other services as described in the other chapters) Local Governments (LGs) play hardly a role (see Table 4-1).

4-2 Division of Responsibilities

In all 3 countries, the Ministries assume (as they ought to) the Central Government (CG) function in the area of policy and target setting, supervision and monitoring. Increasingly under decentralisation the districts have been given more responsibility in terms of planning and budgeting for health services, and play a role in monitoring and supervising lower LGs. However, there is a big difference in user fees as both Tanzania and Kenya rely on contributions to health services through fees/out of pocket payment but these have all but been abolished in Uganda. The division of tasks between CG and districts/councils has been slightly changed over the past few years in Uganda and Tanzania with increased roles in service delivery.

The amount of discretionary funds being planned for at local levels is somewhat increasing in both Tanzania and Uganda, whereas Kenya has a predominately centralised development funding system. Health Boards were formed in Kenya in the late 1980's and was seen to increase participation and ownership of health facilities. Health facility committees are increasingly being formed in Tanzania

Table 4-1 Key Features of Health Sector Policies for Local Service Delivery

Issue	Kenya	Tanzania	Uganda
Main Policy Documents	• KEPH • National Health Strategic Plan (NHSSP-I), 1999 • NHSSP-II (2005 – 2010) • MDGs	• Health Sector Reform 1990's • HSSP 2003 – 2008 • MKUKUTA • MDGs	• Constitution • LGA Act (Cap. 243) • NHP/HSSP-II (2005/2006 – 2009/2010) • MDGs
Main sector reforms issues	NHSSP-II stated objectives are: • To increase equitable access to health services, • To improve quality and the responsiveness of services in the sector, • To Improve the efficiency and effectiveness of service delivery, • To Enhance the regulatory capacity of MoH, • To Foster partnerships in improving health and delivering services, • To Improve financing of the health sector, GoK and stakeholders jointly developed a four year Joint Program of Work and Funding with 4 strategic objectives • Increase access to health services by community strategy, • Strengthen health service delivery through increased coverage and effectiveness, • Improve financing in the health sector, • Foster stewardship and partnerships for good governance.	Within the Health Sector, GoT formulated, jointly with the development partners, the Program of Work (1999 – 2002) and subsequently the NHSSP (HSSP 2003 – 2008). The HSSP carries forward 8 strategic areas: (i) district health services, (ii) secondary and tertiary hospital services, (iii) the role of the central MoH, (iv) HRs development, (v) central support systems, (vi) health care financing, (vii) public private partnerships, and (viii) the MoH-donor relationship.	The key reforms are: • Increased resource allocation for PHC activities, • Abolition of user fees in public facilities in March 2001, • Expansion of rural lower health facilities, • Provision of subsidies to the PNFP sub-sector, • The introduction of HSD structure, • Recruitment of qualified health workers, • Increases in the volume of essential drugs purchased for the HC. The HSSP/SWAp strategy is: • Development of clear indicators, • Resource allocation depending functions, • Annual work plans, • Conducting frequent reviews/assessment District League.
Local service delivery	De-concentrated organs of the MoH are responsible for: • Delivering services in all district health facilities (levels 1-4), • Developing and implementing, • Supervising and controlling the implementation of DHPs at health facility and dispensary levels (M&E), • Coordinating and collaborating through District Health Stakeholder Forums (DHMB, FBOs, NGOs, CSOs and development partners), • Mobilizing Resource (private sector, DHSF and DHMB), • Training and developing capacity (in-service), • Maintaining quality control and adherence to guidelines.	LGs are responsible for: • Health service provision at level one which include the District Hospital, other Hospitals, health centres and dispensaries, • Preparation of CCHP and regular reporting on implementation, • Coordination, supportive supervision, monitoring and inspection of all health facilities and activities in the council, • Management of resources, • Ensuring communities are responsible in taking care of their own health and also the safety of medicine and equipment in their health facilities.	LGs vis-à-vis their DHTs are responsible for: • Planning and budgeting, • Coordination of resource mobilisation, • Monitoring of overall district health performance. The functions of a health sub-district include: • Leadership in the planning and management of health services within the HSD, supervision and quality assurance, • Provision of technical, logistical and capacity development support to the lower health units and communities, • Procurement and supply of drugs, • Provision of basic preventive, curative and rehabilitative care in the immediate catchments. The functions of the HC III are to: • Offer continuous basic preventive, promotive and curative care, • Provide support supervision of the community and HC IIs facilities under its jurisdiction, • Provide laboratory services for diagnosis, maternity care and first referral cover for the sub-county. The HC I level facilitate the process of community mobilisation and empowerment for health action.

CSOs: Civil Society Organisations, DHMB: District Health Management Board, DHSF: District Health Stakeholder Forum, DHTs: District Health Teams, FBOs: Faith Based Organisations, GoK: Government of Kenya, GoT: Government of Tanzania, HC: Health Centre, HSD: Health Sub-District, HSSP: Health Sector Strategic Plan, KEPH: Kenya Essential Package for Health, LGA: Local Government Authority, M&E: Monitoring and Evaluation, MoH: Ministry of Health, NGOs: Non Governmental Organisations, NHP: National Health Policy, NHSSP: National Health Sector Strategic Plan, PHC: Primary Health Care, PNFP: Private Not For Profit

Table 4-2 Division of Tasks in Health Sector

Task	CG	District level	Sub district level	Communities/citizen
Administration of service delivery				
Kenya	Central planning and targets. Sets norms. Delivery.	DHPs now being introduced.	None – or weak role at best.	No role.
Tanzania	Central planning and targets. Supervision.	CCHPs / CHMTs set targets and implementation.	Hardly any role.	Increased but weak role through HFCs.
Uganda	Central planning and targets. Supervision.	DHPs / sets targets and implementation.	Has role in delivery through HSD.	Principally strong role but slow process of formation of VHT.
Funding and allocation				
Kenya	• Resource mobilisation / allocation. • Through SWAp / sector group.	Limited role.	• Mobilising resources (private, DHSF, DHMB).	• User fees. • Health insurance schemes.
Tanzania	• Resource mobilisation / allocation. • Through SWAp / sector group.	• JRF for rehabilitation. • Allocation of additional resources through CDG.	• Limited role or no role in resource mobilisation.	• User fees. • CHF. • Health insurance schemes.
Uganda	• Resource mobilisation / allocation. • Through SWAP/sector working group. • Funds transfer recurrent (PHC) and development (LGDP).	• Supposed to allocate additional resources. • Participates in centre-LG negotiations. • Re-allocation of the 10 % recurrent non-wage under FDS.	• Allocation of additional resources through e.g. LGDP.	• No user fess. • Should monitor but limited role.

CHF: Community Health Fund, CHMTs: Council Health Management Teams, FDS: Fiscal Decentralisation Strategy, HFCs: Health Facility Committees, JRF: Joint Rehabilitation Fund, LGDP: Local Government Development Programme, VHT: Village Health Team

and the VHT in Uganda have some monitoring and oversight functions. However, these user committees do not seem to have influence on the planning systems which are still dominated by central government vertical programmes that more or less predetermine the contents of local level plans (e.g. interventions within malaria, HIV/AIDS prevention and numerous other vaccination and information campaigns). The NGO and private sectors are increasingly playing a role in service delivery throughout East Africa but no official statistics exist in terms of inputs and outputs and it is difficult to ascertain the exact levels of private sector/NGO funding within the health sector. But that the NGO sector plays an increasingly important role in service delivery can not be disputed.

The experience in Uganda of abolishing user fees led in the beginning to increased use of health facilities by the poor, but now it seems that the abolishing the fees has led to lower levels of user engagement in setting demands for better services as services are free. The situation is quite different in Kenya where user fees (out-of-pocket expenses) cater for up to 45 % of all health expenditure (see *Country Case Report Kenya* (2006) section 4-4) and has also slightly increased over time in Tanzania. The MoH in Tanzania has expressly stated that it wants user fees to remain, as it fosters user influence, which is deemed both necessary and useful in giving feedback to improvement of service delivery.

4-3 Local Service Delivery Financing

4-3-1 Funding Levels

Table 4-3 gives a brief overview of the overall funding in terms of both recurrent and development funding in all 3 countries at both central government and LG level.

Table 4-3 Comparative Figures of Public Sector Health Financing

(USD million)

	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Kenya:					
MoH			200.7		
Recurrent	153.3	176.6	13.1	214.4	241.9
Development	14.3	34.9	6.29	13.9	24.1
USD per capita	5.05	6.28		6.52	7.48
Tanzania:					
Central-Rec.	55.8	67.4	86.2	125.0	
Central-Dev.	16.6	22.8	32.6	44.6	
Local-Rec.	36.4	45.2	50.2	64.7	
Local-Dev.	2.1	3.3	4.2	11.8	
USD per capita	7.11	6.88	8.12	11.57	
Uganda:					
MoH		132.5	149.0	168.0	207.0
DHS					
Recurrent		34.8	37.1	49.9	52.5
Development		4.1	5.0	3.8	3.3
USD per capita		5.6	6.3	7.4	9.7

Source: written by author

Despite especially very pronounced decentralisation policies in both Uganda and Tanzania, it is worrying to note that in both countries the degree of health expenditure being controlled from the central government level is still huge. In Uganda (both recurrent and development) at CG level is 79 % of the total health sector budget and in Tanzania the equivalent figure is 69 %. The degree of development expenditure at local levels in all 3 countries is woefully low and does not cater for more than what must be consider very routine improvements to existing facilities and only in limited numbers of the overall existing infrastructure.

Furthermore, both in Uganda and Tanzania, health funding (recurrent and to some degree development) at local levels has been made formula based thereby increasing both transparency and predictability of funding health services. This also makes local level planning more relevant, and with predictable funding, a secure funding level makes for a stable planning horizon of 3−5 years. Kenya is planning on introducing a formula based transfer system in the near future. The problem lies in getting a better connection between the limited discretionary development funding and the formula based recurrent funding systems.

4-3-2 Funding Modalities

As can be seen from the above the budgeting and financing of LG activities vary considerably over the 3 countries. Both in Tanzania and Uganda the recurrent wage and non-wage are transferred as formula based conditional grants to Local Governance Acts (LGAs). Experiments have been on going for a formula for planning in Kenya with 5 parameters but it has not been rolled out yet. It is interesting to note that local government transfers in Uganda contain recurrent wage funding for the NGO sector and that it comprises up to 20 % of the total recurrent transfers to LGs.

Table 4-4 Main Funding Modalities for Primary Health

Expenditure area	Kenya	Tanzania	Uganda
CG	• Government budget • Budget includes donor budget support • Project funding • Global funding initiatives	• Government budget/block grants • JRF funding • Budget includes donor budget support • Project funding • Global funding initiatives • NHIF • Out of pocket private	• Government budget • Budget includes donor budget support • Project funding • Global funding initiatives
District Level	• CG funds • Out of pocket payments • Fees and insurances in the non-government private sector	• The Health Sector Basket Fund/ Block grant • Cost sharing/user fees • LGCG/TASAF/JRF for development funding	GoU funding includes: • PHC (wage, non-wage, development) • District hospital funding • NGO subsidy • Local own revenues • LGDP/PMA/NUSAF
Communities/ Citizen	• User fees • Health insurances	• CHF/NHIF • Private health insurance • Community contribution to LGCDG/TASAF/JRF	• No user fees • Community contribution to LGDP

GoU: Government of Uganda, NHIF: National Health Insurance Fund, NUSAF: Northern Uganda Social Action Fund, PMA: Programme for Modernisation of Agriculture, TASAF: Tanzania Social Action Fund

The CG also finances most of the expenditures in primary health either through direct funding and grants (Kenya) or mostly through block grants to Local Authorities (LAs) (Uganda and Tanzania), where complex inter-governmental fiscal transfer systems have been established. Management of health workers has followed a continuum of full decentralisation in Uganda, controlled decentralisation in Tanzania (central permission to hire needed) to central ministry control in Kenya. In practice LG recruitment is also rather firmly centrally controlled as discretion in central transfer funding is so limited and locally generated revenues can not cater for hiring of and expansion of health services.

Increasing levels of both conditional (JRF/Tanzania) and non-conditional (LGDP/Uganda and CDG/Tanzania) development funding are now included in the Council Development Plans for health. This has to a certain degree led to real local priority settings in the sector at the local level but as demonstrated in Table 4-4, regarding public sector expenditure for health in all 3 countries most recurrent and development expenditures are still controlled by the CG.

The formula based block grants in Tanzania and Uganda have given the LGAs a certain degree of predictability in health recurrent expenditure. But as is the case in Tanzania these funds when they arrive from the central level are already allocated to specific especially wage recurrent (78 – 80 %) and non-wage recurrent expenditure. The only "discretionary" part of the recurrent transfers to LGAs in Tanzania is the permission by health facility in charge to use up to 5 % of the recurrent allocations for maintenance purposes (even though this amount is very minor evidence from field visits have demonstrated that this small allowance for maintenance purposes has had some positive impacts).

While it is difficult to get to figures on exact funding at the lowest health units, it is evident that in all 3 countries maybe only very few percentages are utilized at that level as most funding is — both recurrent and development — already allocated through the allocation mechanism from CG.

4-4 Planning and Implementation Procedures

In Tanzania the district prepares CCHPs which in principle should involve all providers/ stakeholders involved in health related activities. Involvement varies by district and Council Health Management Teams (DHMT) make an effort to include other stakeholders/providers in developing their plans, but this is not consistent, nor comprehensive. Involvement is mainly at the planning stage, and most often limited to district basket or project resources only. In principle the CCHP should include activity plans of faith-based, private for-profit providers and NGOs but these are often conspicuously absent in most CCHPs.

In Uganda the planning and budgeting process is kick-started by regional Budget Framework Paper (BFP) workshop attended by stakeholders from both the CG and local government levels. During the BFP workshops, the Indicative Planning Figures, new policies and priorities of government are communicated. After the BFP regional workshops, each of the local governments through the Technical Planning Committee discusses funded and unfunded priorities in each of the sectors. Using the provisions under the FDS, each of the districts can now re-allocate up to 10 % of the recurrent non-wage grants within and/or across the different Poverty Action Fund (PAF) sectors. For development, the LGs are only allowed the discretion to allocate funds across sector for the LGDP and PMA grants, the other grants being earmarked to the respective sectors. In northern Uganda, some additional discretion is provided for funding projects under NUSAF, although NUSAF pursue some elements of parallel planning to the LG planning process. The districts thereafter write and distribute a budget call circular that invites all the stakeholders to a budget conference. During the budget conference the sector priorities of the district are agreed upon and a Local Government Budget Framework Paper compiled.

In Kenya the planning procedure being promoted currently is a bottom up planning at the district, provincial and program levels within given fiscal resource envelopes. This exercise were piloted in few districts and has since 2006/2007 been scaled up throughout the country. Resource allocation criteria were developed in 2000 and are still in use. Five parameters were identified to guide resource allocations. These are population of under 5 (25 %), population of women of reproductive age (10 %), Number of AIDS cases (20 %), physical access (10 %), and existence of infrastructure (10 %), number of people living below the poverty line (25 %).

The whole aim of initiating a district health plan is to ensure that: (i) The district health management board/team takes the lead in defining the health priorities and resource requirements of service delivery and systems strengthening; (ii) DHMT adopts an all-inclusive approach to the development of the District health plan by inviting broad-based participation from civil society, the private sector, international NGOs and if possible the Development partners; (iii) The NGOs and civil society as well as other actors commit themselves to reducing the fragmentation and shifting from a project; (iv) DHMT and other actors establish common planning, implementation, disbursement, reporting and accounting arrangements, preferably based on government arrangements, and thereby helping to reduce the administrative burden and strengthen the district level institutional capacity; (v) DHMTs and stakeholders' regularly monitor and evaluate process, achievements and results. Few district plans are comprehensive in that they include all health care providers in the district, e.g. faith based managed health facilities or large NGOs.

Decentralisation has led to more predictable planning frameworks in Tanzania and Uganda with the formula based recurrent transfers. However, communities and user groups do not seem to be involved with the district plans which seem to be developed at district level with little input from lower levels. There also seems to be a disjointed planning framework between the development planning under the capital development funding modalities and the district health plans as communities under the discretionary planning can plan for construction of a health post or dispensary, but as the planning frameworks are not always "talking" together this often leads to newly constructed health posts or dispensaries remaining empty as recurrent funding for wage of staff has not been allocated and catered for.

A good example of this was given to the Team in Moshi District, Tanzania where a newly built health post did not have staff and it didn't have since its completion 5 months earlier. Apparently the Ward Development Committee had agreed to build it but the District did not have recurrent funding available to staff the building and it was not catered for under the CCHP.

4-5 HR Issues

The various attempts of decentralising institutional arrangement for personnel management in the 3 countries have all been made on the background of very critical manpower shortages that in many aspects can be termed as a health staff crisis:

In Uganda the LG personnel in the health sector are recruited by the District Service Commission with guidance from the Health Service Commission. The total number of staff in the public health sector, including the PNFP, is approximately 30,000. Of these, 53 % are in government HC IIs-IVs and general hospitals (total health workers at the district level), 30 % at PNFP HCs IIs-IV and hospitals, while the rest (17 %) are in regional and national referral hospitals and the MoH headquarters. Nursing assistants continue to constitute the bulk of the staff at all levels of health care. 255 out of 870 HC IIs, close to 30 %, are staffed by nursing assistants only. Whereas as in October 2004, the proportion of approved posts (HSSP 1 norms) filled by trained health workers was 68 % exceeding the HSSP 1 target of 52 %, the availability of the trained health workers is one of the most critical limiting factor for the delivery of the minimum health care package. The HR for Health Inventory shows that in 2004, 65 GoU HC IIs were not staffed at all. Besides, the workforce is also constrained by the inappropriate skills-mix with certain cadres of health workers especially diagnostic, dental and pharmacy staff which have few numbers on the markets posing extra difficulty to fill their positions across all districts. The workforce is further constrained by the unequal regional distribution. Some districts are more able to attract and recruit qualified health workers than others. Whereas the overall national coverage is 68 %, the coverage of the individual districts ranges from 26 – 263 %.

Kenya experiences a similar challenging combination of HR issues in the health sector. First, there is a shortage in terms of both numbers and skill. According to the mapping study, 50 % of government dispensaries and HCs were operating with no/only 1 nurse or less than 3 nurses respectively. The situation in the FBOs and NGOs may be much worse than the public sector. The same study mapped a total of 35,643 MoH workers. More recent staffing data received in 2006 for the MoH, indicates that there is an overall establishment of 44,813, of which 35,627 (79 %) posts are filled and 9,186 are vacant. It is difficult to estimate the current total number of health staff across the whole health sector. The total number of registered medical personnel in 2003, an indication of the size of Human Resource for Health (HRH) sector, was 60,599.

In Tanzania the human resource situation has reached a crisis level and it has not improved over the past 5 years. The HR agenda set by the MoH aims for right sizing of a multi-professional workforce, better quality of staff training, a more balanced approach to the allocation of HRs across service levels, geographical areas, workforce incentives and remuneration packages. The number of staff working in the district and regional health facilities is inadequate, with only about 30 – 40 % of required levels being filled according to the 1999 establishment guidelines. Shortage of staff especially exists at health facility level leading to increased workload to the available staff. Generally, the workforce is unevenly distributed in favour of urban centres as compared to rural areas and as such HRH stands as a major challenge to health sector.

There have been a number of initiatives being carried out by the Ministry of Health and Social Welfare (MoHSW), including raising the number of trainees in MoHSW run institutions and university graduates, but still more effective collaboration is needed between the MoHSW and other stakeholders such as PMO-RALG, Ministry of Finance (MoF) and Department of Public Service Management to assure effectively, development and retention of health staff. It seems that one issue which is the same across all the 3 countries is that fact that it is difficult to attract and retain health staff in remote and inaccessible rural areas. The remuneration and incentive schemes being used now do not address the issue. Furthermore, trained health workers have over the past few years been seeking employment overseas in better-paid jobs. Decentralisation seems to have increased the focus on the difficulty for more remote districts in attracting qualified health staff. In Uganda the MoH is trying to assist the districts in recruitment of new staff and in Tanzania the lack of success under decentralisation in local recruitment has led the MoH to now propose a re-centralisation of the recruitment of health staff.

4-6 Trends in Service Delivery Outputs and Outcomes

As Table 4-5 shows a great deal of similarities in health outcomes/outputs can be seen across the 3 countries with stable or declining Human Immunodeficiency Virus (HIV) positive rates, falling infant mortality rates as well as increased immunization of children. Births at health facilities are still very low with only under 30 – 50 % of all births taking place in an assisted environment in the health facility. It is worth noting that the maternity mortality rates in Tanzania are disputed and they are mainly estimates and not drawn from hard data. [40]

[40] See World Health Organisation (WHO) and United Nations Children's Fund (UNICEF), *Annual Sector Review Reports* which suggests a figure as high as 1,500 per 100,000 live births.

Table 4-5 Health Outcomes/Outputs in East Africa

(Year: rate)

Outcome	Kenya	Tanzania	Uganda
Infant mortality rate*	1998: 75 2003: 84	2002: 95 2004: 68	1990: 122 1995: 81 2000: 88
Maternal mortality rate**	1998: 590 2003: 414	2000: 250 2001: 251 2002: 246 2003: 222	1990: 527 1995: 506 2000: 505
Under 5 mortality rate*	1998: 108 2003: 122	2002: 153 2004: 112	1990: 180 1995: 147 2000: 152
HIV positive rate		2000: 11.25 % 2001: 12.05 % 2002: 10.7 % 2003: 10.05 % 2004: 8.95 %	2000: 6.8 % 2001: 6.1 % 2002: 6.5 % 2003: 6.2 % 2004: 7.1 %
Births at health facility	2003: 41 %	2002: 55 % 2003: 62 % 2004: 60 %	2000: 25.2 % 2001: 22.6 % 2002: 19 % 2003: 20.3 % 2004: 24.4 % 2005: 25 %
Immunization children	2001: 65 % 2003: 73 % 2005: 77 %		2000: 41 % 2001: 48 % 2002: 63 % 2003: 84 % 2004: 83 %

See *Country Case Reports* (2006) for details.
* Figures for Tanzania are: 2002 Pop. Census and 2004 TDHS survey.
** Figures for Tanzania are an estimate.

4-7 Impact of Decentralisation

4-7-1 Transparency and Equity

In Uganda as a result of increased negotiation between CG and LG more resources have been allocated to the district health system. The district health system also allows for a transparent and equitable allocation of resources across health sub-districts and health units.

Tanzania has had a large degree of equitable distribution of health facilities dating back to the 1960's and 1970's when the very large health facility construction programme was first launched. This programme basically ensured that no Tanzanian (in principle) was more than 10 km from the nearest dispensary. The JRF was set up in 2004/2005 to address the need of rehabilitating the old and decaying health infrastructure countrywide. In terms of financial resources LGs have been pending about 1/3 of all on-budget expenditures since 2001. However, development funding for health has remained low and has only recently been slightly addressed by the introduction of the JRF and the LGCG systems. In terms of equitable distribution of health staff it is quite evident that remote areas like Rukwa, Dodoma and Iringa regions have great difficulty in attracting qualified health staff and the shortages of staff are also more pronounced there.

In Kenya the financial system in use is based on the Treasury Circular 3/2000 which entails that all money goes through the consolidated account and through the treasury system at all levels (and hence with strict control by Treasury at all levels). Districts have little control over the process of the payment or financial reporting. The experience of implementing this financial management system has not been successful in supporting smooth operations of programmes, particularly at the lower levels of management. The human resource management is also centrally managed. Most of the deployments are made at the MoH HQ rather than at the districts levels. Redeployment often is not carried as per the workload of the facility but for other reasons. This may be the reason for overstaffing of some and understaffing of hard to reach and lower level facilities. Districts have limited authority to discipline staffs that are not working as per expected norms.

In terms of transparency and equity the new recurrent allocation formulas for both Tanzania and Uganda give a more even distribution of resources according to objective criteria such as population, health indicators and poverty. What remains a challenge is the allocation mechanism at district level to lower levels of LG. There are not many signs of significant increased funding at health facility levels yet.

4-7-2 Participation and Accountability

In Uganda community participation among others is constrained by the earmarked nature of sector financing. The limited participation in place is where communities are involved to decide on the sites for the health outreaches and to plan for projects financed by LGDP and/or NUSAF. The health staffs are more accountable to the line ministry and the higher levels of LGs than the Health Unit Management Committees (HUMCs) and local councils that represent the interests of the community. The HUMCs are not aware of their role regarding HR management and have not been trained. As a result the quality of services provided (like maternity) still has a lot of room for improvement. HUMCs still refer to health workers as the staff of the District Director of Health Services (DDHS) and local government instead of being their staff reported the DDHS in Lira District.

In Tanzania systematic community and council participation are still rather limited within health in terms of overall planning. The CCHPs are not based on elaborate participatory planning exercises and the Opportunities and Obstacles in Development (O&OD) planning exercise in the councils has not been instituted in all councils yet. Health Facility Committees (HFCs) have been set-up in almost all facilities and through the mechanisms and guidelines adopted for the JRF, HFCs have been actively participating in the rehabilitation of selected facilities in various councils through local procurement and disbursement of funds to contractors for rehabilitation.

In Kenya systematic community participation in health service delivery is only emerging as many initiatives have only been piloted in terms of participation and planning.

It is therefore fair to conclude that within the health sector planning is still done in a very technocratic way with limited involvement by Council let alone the communities. Sector planning is carried out by the LG Council whereas in many cases lower local government participatory planning exercises takes place without a proper cross-fertilization of proposed plans and developments. Communities and user groups are given more say in planning local capital development projects but not given much say in recurrent resource allocation processes. The involvement seen in Councils in the DHPs (Uganda) and the CCHP (Tanzania) is at district level and does not in an extensive way involve the low LG levels.

4-7-3 Service Delivery and Efficiency

In Kenya the level of service delivery has been sustained through a share of funding of health services, which is about 50 % user funding, 30 % government allocations and 16 % donor funding. This means that Kenya has been able to maintain the same degree of funding as Uganda and Tanzania with considerably less contribution from international donors. With the introduction of the 10/20 policy the Kenyan government wanted to increase the usage and access to health services by the poor but apparently these user fees has led to less usage of health facilities by the public and to declining revenues which again has led to some layoffs at local level.

In Uganda on the other hand, the abolition of user fees led to increased usage of health facilities but concern has been raised regarding the inability of the districts to meet the operation and maintenance costs of some new facilities This was in part attributed to the LGs constructing health facilities, funded from various source, like the LGDP, without sufficient consultation with the health sector on the ability to meet the recurrent cost implications combined with the general reduction in the LGs possibilities to generate own source revenues. So on the one hand the service infrastructure is being improved but the ability to maintain and even sustain service levels is not adequately thought through in terms of available local revenues and fees.

In Tanzania the general reduction in development expenditures since 1980s, there has been deterioration in the health infrastructure, and performance given poor or no maintenance of equipment and buildings, inefficient drug supply, low salaries, unmotivated staff, inadequate supervision and poor management. Some of these issues are now being addressed by increased levels of funding which is up from USD 7 in 2002 to USD 11 in 2005. However, with more than 20 years of severe under spending in the sector and with the growing investment needs in new technology, improved buildings, need for enhanced teaching materials and the ever growing training needs, the health sector in Tanzania is still lacking far behind. Service delivery improvements at the local level are still only marginal.

4-8 Key Lessons and Challenges

- In all 3 countries the sector policies and strategic plans have increasingly been linked to overall national policies and frameworks, which has enhanced especially financial planning. The SWAp has ensured an increasingly coordinated and reliable degree of resource availability, which overall have had a positive impact on sector service.

- Both in Uganda and Tanzania the health sector has to a large degree embraced the national decentralisation policies. But in Uganda the HSD level was created outside the normal tier of LGs to cater for sub-district hospitals as a need was identified to manage sub-district health systems and it was deemed too expensive to establish a similar modality at sub-county level. In Tanzania the MoH wants to get more control over district hospitals, as the argument is that under decentralisation the hospitals have not worked properly and under very strong resource constraints. This means that especially for the health sector the most optimal administrative unit is not always the district but often the overall cost of delivering services at hospitals demands more economical units with larger scales of economy. However, in Kenya where there has not been adequate legal back up to facilitate decentralisation there has been a more de-concentrated health delivery system. Harmonizing the fragmented and outdated laws with the new policies and systems will determine the extent to which services are reaching to the users and hence in reversing the downward trend in health outcomes.

- Involvement of public, private and CSOs is paramount for improvement in sector service delivery. This seems to be the only conclusion as policies to strengthen the community level and strengthen the district health system are expected to increase demand from users. Little has so far been done in any of the 3 countries to effectively ensure more local participation in health resource planning as most budget resources are planned and allocated form the central government level. At this point only the discretionary capital investments being rolled out in Uganda and Tanzania offer an avenue for user group/community involvement in planning local services. However, the challenge is to also increase the private financing options while maintaining the overall standard setting and norms from central government side as well as increasing participation in budgeting and resource allocation.

- In addition to the sheer numerical shortage of skilled health cadres in all 3 countries there are a number of other challenges in tackling the HRH problem. One core challenge is the inequitable distribution of the existing HRH workforce, with a tendency of more health workers per population in urban and advantaged regions as compared to rural and less advantaged regions. This issue needs addressing if the HRH situation is to be improved. Decentralisation does not seem to be able to effectively address the issue of lack of HRs at district level, and especially not in the remote rural districts. The second core challenge is to retain health students after they have finished their studies. The issue of bonding is being considered again in Tanzania, where a student commits herself/himself to 2 years of work for the health sector upon completion of the studies before being free to move job. Apparently a crisis situation demands drastic measure to alleviate the brain drain and a difficult economic issue for the countries experiencing it.

- Whereas abolition of user fees has increased the use of the health services in Uganda, it has probably reduced downwards accountability for improved quality and participation in the dialogue on health improvements. As evidenced in Uganda through various studies the poor accessed services much more frequently after the fees for the minimum health package were scrapped. However, concerns have also been voiced as to the associated lack of accountability and community pressure to improve services, which are free. Over more than 2 decades Kenya has had experience with cost sharing for health services. The effect that user fees has had on the utilization of health services by the poor has been well documented in Kenya. Because of the non-functioning of the waiver system a 10/20 system was introduced (KES 10 at dispensary and KES 20 at HC). In this regard the introduction of the new 10/20 policy has led to a decline in revenue for lower level health facilities and staff have been laid off and essential drugs has become scarce. This was reported by the Ministerial Public Expenditure report (MoH, 2006) and it even found that community ownership and participation has declined as a direct result of the change in fees. In Tanzania the issue of user fees also shows mixed results and influences on user behaviour. The CHF cost-sharing scheme only contributes about 2 % of all health resources and the variations between districts are very high. The waiver system has been difficult to administrate and the collection and accountability for the CHF contributions is non-transparent and services have only slightly improved over the past few years.

- So the challenges for the health sector at local level remain many but a few are mentioned here:

    - To increase the level of discretionary funding at LG level in unison with overall national level initiatives and to improve the linkages between capital investments and recurrent budgets.
    - Health expenditures are still very centralised – especially in Kenya but also still in Tanzania – meaning that the control over and utilisation of these resources are determined at central level and often by bureaucrats. Maybe in future more should be done to include more user group funding for health and to let increasing amounts of funds be utilised and accounted for at the

facility level. This would increase popular participation and local accountability.

- The HRM crisis/challenge of the sector remains enormous. Not only in terms of recruitment of additional health workers but also to distribute these in a more equitable way throughout in the countries. The issue of incentives and added value through improved skills upgrade of already existing staff needs to be addressed urgently.

5. AGRICULTURE

5-1 Sector Policy and Strategy

Agricultural sector policies and strategies, in several aspects, have been more radically debated than education and health policies since the very basic role of the public sector in agriculture is reconsidered rather than merely adjusted or expanded; the sector is to a large extent considered in a "state of overhaul" in all 3 countries.

However, some policy consensus and development of major joint development partner – government supported strategies are emerging. These are relative recent events – or yet unaccomplished – in the 3 countries. The reforms have progressed most significantly in Uganda where the Plan of Modernisation of Agriculture (PMA) since 2000 has formed the basis for a joint government- development partner supported reform of the agricultural sector; and experiences have recently been reviewed of some elements of practical reform implementation. In Tanzania and Kenya the reform programmes are, in many aspect, still under consideration and practical experiences with the new approaches limited. Table 5-1 outlines the key guiding policy and strategy documents for agricultural development in the 3 countries. Reform strategies are evidently new and with very similar overall strategies for extension reforms towards a gradually privatised system, with government intention of continuous financial subsidy at significant levels.

In both Uganda and Tanzania the new agricultural sector policies and implementation programmes have been developed subsequent to several years of general decentralisation and local government reforms. In both Uganda and Tanzania the agriculture sector followed suit when services were decentralised, but did so with limited enthusiasm and insignificant or dwindling funding as the decentralisation reforms coincided with the end of major donor funded programmes and reluctance by major donors (primarily WB/International Fund for Agricultural Development (IFAD)) to continue funding of public extension systems without major reforms towards direct user control. The sector has in away remained dormant for several years with a very recent agreement between government and donors, starting in Uganda in 2000 and emerging in Kenya and Tanzania very recently.

5-2 Division of Responsibilities for Agricultural Development

5-2-1 Agricultural Extension Services

In Kenya agricultural extension is a Central Government (CG) responsibility implemented through a hierarchy of deconcentrated structures. In Uganda and Tanzania the responsibility has for some years been devolved to the Local Governments (LGs) (in Uganda since 1993 and in Tanzania since 1999).

Table 5-1 Key Features of Agriculture Sector Policies for Local Service Delivery

Issue	Kenya (1)	Tanzania (2)	Uganda (3)
Main policy documents	• SRA 2004 – 2014. • NASEP, draft December 2005. • NASEP Implementation Framework, draft May 2006.	• Agricultural Sector Strategy 2001. • Agriculture Sector Development Framework and process Document 2003. • Joint Government and Donor programme for ASDP implementation at district level (2006).	• Programme for Modernisation of Agriculture 2000. • NAADS Master Document 2000.
Agricultural extension services – intended reform	• Gradual commercialisation. • Targeted public funding of extension service to marginalised and vulnerable groups. • Development of private extension services, establish a stakeholder driven trust fund for extension services.	• Gradual privatisation of the extension service provision. • Public financing of extension service in foreseeable future. • Strengthening of farmers groups to articulate demands for services and manage contracts. • Establishment of farmers forums at ward an district levels.	• Gradual privatisation of extension services. • Public financing of extension services in foreseeable future with gradual phase in of user payments. • Strengthening of farmers group. • Establishment of farmers forums at sub-county and district levels.
Local government role	Decentralising by empowering districts and lower levels of deconcentrated administration in programme planning and resource allocation. General statements regarding possible use of elected local government for future interventions.	Very strong and clear emphasis on implementation of ASDP through districts where a significant share (+ 75 %) of total ASDP funding is earmarked prior to detailed operationalisation of programme.	Significant role of local government in planning and delivery of services, with particular emphasis on decentralisation below district level (sub-county) and farmers groups.

ASDP: Agricultural Sector Development Programme, NAADS: National Agricultural Advisory Services, NASEP: National Agricultural Sector Extension Policy, SRA: Strategy for Revitalizing Agriculture

In all countries it has been contemplated to undertake further reform of the systems for delivery of extension system towards a more privatised service where farmers groups directly contract private providers of extensions services. In Uganda this reform started in 2000, in Tanzania and Kenya such reforms are in their initial stages. Further details of the division of responsibilities among stakeholders are presented in Table 5-2.

In Kenya the responsibilities for all aspects of agricultural extension lies with deconcentrated staff and offices at Provincial, Division levels and Frontline Extension Workers (FEW). The organisational structure is a complex combination of vertical lines of command (province-district-division) as well as sub sector lines (via de subject matter specialists). The coordinating role of the provinces is rather minimal, some coordination at district level and the division acting as the main forum for planning.

Under the initial decentralisation reform process in Tanzania and Uganda, most planning and implementation responsibilities were at district levels, but with the recent reforms it is attempted both to privatise and decentralise management of extension further below district level (sub-county and wards levels in Uganda and Tanzania respectively).

Table 5-2 Division of Responsibilities for Agricultural Extension

Institution	Kenya	Tanzania	Uganda
CG	Main responsible for all aspects of agricultural extension with deconcentrated staff and offices at provincial, division levels and FEW.	Mainly responsible for policy & regulatory framework, agricultural information, ASDP management, advocacy and research. Responsible for guidelines and capacity building for improved district implementation of extension/-advisory services.	Operational support through NAADS secretariat, policy guidance through NAADS Board. Guidelines, approval of plans from districts and sub-counties, budget allocations.
LG Authorities	Almost nil. A permissible function but no extension staff.	At present responsible for planning, budgeting and delivery of all extension services. After reform more emphasis on oversight, support to farmer contract management, M&E.	Prior to NAADS: responsible for planning, budgeting and delivery of all extension services. After reform/NAADS; oversight, integration of farmers budget in LG budgets and plans, provision of counterpart funding to NAADS, support to farmers for contract management, M&E.
Farmers group at users level	Currently merely recipients of services but reform intensions regarding more direct involvement in management of extension services.	Currently mainly recipients of services. After reform more involved in identification, planning and management of services.	Under NAADS: Identifies extension priorities and engage services of private providers, but contract management responsibilities mainly at sub-county level.
Farmers forum at district and intermediary levels	Some representation in district and divisional stakeholder forums.	Under reform Farmers Forums will be established at ward and district level. Ward, emphasis in particular at ward level where resource centres will be established.	Farmers Forums mainly established at sub county level to data. Groups at sub-county level make key decisions on extension priorities, plans and budgets. Also procurement of service providers. Performance evaluation of service providers and contract management.
Private extension providers	Significant numbers of extension staff already working outside public sector (25 %).	Plans to build capacities of private providers, also plans that some retrenched extension workers will work as private providers.	Building capacities of private service providers. In absence of retrenchments exercise substantial shortages of private providers.

M&E: Monitoring and Evaluation

Key aspects of the intended reforms of the extension system in all countries include;

- A reorganisation of the management of advisory services (extension reform), whereby farmers groups are strengthened to articulate demand for services and strengthened directly to manage service contracts from private providers rather than rely on public extension staff and in this manner ensure that the provision of services become more responsive to farmers.

- The strategies foresee with a varying degree of explicity that majority (or substantial part) of extension service provision for smallholders will continue in a foreseeable future to be financed by CG or LG, whereas there will be increasing private sector involvement in delivery to complement public extension providers.

5-2-2 Local Investments Supportive of Agricultural Development

In both Uganda and Tanzania the sector has provided means for local governments to undertake public investments in support of agricultural development.

While the basic policy is clear: that public financing should only support public goods and not individual private investments, then the practical and operational aspects have been more challenging.

However, the division of roles and responsibilities for planning and delivery of these investments have been relatively clear, the emphasis is on the formal local government structures for planning and budgeting, whereas farmers groups (in particular in Tanzania) are supposedly directly involved in implementation and procurement.

Table 5-3 Division of Responsibilities for Investments

Institution	Tanzania	Uganda
CG	Guidelines to LGs. Provision of funding as fiscal transfers in addition to LGCDG, road sector funding etc. (DADP and DADG) lately this includes. • Formula • Access criteria • Performance measurements	Guidelines to LGs. Provision of funding (PMA non-sector grant) in addition to LGDP and road sector funding etc.
LG Authorities	Responsible for planning, budgeting and implementation of capital investments according to normal LGA planning, budget and procurement procedures. Final budget decisions made at district level but IPF at ward/village levels.	Responsible for planning, budgeting and implementation of capital investments according to normal LGA planning, budget and procurement procedures. PMA emphasis is at sub county level where final budget decisions are made but IPF at parish levels.
Farmers group at users level	For certain categories of investments owned by farmers groups (irrigation, cattle dips etc.). Implementation and procurement undertaken by farmers groups or village governments.	Unclear.
Farmers Forum at district and intermediary levels	No significant role in planning for investments.	No significant role for planning of investments.

DADG: District Agriculture Development Grant, DADP: District Agricultural Development Plan, LGA: Local Government Authority, LGCG: Local Government Capitation Grant, LGDP: Local Government Development Programme

5-3 Local Service Delivery Financing

5-3-1 Funding Levels

It is difficult to make exact comparisons of the levels of financing of agriculture in the 3 countries since the budget and expenditure data from the 3 countries are categorised differently and fiscal transfers intended for different purposes. However, from the data available and discussed in the *Country Case Reports* (2006) we have developed the table above where selected key data are presented in a comparable manner. Table 5-4 focus on CG transferred funds from Government own sources or donor supported basket funds. From Table 5-4 we can conclude:

Table 5-4 Comparative Estimates of District Agriculture Financing [41]

Funding	Kenya	Tanzania	Uganda
Local/District "traditional" agricultural extension PE and OC [42]	0.90	0.36 [43]	0.50 (including 0.25 [44] from LGs)
Reformed agricultural extension [45]	n.a.	ASSP foresees only 6 % annual growth [46]	1.54 [47] of which additional NAADS 1.04
Sector Investment grants for local agriculture related investments	n.a.	DADP 0.12 DADG 0.60	PMA NSCG: 0.39

ASSP: Agricultural Sector Support Programme, NSCG: Non-Sector Conditional Grant, OC: Other Charges, PE: Personal Emolument

1. Government funding of agricultural extension in districts/local governments is generally low but far higher in Kenya than Tanzania and Uganda. Donor funding outside basket funding is not included in Table 5-4.

2. The reforms of agricultural extension in Uganda has included a very substantial increase of the level of public financing of extension services from approximately 0.50 to 1.5 USD per rural

41 All figures converted to USD per rural capita - own calculations based on *Country Case Reports* (2006).
42 Figures for Kenya are Estimates of CG financing spent at district level and below based on budget allocations, for details see *Kenya Country Case Report*; Figures for Tanzania are the latest (FY 2005/2006) CG fiscal transfers to LG authorities (extension block grant PE and OC components), for details see *Tanzania Country Case Report* (2006); Figures for Uganda are the latest block grant allocations for agricultural extension for details see *Uganda Country Case Report* (2006). It should be noted that additional funding for agriculture staff.
43 This figure only includes CG transfers but districts provide virtually zero funding for agricultural extension staff and OC.
44 0.25 USD per capita is transferred from CG to LGs as a conditional grant for extension, in addition districts fund agricultural extension from their own source funding and a substantial part of salaries paid from their unconditional grant. The figure, 0.25 is a very rough estimate.
45 Based on NAADS allocation and existing levels of traditional extension (than have remained unchanged to date).
46 See budget of DADP programme document (2005).
47 Same applies to agricultural extension in the NAADS supported districts since restructuring of extension staff has not been undertaken then NAADS funding is additional funding.

capita. Originally it was foreseen that some savings would occur from a restructuring of LGs existing staff, but this restructuring has not taken place in Uganda to date. In Tanzania it is planned to undertake reforms of a very similar nature to Uganda, but planned to have the financing of private service providers to a large extent funded trough savings from restructuring the existing staff in LGs. It is noteworthy that public financing for extension in Tanzania under reform is envisaged to be almost only a third of the level of funding in Uganda.

3. In both Tanzania and Uganda the sector has in various ways sought to inject public finance in support of agricultural investments but with rather low level of funding: 0.12 USD/rural capita in Tanzania and 0.39 USD/rural capita in Uganda [48]. However from this FY in Tanzania it is planned to introduce a much higher level of funding through the so-called DADG.

5-3-2 Funding Modalities

The funding modalities and their integration into LG finance and budget systems vary substantively across the 3 countries.

In Kenya the services are provided as a central government implemented service – deconcentrated through districts and divisional offices. Budgets are developed as part of the central government budget process. In Uganda and Tanzania the funds are provided largely as fiscal grants to LGs although funding for NAADS is not fully integrated into normal fiscal transfers and both PMA non-sectorally development grants and NAADS only serve a part of the districts. In Tanzania future financing of both services/extension reform and investments (DADP and now DADG) are fully integrated into the overall LG financing framework. The DADG is thus essentially a window of funding within the overall LGCG System and at least from the initial design it appears as if financing of future reforms of the agriculture sector in Tanzania is much better integrated into the overall LG financing framework. Key differences in approaches to financing services and investments through LGs in Tanzania and Uganda are summarized in Table 5-5.

[48] Only for 30 % of the country supported by the non-Sector Specific PMA Grant.

Table 5-5 Degree of Sector Integration into LG Fiscal Transfers in Tanzania and Uganda

Issues	Tanzania	Uganda
Agriculture Sector Development Funding	Provided as DADG. • As a sector top-up to the existing LGCG • Formula based • National • Incentive structure of LGCG elaborated upon (quality of agriculture planning, progress of extension reform etc. will be rewarded)	Provided as non sector specific PMA Grant • Parallel funding to LGDP • Formula based • Only in selected districts • No added incentive structure
Services	Provided as a top-up to the existing extension block grant and would then in theory provide a basis for holistic planning of all fiscal resources available for extension in LGs.	Provided as a separate funding modality, closely controlled by NAADS secretariat, in parallel and isolation from extension block grant. No holistic planning and budgeting in LGs for fiscal resources available for extension services.
CB	Provided in part as top-up to the existing capacity building grant at LG level that will enable LGs to plan and implement own capacity building and reform exercises in a demand driven manner – guided by criteria for performance assessments.	No discretionary CB funds for agricultural sector. NAADS secretariat manage and support all local capacity building in districts.

CB: Capacity Building

5-4 Planning and Implementation Procedures

3 distinct different local planning and implementation procedures in the agricultural sector can be identified in the 3 countries and will be further discussed below:

- Planning and delivery of the traditional agricultural extension system, where services are planned and delivered through deconcentrated or devolved government structures.
- Planning and delivery of services under the new approach where services are provide by private providers and managed more directly by farmers groups.
- Planning and implementation of investments supportive of agricultural development by LG structures.

5-4-1 Traditional Agricultural Extension

Traditional agricultural extension services planned and provided by the public service have generally been criticized as being top-down planned and unresponsive to farmers needs. However, some efforts have been made to improve on planning and implementation modalities.

In Kenya, under National Agriculture and Livestock Development Programme (NALDP), a system of bottom-up planning was set-up, whereby staff in the divisions (the lowest administrative level – even though FEWs do work in the villages) is requested to make operational budgets that are consolidated at the district and provincial level. At the moment of planning, the divisional as well as the district teams do have a certain freedom to allocate resources across various activities (and budget lines) according to local priorities and as they deem fit. Once approved, however, the budgets are fixed and any changes would require the authorisation of the Permanent Secretary. The novel approach of NALDP is that divisional staff will have been involved in the preparation of the budget, will hence know 'their allocation' and can claim it, even though the District Agricultural Officer retains the spending authority. For NALDP 'the division is the nucleus of programme implementation and most of the resources will be channelled to this level to ensure programme objectives are met'[49]. Another novelty of NALDP is work with stakeholder fora at divisional, district and provincial levels in order to provide stakeholder inputs to the planning and budgeting of extension activities.

In Uganda and Tanzania decentralisation of the sector to LGs meant that the respective district councils were to plan and budget for extension services. In both countries the extension system is based on a hierarchy of extension staff that in principle would solicit views from communities through the normal bottom up planning process starting from village level. However, in reality such participatory planning through the LG structures has been very limited unless supported by specific donor projects since the operational budgets for the traditional extension service in both countries have been rather constrained. Workplan and budgets for agricultural extension were in reality mainly made by the District Technical Staff without substantive inputs from Lower Level Local Governments (LLGs), farmers groups or inputs from council committees. Elements of participatory planning in the public extension system came foremost through the general development planning process where some investments identified were associated with specific extension service inputs (see 5-4-3).

5-4-2 Reformed Agricultural Extension

All 3 countries have to 'varying degrees' be committed themselves to a reform of the extension services aimed at greater farmer control over management of extension and some elements of privatisation of the service. To date it is only in Uganda that reforms have been implemented and where practical experiences have been gained. Even in Uganda, the reform NAADS is in its initial stages as the system only gradually is rolled out to all the districts and sub counties in the country and as other supportive elements of the overall PMA is even slower in rollout.

The specific planning procedures vary slightly across the districts according to the involved Non

[49] NALDP, *Work-plan 2006/07*, p. 9.

Governmental Organisations (NGOs), working on facilitation. However the typical steps for implementation of NAADS include [50]:

1. General sensitisation of the leadership at district and sub-county levels regarding the nature of NAADS programme and conditions for participation,

2. Institutional development, normally facilitated by contracted NGOs in order to:

    a. Form new groups or transforming existing groups into groups compliant with NAADS requirements,
    b. Form sub-county farmers groups – and training of these in order to enable them to articulate their extension needs,

3. Selection and prioritisation of enterprises (defined as crop, livestock productions or post harvest management practices where farmers may require advice) – this process is normally facilitated by NGOs contracted by sub-county farmers forum under NAADS. The process starts at farmer's group level where farmers are asked to identify 4 to 6 enterprises. Apparently farmers are at this level not aware of the costs of different "service packages" and mainly asked to identify areas of their interest. The priority lists of all groups are then submitted for prioritisation at parish level before being submitted at sub county level for prioritisation. At each level external facilitators, often NGOs, facilitate the process of prioritisation.

4. Once the sub-county priority list has been established, each sub-county works out a budget for providing advisory services and submits it to the NAADS executive.

5. NAADS then allocates funds to the districts based on the consolidated sub-county plans and budgets.

6. From the funds allocated to them, the sub-counties identify suitable advisory service providers and award them contracts to organise appropriate extension activities. The precise modalities for contracting may vary, in principle it is between the farmers groups (the sub-county farmers forum) and the service providers.

While the NAADS approach in this manner seeks to empower farmer's direct involvement in setting priorities for extension and management of extension contracts, then the procedures applied also counter efforts for devolution of services through the LG system. Thus for instance:

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[50] Based on review of NAADS operational guidelines, interview with NAADS staff, district staff, farmers in Rakai and studies such as Obaa, Mutimba and Semana (2005) *Prioritizing Farmers Extension Needs in a public Funded Contract System of Extension: A Case Study from Mukono District*, Uganda published in Agricultural Research and Extension Network, Network paper no. 147 July.

- Final budget decisions are made at the centre (NAADS secretariat) with limited or no involvement of the district council or sub-county council in budget prioritisation,

- Procurement is not in accordance with LG legislation.

Other shortcomings in the procedures that have been identified are:

- The cumbersome approach for facilitation of farmers selection of enterprises with several steps and techniques that not even the facilitators fully understand [51],

- Limited number of enterprises selected compared to what traditional extension services can offer [52],

- Very short contract periods with the service providers (in comparison with long and costly process of selection),

- Lack of clarification of the linkage to the traditional extension service and the grants within this area,

- Limited integration to the LG wide planning processes.

A final concern identified during fieldwork is related to the rapid increase of funding at sub county level. NAADS funding at Sub-county levels may constitute substantially more than 50 % of total sub-county budgets (including all others sectors). This rapid injection of funding earmarked for services seemed odd to the Sub-county council visited during fieldwork as it found that it had a number of other under prioritised areas. We also found that the farmers organised in groups who were supposed to contract/pay the service providers received funding themselves from the service provider since their contract for establishment of demonstration plots included funding for digging etc. The desired establishment of a relationship between private contractors and empowered farmers demanding and ultimately paying for services seemed in practice washed away by abundant funding and accountability lines appeared very blurred. However, NAADS secretariat also pointed to positive experiences in the form of examples where farmers had held providers to task for providing sub-standard services.

[51] Obaa, Mutimba and Semana (2005) *Prioritizing Farmers Extension Needs in a public Funded Contract System of Extension: A Case Study from Mukono District*, Uganda published in Agricultural Research and Extension Network, Network paper no. 147 July.

[52] PMA Evaluation.

5-4-3 Local Planning for Investments Supportive of Agriculture

In both Tanzania and Uganda special efforts have been made to ensure that LGs in their general development planning and budget process pay attention to agriculture sector concerns. LGs have in Uganda since the late 1990s and in Tanzania since 2005 had some discretionary development funding (LGDP and LGCG). The agriculture sector in Uganda and Tanzania has also introduced additional sector funding in various forms. The planning and implementation procedures for this type of investments have largely followed normal LG planning and implementation procedures. Thus budgets and plans have been developed of the respective LG technical staff based on inputs from community consultations that have been more or less elaborate; and all plans and the respective LG councils have approved budgets and plans. However, the planning and implementation procedures have in some important aspects differed from the mainstream LG planning and implementation procedures as followed when LGs plan using discretionary funding.

Table 5-6 Planning for Agriculture Sector Investments in Tanzania and Uganda

	Tanzania		Uganda	
Issues	**LGCDG**	**DADP/DADG**	**LGDP**	**PMA NSCG**
Planning guides	LG MTEF and O&OD planning.	Initially separate set of guidelines but later considered subset of general O&OD planning etc.	LG MTEF and participatory guidelines.	Separate guidelines.
Eligible investments	All capital investments for public goods within LG mandates.	Initial earmarked few specific investments (cattle dips etc) later broad menu similar to LGCG but excluding social services (education and health).	All capital investments for public goods within LG mandates.	In principle non-Sectoral but expectations that LGs should target "agriculture" including roads and productive investments.
Budget approval	50 % District Council, 50 % at wards/villages.	DADP 100 % District, later DADG same rule as LGCG.	35 % District, 65 % Sub county.	100 % sub-county.
Procurement	District Contract Committees.	Direct procurement by community groups.	District Tender boards/ contracts committees.	District tender boards/ contracts committees.

MTEF: Medium Term Expenditure Framework, O&OD: Opportunities & Obstacles in Development

One of the most fundamental questions that have been debated in the discussion of LG support for agriculture and productive investments has been to determine the appropriate balance between "public" and "private". In relation to this, discussions have also been ongoing regarding how appropriately to set the levels of user co-financing. LGs have been given some discretion to determine this as it also has been difficult to agree among CG and development partners on setting firm rules. Nevertheless in Tanzania it has recently been agreed to include a more explicit guideline (Table 5-7) that stipulates what types of investments that are eligible for funding and how many communities and users are expected to co-finance for different types of investments.

Table 5-7 Examples of Investments Eligible for DADP Funding

Eligible investment	DADG/ beneficiary cost sharing	Comments/conditions
Environmental investments		
Gully and erosion control	100 % – 0 %	Community-based management of natural resources agreed.
Reforestation of degraded area	100 % – 0 %	Community-based management of natural resources agreed.
Eligible public infrastructure		
Gravity irrigation scheme (for groups): intake structure, main and secondary canal	80 % – 20 %	Tertiary canals and on-farm development are 100% farmer contribution.
Pump irrigation scheme (for group): pump, and main and secondary canals	80 % – 20 %	Pump operation costs, tertiary canals and on-farm development are 100 % farmer contribution.
Water harvesting earth dam	80 % – 20 %	On farm development farmer pays 100 %.
Shallow well (for livestock and /or vegetable watering)	80 % – 20 %	On farm development is 100 % farmer contribution.
Cattle dip	80 % – 20 %	Management and use at a fee agreed upon.
Village market infrastructure	80 % – 20 %	Taxes and fees levied conform to legal regulations.
Village access road and river crossing point/bridges	80 % – 20 %	Critical sport improvements only.
Simple product storage facility	80 % – 20 %	Management & use of a fee agreed upon.
Group or community investment of a small scale productive nature		
Heifer/goat scheme	50 % – 50 %	Targets the poor; e.g., schemes, etc.
Conservation farming equipment	50 % – 50 %	Group agreement; testing, e.g. shift from conventional tillage to zero tillage.
Nursery establishment	50 % – 50 %	For long term (tea, coffee) or with environmental benefits (forestry, agro forestry).
Group or community investment in risk bearing innovative equipment		
Risk bearing group equipment, e.g. tractor, power tiller, oil press, coffee huller, grain mill, milk chilling, fruit/vegetable processor, slaughter facility, sprayer	25 % – 75 %	Only for large groups, upon condition of sound business plan and management arrangements, benefits the whole community, no negative environmental impact.
Training		
Specific training and support	100 % – 0 %	Group contract with agricultural services provider.
Training of Village specialists	100 % – 0 %	E.g. livestock health specialist.
Non eligible investments		
Seed, fertilizer, pesticide	0 % – 100 %	Only participatory technology development or targeted support/subsidy as provided in the national/regional policies can be supported.
Individual equipment e,g pump, tractor, power tiller	0 % – 100 %	Only group investment in equipment can be supported.
On farm irrigation development	0 % – 100 %	Individual responsibilities.
Food and beverage processing	0 % – 100 %	Individual/group responsibility.

Source: written by author

5-5 HR Issues

Agricultural extension staff is essentially centrally deployed and financed in all 3 countries. The formal decentralisation of staff to LGs in Tanzania and Uganda has made no major differences in deployment patterns as the number of staff in each LG is controlled by the centre; partly through conditional grants allocations and partly by CG approval of staffing structures.

Data from the 3 countries does not allow for an analysis of the extent to which staff is deployed in a fair manner across districts. However, in Tanzania data on CG transfers of salaries indicates that staff is distributed in a very untransparent manner that for instance has led to a concentration of agricultural extension staff in urban LGs rather than in the rural districts where needs are greatest [53].

In Tanzania funding for agricultural extension staff will in principle be provided according to a needs-based formula; but it will take several years to have it phased in as the existing allocation of staff is so unequal. In Uganda, part of funding for extension staff is in the form of a conditional block grant allocated in a fairly transparent manner, but this mainly caters for graduate extension staff at sub-county levels. Other staff in the sector is financed through the unconditional grant transfers that fund staff in several sectors.

Since structural adjustments in the late 1980s the sectors have in all 3 countries to a varying degree experienced an employment freeze, generally being reflected in a declining and aging workforce, where all 3 countries report staffing levels in district below the approved number.

The agriculture sector reforms foresee some form of restructuring of staff at district levels in all 3 countries but the issues is considered "sensitive" and plans are not yet very specific in any of the 3 countries. General LG staff restructuring exercise has been undertaken in both Uganda (2 major exercises) and Tanzania (one major exercise facilitated by LGRP team in a geographically phased manner) [54]. None of these exercises have been clearly coordinated with agriculture sector reform efforts for a more privatised extension system.

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53 See *Tanzania Country Case Report* (2006).
54 For a general discussion of LG restructuring exercises see Steffensen and Tidemand (2004), chapter 5.

5-6 Trends in Service Delivery Outputs and Outcomes

5-6-1 Agricultural Production

Gross Domestic Product (GDP) growth rates for agriculture is on average far below average GDP growth rates in all 3 countries (Figures 5-1). There is broad consensus in the 3 countries that the overall current growth of the agriculture sector has been inadequate to meet the poverty goals embodied in their respective poverty reduction strategies; the majority of the poor are working in the agricultural sector. However, a range of factors influences agricultural growth rates where the quality of agricultural extension services only is one part. Substantial variation year by year is foremost to be explained by weather conditions, just as other externalities like fluctuations in world market prices play major roles in the performance of the sector. Most of the growth witnessed has been through expansion of areas cultivated rather than from agricultural labour productivity. Productivity of the smallholders has for most part been stagnant and one can observe significant productivity differences between the large-scale estates and smallholders; which indicates that potential productivity gains are significant. Their productivity is constrained by lack of skills, access to technologies, inputs and credit. Improved extension services are broadly agreed to play a significant potential role in raising productivity.

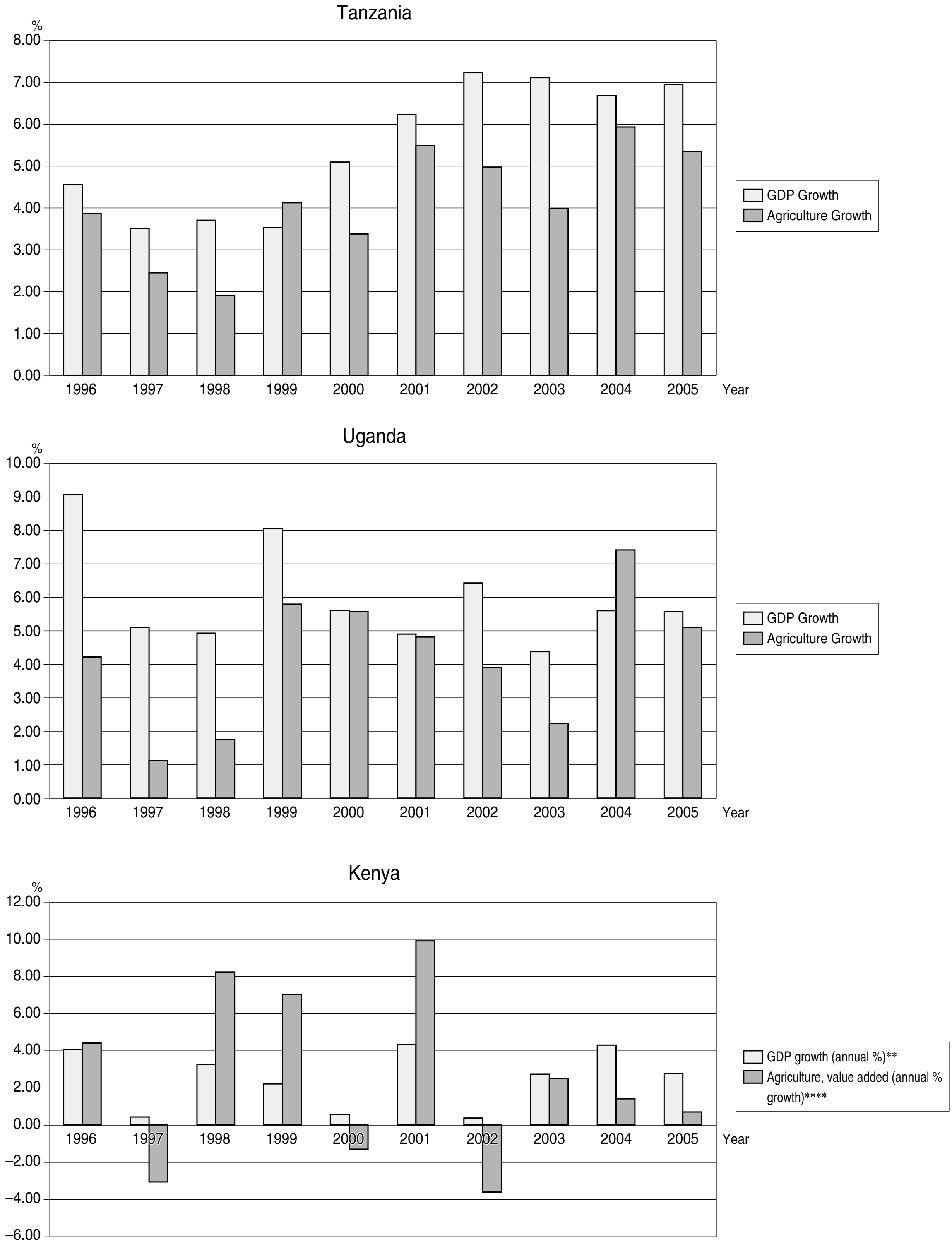
5-6-2 Agricultural Services Provided

In general there has been substantial dissatisfaction with agricultural extension services delivered, but it is not possible to identify comparable data across the 3 countries or identify reliable data on service provision with time series. Broad statements regarding the unsatisfactory services are common – see for instance the below official statement from Kenya, and are occasionally backed by service delivery studies.

> *The current extension system is ineffective and inadequate, and is considered as one of the main causes of poor performance in the sector. Indeed, the general feeling by the majority of the farmers is that the extension service system is virtually dead, because they no longer see the extension worker as often as they would wish* (Kenya Strategy for Revitalising Agriculture 2004).

One measurement of services is the frequency of visits reported by rural households in household surveys. Recent surveys in Uganda have compared districts supported by reformed extension systems (NAADS/PMA) and traditional extension systems. Whereas there was no significant difference between PMA and non-PMA districts in the extent to which individual households have received advisory and extension services, there are glaring differences in farmer group delivery with only 4 – 20 % of households in non-PMA receiving services as members of farmer groups compared to 24 – 39 % in PMA districts. However, the level of financing is very different in NAADS and non-NAADS

Figure 5-1 GDP Growth Rates Agriculture and Overall in East Africa 1996 – 2005 [55]



[55] All data from WB World Development Indicators (WDI) Database 2006, annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

districts (some 200 % extra funding) so such a finding should come as no surprise. The impact studies undertaken are discussed further.

5-7 Impact of Decentralisation

Several different forms of decentralisation of agriculture sector service delivery have taken place in East Africa. Crudely this can be categorised as:

- Decentralisation through deconcentration in Kenya
- Decentralisation by devolution in Tanzania and Uganda
- Privatisation and empowerment of farmers groups for management of extension services. This has partially been implemented in Uganda and is contemplated in Tanzania and Kenya.

It should be noted that the devolution of agricultural extension to LGs in Tanzania and Uganda occurred at a time when donor and government fatigue with public extension systems had reached a critical level and the decentralisation thus initially happened with very meagre financial resources.

5-7-1 Transparency and Equity

The decentralisation of agricultural services has only recently encompassed some consideration of a more transparent and equal allocation of resources. Even in Tanzania and Uganda where agricultural services have been decentralised for several years itis only very recently that efforts have been made to establish more transparent formula based modalities for allocation of fiscal transfers to LGs. Previous centralised approaches for allocation of resources seems in some instances (such as the allocation of extension staff in Tanzania across districts) to have been very irrational and unfair.

In all 3 countries efforts have within the last few years been made to enhance budget transparency by providing budget figures at sub-district levels to administrative units or local government structures. However, even in Uganda where reform has progressed most, these efforts have also been constrained by the continuous "project modality" of service delivery; many of the new systems are not yet national and criteria for roll out are considered unfair by non-participating districts. In this transitional process that so far have lasted 5 years, budget allocations are from a national perspective, which are very unequal and also untransparent.

5-7-2 Participation and Accountability

Decentralisation in its various forms has led to some increased level participation of communities, citizens, farmers groups and elected councillors in planning and delivery of services. However, effective accountability of staff to local councils and communities has been very limited and their effective control over budget allocations also constrained. Table 5-8 summarises key elements of participation and accountability in the sector in the 3 countries.

Table 5-8 Aspects of Participation and Accountability in Local Agriculture Planning

Aspect of participation and accountability	Kenya	Tanzania	Uganda
Community participation in planning and budgeting through elected representative bodies (councils)	Nil.	To date very limited mainly through LGCG and later expected enhanced with DADG.	Mainly for planning of investments through LGDP and PMA NSCG mainly at sub county level.
Farmers participation through organised groups and forums	Limited to consultations – no formal role in budgeting.	To date limited to consultations in planning process but some elements of direct management of investments (incl. procurement) of farmers groups under DADP.	Significant role in planning and management of reformed extension system (NAADS); incl. budget control and contract management.
Public extension staff accountability to local elected bodies	Nil. All staff accountable to CG.	In principle yes, but in practice not at all.	In principle yes, but in practice very limited by finance and procedures.

Deconcentration in Kenya has brought some degree of budget transparency at the divisional level which has enabled some elements of local planning and budgeting in response to local needs, however this has happened without any empowerment of formal organisations of farmers groups or locally elected bodies such as LG councils.

In Tanzania and Uganda the decentralisation to LGs has enabled mote effective representation of communities through local councils in planning and budget process, but in practice this has mainly been restricted to planning for investments funded by discretionary funding such as LGDP/LGCG and PMA-NSCG. The decentralisation of extension services to local councils has not in any significant manner led to more accountable public extension service. Effective control by councils over extension staff has been very limited: staffing structures have been centrally determined and staff management issues in LGs dealt with at district level rather than at lower LG levels. The response to limited local accountability of extension services has been to strive for a partial privatisation to enable farmers to exercise a different kind of local accountability: provision will be privatised but funding continued to be public as illustrated in Table 5-9.

Table 5-9 Accountability Modalities in Agriculture Sector Service Delivery[56]

		Provision	
		Private	**Public (LG)**
Financing	**Private**	**1. Market:** Farmers buy services and investments from private sector providers – choose providers in competitive market. Banks and other financial institutions provide capital for farmer investments. Companies provide input/extension packages to farmers (e.g. tobacco).	**2. User fees:** Clients pay (part of) service from public providers. Clients have a (limited) choice in selection of provider.
	Public	**3A: Outsourcing** – private companies provide e.g. extension services (competition among companies mainly controlled by LGs) **3B: "Client Sponsorship"** – private groups receiving public funds and procure services on competitive market (may include public providers) = reforms of extension services in Uganda (NAADS) in Tanzania (ASSP later ASDP) and Kenya.	**4. Taxes & democracy:** Citizens (farmers) pay taxes and demand services from LGAs. Extension staffs etc. are accountable to elected councillors (village, ward and district level) who can hire and fire as well as approve budgets and work plans of extension staff etc.

Thus emphasis in current reforms is primarily to strengthen one type of local accountability through a modality referred to in Table 5-9 as "Client Sponsorship" whereas the modalities for strengthening local accountability either are considered unaffordable for the poor (through the market) have been considered insufficient by reformers (especially "taxes and democracy": by enhancing accountability through LG structures).

Practical experiences with reform toward farmer empowerment and "privatised" extension system in Uganda has led to significant more direct involvement of farmers groups in design and delivery of services. A mid term evaluation of NAADS indicated that 88 % of NAADS farmer groups felt they had greater ownership of the extension system compared to 30 % for non-NAADS groups. The National Service Delivery Survey (2004) also suggested that NAADS has stimulated demand by farmers for more specialised extension services. However this finding was not supported by the PMA evaluation, which found that NAADS provides a more restricted range of services than those provided under the traditional extension system and that NAADS in this manner was less responsive to broader needs of farmers than the traditional system. In Fieldwork in Rakai we found that the novelty of the system combined with the very rapid influx of substantial funds with no farmer financial contribution impacted negatively on accountability relationships. Positive impact of the system may only materialise after a longer period of implementation.

[56] Table by Tidemand and Therkildsen – initially developed during fieldwork with Stephen Semgalawe (Ministry of Agriculture and Food Security (MAFS)) and Ole Therkildsen (Danish Institute for International Studies (DIIS)) while working on DADP formulation in Tanzania.

5-7-3 Service Delivery and Efficiency

To date it is only in Uganda that some preliminary experiences have been gained regarding effectiveness and efficiency of reformed extension services compared to the traditional system of extension. As discussed in the *Uganda Country Case Report* (2006), the debate is till ongoing regarding evidence of impact, however it can be concluded that[57] :

a. Outreach improves in areas supported by NAADS and this is reflected in number of farmers contacted, with a particular emphasis on contacts to farmers groups. However, the improved outreach is to a large degree the result of increased funding and evidence on the quality of services received is mixed – while farmers perceive benefits from the services received, they also express a desire for improved quality of services. In considering these findings it is important to recognise that NAADS focuses only upon the economically active poor and that, at least for now, it may not be improving access to services for poorer farmers, or those with limited resources.

b. Adoption rates: Mid term evaluation indicates that NAADS has made a positive impact in terms of the uptake of new technologies. Surveys show that between 40 to 60 % of farmers have changed agricultural practices.

c. Yields and incomes: Surveys indicate that NAADS has had a positive impact upon crop yields and farm incomes. The mid term evaluation reported significant increases in yields on demonstration sites – some in excess of 200 % – as a result of the new technologies promoted under NAADS. However data on incremental yields are not available at the household level. Independent analysis by International Food Policy Research Institute (IFPRI) (2004) shows that participation in NAADS is associated with a 15 % increase in the value of crop production per acre. Analysis of yield and production changes are complex and can be difficult to attribute.

d. Economic analysis: Recent work undertaken as part of the mid term evaluation of NAADS, suggests that NAADS will generate an economic return of 18 % and also that NAADS is more cost effective than the previous Agricultural Extension System – in terms of costs per household reached and overall adoption rates.[58] However, it should be noted that these findings are based upon a number of assumptions (on *inter alia*, adoption rates and service costs) and that comparing costs between different extension services is notoriously difficult.

[57] The below (a. – d.) is largely based on the overall PMA Evaluation in 2005 that took place after a mid term review of the NAADS earlier.
[58] Ekwamu and Brown (2005).

5-8 Key Lessons and Challenges

Decentralisation without resources

Extension services were decentralised in Uganda and Tanzania to elected LGs at the on-set of their respective decentralisation reforms. However, this happened with hardly any fiscal resources beyond payment of staff salaries and with limited enthusiasm from the sectors. No specific efforts were made to strengthen the LG councils to manage extension services in a more participatory manner. The effects of this type of reform appear to have been negligible; the extension services stagnated in all 3 countries from the 1990s irrespective of whether services were decentralised to LGs or not, largely due to decreasing funding.

Recent reform - privatisation with public financing

Recent emphasis of the agriculture extension reforms has been on strengthening a more privatised and farmer managed extension service. The common strategy now sought pursued in all 3 countries and currently most clearly articulated in Uganda aims to strengthen farmers groups to articulate demand for extension services, strengthen their capabilities for management of contracted private service providers and transforming the existing district based extension service into a partial privatised service. It is yet too early to make firm conclusions, but tentative experiences are mixed; a rapid "privatisation" where services still are publicly financed does not rapidly lead to significantly empowered farmers or a more responsive service provision

Reform phasing

How to phase in the implementation of reforms has been a specific challenge in Uganda and also recently debated in Tanzania. The Ugandan approach with focus on few sub-counties and gradually rolling out countrywide has led to a drastic increase of funding in the few selected sub-counties. This has unfortunate results: (a) from a national perspective funding is unequally distributed (b) in the particular supported sub counties the reform is "over funded"; suddenly farmers have to manage what locally are incredible amounts (more than all other funding in Sub county local governments combined) for services they find slightly abstract (facilitation of farmers needs and payment for services) (c) when only a few sub-counties are selected, then the approach takes on a "project" modality rather than being perceived as truly national approach to reform. In Tanzania it has in principle been decided to let districts be brought on board the reform process in a demand driven manner, but practical details are still to be worked out.

Coordination between agriculture sector reforms and LG financing modalities

Agriculture sector funding has compared to other key sectors such as education and health been relatively low. External financing has to a greater extent than education and health been provided in more of a project modality, even when national programmes are pursued.

In Uganda, funding for reformed extension services have been provided as separate funding with separate planning and reporting channels in addition to funding for the normal extension system. This has led to a local perception of NAADS being a separate project and prevents local (council) overall prioritisation of all available funding for extension services. In Tanzania it has in principle been decided to integrate future funding for the reformed extension services into the existing agricultural fiscal transfers as one common block grant for agricultural services, which in principle will enable local prioritisation of all available public finance for extension services.

In Uganda additional funding for agricultural investments through the PMA, NSCG was introduced as a parallel funding modality to the LGDP. In Tanzania it has been decided to integrate into the existing LGCG system. The approach is promising. Not only will funding, planning and reporting modalities be harmonised, but the agriculture sector funding through LGCG also include additional performance criteria of relevance for the agriculture sector – thus the grant system provides incentives to improved agricultural planning, commitment to extension reform etc. The approach is promising but also challenging; it is still to be experiences in practice how for isnatnce reform commitment and quality agricultural planning can be monitored in practice in a meaning ful manner rather than just be checked symbolically.

Coordination between agriculture sector reforms and LG restructuring

In all countries it has been contemplated to undertake a substantive restructuring of the public extension staff. In particular Uganda but also Tanzania have proposals been made regarding "delayering" staff: reducing the number of subject mater specialist at district head quarter, deployment of staff at local levels, and reducing the overall number of public employed agricultural extension workers in order to cut costs of the public system and build the capacity of the private sector. This restructuring has not yet been effected in Uganda in spite of substantial rollout of NAADS. In both Tanzania and Uganda, the Ministries responsible for public service and LGs have meanwhile undertaken some general staff restructuring exercises at LG level. However these exercise have not been linked to agriculture sector reform and thus led to confusion at district/LG level regarding what government policy in this area really is.

Coordination between agriculture sector reforms and LG capacity building

The LG sector in both Uganda and Tanzania has developed a general framework for CB of LGs. It is based on the system of the LGDP, LGCG respectively whereby LGs annually are measured in accordance to an agreed assessment manual and rewarded/penalised accordingly. As part of these systems, LGs are also provided with a discretionary grant for CB. The LGs can plan and budget for its use within certain guidelines and using part of the funding for a range of pre-qualifies training providers and materials. It is assumed that LGs will be guided in the results of the annual assessment exercises and address weaknesses identified by the national assessment teams. Most sectors provide CB to LGs in a more earmarked and centrally controlled manner. However, in Tanzania the agriculture sector has decided to provide at least part of the capacity building to LGs for improved agricultural planning and services in a similar manner. The system in Tanzania is still to be operationalised, which will constitute a major challenge.

Strengthening different forms of local accountability

Decentralisation of the extension services to LGs was undertaken without much enthusiasm by the sectors in Uganda and Tanzania and reforms for strengthening local accountability of private service directly to farmers were pursued instead. However, the accountability of staff to LGs; councils at district and sub county/village levels could have been strengthened, yet no systematic efforts were made. For instance performance contracts could be developed between extension staff and LLG structures, and councils could have been given a more direct say in deciding on agricultural extension budgets. This opportunity has never been fully realised in neither Tanzania nor Uganda, where councils after all have been given a formal responsibility for providing this service.

6. CONCLUSIONS

In this chapter, we will summarise the broader findings regarding the decentralisation reforms. This includes an overall brief on the direction of reform, discussion of the impact of different modalities of decentralisation (primarily devolution and sector decentralisation and related establishment of user groups) on governance and service delivery. Section 6-5 summarises the general challenges (across sectors) regarding the different forms of decentralisation and section 6-6 proceeds with a more general discussion of the “models of decentralisation”. Finally Section 6-7 outlines some tentative recommendations regarding areas within decentralisation reforms and further studies that may benefit from external assistance.

6-1 Overall Progress and Challenges with Local Institutional Reforms

The most recent key decentralisation policy developments in the 3 countries can very briefly be categorised as follows [59]:

In Uganda the system of local governance and service delivery is still based on a remarkable degree of devolution compared to other Sub-Saharan African countries. However, the Government of Uganda has recently moved towards a centralisation of the service delivery system and the public service in particular. This is reflected within the recent Constitutional Amendments, which centralised the management of Chief Executive Officers (CEO) (Chief Accounting Officers (CAOs)) from Local Governments (LGs) to Central Government (CG), as well as in the abolishment of several core LG taxes and the new system of payment of LG councillors from CG transfers. The introduction of the regional tier and continued creation of new districts, need substantial additional financial resources to succeed which do not seem to be forthcoming and has therefore weakened the LG system The recently developed Local Government Sector Investment Plan (LGSIP) and associated policy statements may assist in coordinating different projects and external support for decentralisation reforms, but does not provide for any significant renewed policy commitment to decentralisation by devolution.

In Tanzania the recent developments are mixed. On the one hand there has been significant progress with the reforms of LG fiscal transfers; the system of local service delivery is gradually being devolved with increased funding from development partners both through SWAps and direct LG fiscal transfers of which a significant element is discretionary and increase the scope for local budgeting and priority setting through the LG system. However, the government position on decentralisation by devolution has not been restated to date beyond the 1998 LG Reform Policy in any important policy statement or legal revision. The Public Service Act (2002/4) recently established a new legal

[59] For a more detailed assessment of policy development up to 2004, please consult Steffensen and Tidemand et al. (2004).

framework for HR management in LGs in a manner that contradicts the original LG Reform Policy. Furthermore, a bill for amendment of LG legislation is under debate in Tanzania, which, if passed unchanged, will constrain LG council's autonomy in development planning and implementation.

In Kenya the pre-referendum popular view favoured the devolution of state power to the district as the principal level of sub-national government. These views still prevail, but since the rejection of the constitutional proposal, other factors have come into play that may impact on the likely course of action with regard to decentralisation. There are initiatives to progress the constitutional review process with 2 possible courses of action: (1) to resolve the contentious issues which led to the rejection of the 2005 draft and come up with a new draft constitution, or (2) to carry out minimum reforms with a view to creating a level 'playing field' during the 2007 general elections. All indications point to the later option prevailing.[60] Hence, the prospect of a new legal framework for LG is unforeseeable in the immediate future. In their present form, local governments are becoming increasingly marginalised and irrelevant for delivery of local services. In the institutional vacuum, sectors have gone ahead and established structures to effectively decentralise service delivery and promote community involvement in the planning, implementation and monitoring of local level service delivery, just as the Constituency Development Fund (CDF) has initiated processes of cross-sectoral sub-district and community level planning which may all in various ways contribute to more locally responsive service provision, but currently also lead to significant problems of cross sector coordination, efficiency and problems with linking recurrent and capital investments.

6-2 Linkages between Sector Decentralisation and LGs

Different forms of decentralisation have been pursued in all 3 countries; most notably decentralisation by devolution through LGs and modalities for sector decentralisation of health, education and agriculture where decentralisation through user management groups has been a salient feature. A key issue is therefore the relationship between these different strands of decentralisation and the extent to which they have mutually supported each other or led to conflicts.

For Kenya this is largely an irrelevant issue, as the LGs in rural areas do not have significant responsibilities for local level service delivery of health, education and agriculture. However, for Tanzania and Uganda, where LGs in principle are the main providers of these services, the linkages between the sectors and the LG institutions are crucial for the manner in which local services are delivered and, consequently, for its impact on governance.

[60] At the time of finalising this draft report, a Commission proposed a new time-frame for having a new Constitution in place prior to the Presidential Elections of December 2007. Only time can tell whether this will materialise, but based on past experiences, the proposal time-schedule appears quite optimistic. See Nation Newspaper, Friday 26th of October 2006.

For Tanzania and Uganda, each of the 3 sectors analysed in this study have in different ways worked within the general LG system to enhance service delivery, but also pursued sector specific strategies to enhance effectiveness of local service delivery. In Table 6-1 we summarise some of the key differences in approaches of the sectors regarding their linkages with the overall LG institutional and financing arrangements.

Table 6-1 Sector – LG Linkages

Issue Area	Uganda			Tanzania		
	Education	Health	Agriculture	Education	Health	Agriculture
Integration in overall LG planning and budget system	Mainly at district level, no funding at sub county level.		Some at district level, but main budget allocations at sub-county level.	Mainly at district level where all budget decisions are made. At sub-district level some limited consultations only.		
Transparent allocation of resources through formula	Generally yes, but resistance to new more transparent and needs based formula.	Yes.	Yes.	Yes.	Yes.	Yes, but substantial differences between historic allocations and formula.
User group management of recurrent funding	Yes.	Limited.	Very substantial under NAADS.	Yes.	Limited.	Not yet, but planned under reform.
User group management of development funding (investments)	Limited.	No.	Limited – mainly by Sub county.	Yes, substantial under PEDP.	Some under JRF.	Yes under both DADP and DADG.
LG Discretion in setting staffing structures	Minimal.	Minimal.	Minimal.	Minimal.	Minimal.	Minimal.
LG hire and fire staff	Yes.	Yes.	Yes.	In principle yes, but recently mainly CG.	In principle yes, but recently mainly CG.	In practice employment stop.

DADG: District Agriculture Development Grant, DADP: District Agricultural Development Plan, JRF: Joint Rehabilitation Fund, NAADS: National Agricultural Advisory Services, PEDP: Primary Education Development Programme

6-3 Impact of (Sector) Decentralisation on Governance

As evident from Table 6-1 and the discussion in this report, the 3 sectors we have analysed interact in very different ways with the LGs. Although all sectors are operating broadly in adherence to the various LG legislation and policies, they also aim in various ways to enhance the sector specific policies and strategies.

The impact of the sector specific efforts for decentralisation on governance has in a broad sense been **positive** regarding enhancing citizens participation in planning and delivery of services through sector specific user groups but **negative** regarding enhancing citizen participation in cross sector planning and budgeting through their LG councils.

In Uganda and Tanzania it is only mainly through the non-sectoral transfer schemes, the Local Government Development Programme (LGDP)/LGCG that LGs can plan and prioritise in accordance to local priorities. These grant modalities also provide incentives for broader governance issues such as cross-sector planning, broad based citizen participation, general LG accountability, whereas the earmarked grants in the 3 sectors and their focus on up-wards accountability to the CG rather than downwards to the citizens, obviously limit LG autonomy and also constrain wider citizen involvement in local planning. The governance impact of the sector decentralisation reforms in selected thematic areas is further discussed below.

6-3-1 Impact on Transparency and Equity

Transparency in allocation of financial resources across districts

All sectors have a varying degree recently strived at distributing fiscal resources in more transparent manners through formula based allocations (horizontally) across local governments [61]. Especially for the health and education sectors the bulk of funding is provided through formula based grants to districts. For the agricultural sector, such transparent formula based allocations are still in their infancy.

In all sectors it appears that the long standing geographical disparities between different regions have largely remained unchanged but that in the present (and future) more transparent and formula based allocation of finance may contribute to changing this.

Transparency in allocation of HR

The previous system of centralized allocation of personnel to districts has led to some inequalities in allocation of staff. In Tanzania this is reflected in the discrepancy between the formula based allocation of Primary Education (PE)/Other Charges (OC) and historical allocations. The agricultural sector is by far the worst in this manner, but the unequal distribution of teachers and health staff are also well known.

For all sectors there seem to be significant problems in allocation of staff to marginalized/remote areas – both in terms of marginalized/remote districts having problems of attracting staff, but also a problems within each of the districts where some villages are better served than others. The problem appears common but not well documented. CG and sectors have taken some steps to address the first kind of inequalities by assisting the districts in recruitment of key sector staff, however the latter problem is left to the districts to cater for. The districts in turn have limited scope and capacity to address these matters.

[61] It should be noted that none of the countries have made any recent attempts to review the present vertical allocation of resources, i.e. the share of the LG of total public expenditures.

6-3-2 Impact on Participation

Decentralisation reforms may seek to strengthen different kinds of participation, including:

- Representative democracy through participation of elected councillors at district level in planning, budgeting and management of sector issues,

- Participation of elected leaders at the sub-district level,

- Participation of citizens in various decision-making (planning, budgeting etc.), monitoring, scrutinizing activities and the LG level,

- More direct community participation at the facility level through user committees in various sectors.

LG participation

In Kenya, the first 2 forms of participation are virtually inexistent, firstly as a result of the fact that rural LGs (that are the only formal institution for representative democracy at the district level) neither play a significant direct role in service delivery in the 3 key sectors, nor do they have a significant role in the various district sector fora that are being established. Secondly, at the sub district level there are no formal structures, fora or consultative committees that have elected members. Most committees, including the CDF committee, have appointed members.

In Tanzania and Uganda it is evident that the last decade of decentralisation reforms have generally enhanced participation by elected politicians in key planning and budget decisions through the LG council systems at both district and sub-district levels. In Uganda the level of political participation and cost of political structures has reached a point where the value added has been questioned. Sector modalities for decentralisation have – partially in response to distrust of the value added by elected councillors – in different ways sought to safeguard sector technocratic interests which in turn have limited the effective participation of elected councillors in planning and budget decisions. Health and education have in both Uganda and Tanzania decentralised significant functions and budgets to LGs, but emphasis on decentralisation to the LG system has been on technical departments at district level with the negative consequence that District Councils and in particular sub-districts have been relatively marginalised in sector planning and budgeting. In particular in Uganda this is a concern since the sub-county LGs in LG legislation were envisaged to play a significant role in service delivery and for instance manage 65 % of all development funding under LGDP. In Tanzania it is more challenging for sectors to involve sub-districts in budgeting since the villages are so small and wards not true LG units (merely administrative units), however under LGCG system indicative planning figures are provided for at sub-district level to encourage more realistic budget prioritisation and planning at sub-districts and avoid a situation where all budget decision are made at district level. In particular in the health sector there is a significant disconnect between the bottom up planning by LGs (financed by LGDP/LGCG) in Uganda and Tanzania respectively and the sector planning and budget approaches. The former is dominated by LG councillors with community inputs whereby the latter is dominated by technical district staff guided by sector ministries. The result is occasionally construction of new health infrastructures demanded by communities but not integrated in the overall district health plans for proper staffing and Operations and Management (O&M).

Agriculture has in many ways started reforms for decentralised service delivery later than the other 2 sectors. In particular in Uganda (but also in Kenya) emphasis has been on sub-district levels with bulk of development funding and NAADS funding planned and budgeted for at sub-county levels. In Tanzania the new Agricultural Sector Development Programme (ASDP) seeks a more balanced approach where development funding planning and budgeting will follow LGCDG guidelines including a minimum of 50 % of development funds to be budgeted for at sub-district levels. In Tanzania emphasis is also on involvement of the district council in (a) management of the extension reforms (b) district wide strategic planning with involvement of private sector representatives for investments supportive of agriculture and (c) concerted efforts improvements by the district of the local regulatory framework.

LG participation in planning and budgeting is thus to large extent determined by the way services are financed from the centre. Sectors face a choice in the extent to which they integrated in discretionary funding modalities such as general block grants, discretionary development grants or highly earmarked sector fiscal transfers, i.e. the balancing of the wish to ensure adherence to national targets/ control against the wish to ensure local autonomy and efficiency in resource allocation. The challenges are further discussed in Section 6-5.

User groups' participation

User groups (at the facility or delivery point level) have been created in all 3 sectors to manage selected parts of service delivery planning, budgeting and implementation, in Kenya often as response to the non-performance of the representative local councils – in Tanzania and Uganda more as a supplements to these.

The functions given to these groups differ substantially across sectors and countries. In the education sector these user groups (SMCs) now manage a very substantial part of the recurrent budget and in Tanzania they are also actively involved in the management of infrastructure development (notably classroom construction). In the health sector, the involvement of user groups is generally far less pronounced, but emerging. These user groups and the decentralisation of sector responsibilities and funding to these have enhanced direct community participation in service delivery and there is some evidence that this improves effectiveness although the effectiveness of participation seems to decline when user fees are abolished which in turn may lead to inefficiencies [62].

While the user groups in health and education provide inputs to the devolved or decentralised management of a public service; then the planned and ongoing extension reforms in Agriculture aim for a much more radical rearrangement of sector service delivery arrangements: farmers are organised in groups and strengthened to manage contracts directly with private service providers. Some practical experiences are emerging in Uganda, which indicates that practical implementation of such reforms is very challenging and that the initial effectiveness of farmers groups participation is limited. Some of the reasons are that the approach is so novel and the awareness still low, the intended speed of reforms high and much of the initial efforts of enhancing participation thus becomes driven by the substantive amount of money involved and contracted Non Governmental Organisations (NGOs) "facilitating" the farmers groups.

6-3-3 Impact on Accountability

Financial accountability

Decentralisation reforms have over the years been accompanied with Capacity Building (CB) for improved financial management. National indicators demonstrates overall improvements in financial management at LG levels (improved planning, budgeting, decrease in number of adverse audit opinions etc.), although still with great scope for improvements. There is a general consensus that while upward accountability has been strengthened, then downward accountability has not improved in a similar way. Some improvements have occurred when funds are transferred to Lower Levels of Local Governments (LLGs) and user groups and transparency enhanced at that level, but in particular sector funding budget and expenditures are not very transparent at district councillor level and the possibilities for councillor or community oversight is still limited. For simple discretionary development transfers like the LGDP and LGCG this is easier for councillors to follow and there is some evidence in improved downwards accountability is use of these funds. Experiences have shown that capacity building support should be combined with strong LG incentives to improve performance, and that more performance oriented transfer systems, combined with effective LG assessment systems, can strengthen impact on these incentives if efficiently implemented.

Staff accountability

Local accountability of staff is sought enhanced by devolution of personnel management to LGs. However, only in Uganda has this been firmly operationalised through local District Service Commissions. From the available literature and fieldwork it is difficult to see any significant impact of

[62] Fieldwork in Uganda indicated higher level of participation and more efficient use of resources in private schools in Mayuge District compared to government schools.

the supposed changes lines of accountability, although in Tanzania we found major complaints from councillors over their current lack of control of staff and a sense of helplessness when staffs misbehave. The lines of accountability even in Uganda are very indirect: staff are reporting through their head of department to CAO who reports to the district council which may in principle require disciplinary action, but this happens extremely rarely for field staff. There is therefore a need to explore new tools for improved systems, practices and CB in the management of local staff.

LLGs and user committees have virtually no role in staff management. Even when teachers abscond from work in prolonged periods it seems that school committees take no action. The abolishment of fees seems to give parents less of a sense of entitlement to quality services.

6-4 Impact of (Sector) Decentralisation on Service Delivery

Decentralisation has not been implemented as the only mode of service delivery and multiple external factors have impacted on the level of service delivery over the past 5 – 10 years. Furthermore, the modes of decentralisation are not found in the “pure form” in any of the countries in the sense that hybrid models have been practiced with features of centralised and decentralised service delivery. This is despite clear policies to decentralise by devolution in particularly Uganda and Tanzania. CG is still engaged in activities beyond policy, monitoring and guidance and takes some implementation functions including some significant control over major local service delivery decisions in all the 3 countries, particularly through the funding arrangements. Locally generated funds are due to various reasons too limited to enable LGs to implement local services at any significant scale without fiscal transfers from the centre.

6-4-1 Education

PE has generally achieved significant quantitative improvements with substantial increases in school enrolment, facilities and equipment in all 3 countries. This has first and foremost been the result of significant increases in funding, but there is also general agreement amongst various stakeholders that some elements of decentralisation and institutional arrangements for local service delivery have respectively promoted or constrained positive developments in the 3 countries, such as:

- The rapid expansion of the services in Uganda and Tanzania was eased by the existing district council structures – however, emphasis has been on the technical departments at district level of the LGs and limited use has been made of the LLGs,

- The decentralisation of funds and decision-making power to the user committees/boards – the school management committees – have eased the rapid expansion of services and led to improved transparency in use of the central government transferred funds, but the system requires significant CB support, supervision and support and good linkages between the committees and the LGs,

- The recent decentralisation of decision-making on selection of schoolbooks and training materials (all countries) has so far been perceived to be a success as well as the local planning and management of school construction,

- LGs have been instrumental in the involvement within construction of school buildings in Tanzania and Uganda.

However, there are also some elements of practical implementation of decentralisation and other local service arrangements factors, which have constrained the development of efficient service delivery in all 3 countries, such as:

- Unpredictable and late transfer of funds to the LGs/schools (SMCs),
- Insufficient possibilities to address and target hardship areas, leading to uneven distribution of teachers and facilities,
- Inabilities of the LGs and SMCs to manage, discipline and incentivise the teachers,
- Insufficient preparations prior to the abolishing of user fees for primary education and in Uganda and Tanzania prior to the abolition of the main LG taxes, which should contribute to the local service provision,
- Decline in the LG revenue assignments, particularly in the most recent years which means that LGs cannot fill gaps in expenditure areas, excluded (or insufficiently covered by funds) from central government funding such as bursaries, inspection, teachers houses etc.

6-4-2 Health

Performance of the health sector is in the existing literature primary explained by levels of funding and not substantially by the patterns or degree of decentralisation. In the early phases of decentralisation (in particular Uganda) some criticism was raised regarding low levels of budget allocations of districts to the health sector and problems of staff management. The former led to the introduction of relative earmarked sector conditional grants in Uganda, which since were replicated in Tanzania. The health sector has in all 3 countries introduced systems of transparent fiscal transfers to districts and enabled technical staff in districts to plan more responsive to local needs, however the involvement of district politicians at district level has been limited and virtually non existent at sub-district level. In Uganda this is gradually realised as a missed opportunity and might be addressed [63].

[63] Based on interview with the Director of Policy and Planning Ministry of Health (MoH).

Health sector professionals see several risks in decentralisation and are for instance very sceptical regarding the types of infrastructure development that is spurred by decentralised funding.

6-4-3 Agriculture

Although agriculture extension is only one of the many factors that influence the overall sector performance, it is generally believed that improved public sector extension services can play a major role in increasing the productivity of especially the small holders and other marginalised farmers that do not benefit from private channels of extension. However, evidence of the effectiveness of public extension systems in all 3 countries is scanty.

The agriculture sector has been the least funded sector at local level and this is in part explained by the general dissatisfaction with the systems for agricultural extension in all 3 countries.

More substantial reforms of the extension services are under way in all 3 countries and have for some years been implemented in Uganda (the NAADS programme). The reforms include a partial privatisation of extension services, empowerment of farmer groups to contract service providers and continued public financing of services for smallholders. Although yet inconclusive it is in Uganda tentatively concluded that (a) outreach improves in areas supported by NAADS, (b) adoption rates of new technologies increase and (c) yields and incomes increase. However, the NAADS approach is accompanied by substantial additional funding (factor 200 % per rural capita) compared to the traditional extension system so it still debated as to whether NAADS will generate a substantive economic return and be more cost effective than the previous Agricultural Extension System.

The decentralisation of agriculture planning and services is generally considered to have been positively impacted by:

a. Improved local planning and delivery of supportive infrastructure – although LGs generally have tended to give priority to social sectors,
b. Improved opportunities for general bottom up planning that have facilitated planning for agriculture investments,

The negative impact of practical aspects of decentralisation and local institutional arrangements have included:

a. Limited funding available for extension services – the decentralisation of staff was not accompanied by any financial resources in a similar manner (as for e.g. education and health),
b. Limited discretion of some agriculture sector funding (e.g. the early years of DADP in Tanzania) that has prevented LGs to plan in response to local needs,

c. Some parallel funding systems (e.g. Programme for Modernisation of Agriculture (PMA) Non-Sector Conditional Grant (NSCG)) that have not added quality to local planning,
d. Limited practical control of extension staff by LG councils – especially lack of effective local accountability to lower level councils,
e. Non-transparent allocation of staff and resources from central government (e.g. leading to substantial allocation of agriculture extension staff in urban LG in Tanzania),
f. Extensive piloting and partly replication and introduction of new principles and modalities in parallel to ongoing partly implemented schemes,
g. Local nuisance taxes that burden local agricultural production.

6-5 Key Challenges for Decentralised Service Delivery

Each of the sector chapters raised sector specific challenges and key lessons. An attempt is made below to make some cross sector conclusions regarding the main challenges for reforms of local service delivery along 5 broad topics:

- The balance between non-sector local planning and sector planning and the related balance between central planning and budgeting and fiscal devolution and local budgeting,
- The balance between empowerment of locally elected councils and user (sector) specific groups for enhanced local participation and accountability, including the linkage between the LGs and the user groups,
- The LG Financing system, particularly the balance between intergovernmental fiscal transfers and LG own source revenues,
- The challenges related to local management of staff and Human Resource Management (HRM) issues
- The challenges regarding coordination of LG and Sector Reforms

6-5-1 Cross Sector versus Sector Planning and Financing

In all 3 countries we find different examples of cross-sector planning; in Uganda and Tanzania through the LG system and in Kenya primarily through the Constituency planning modalities. Since LGs rely significantly (and e.g. Constituencies in Kenya entirely) on CG for the financing of planned investments, it is not possible to discuss cross sector planning and sector planning in isolation from the way that funds are provided to LGs and communities.

For development planning and financing, the following 3 broad approaches can be identified in 3 countries:

a. Non-sector planning through the LG system; in Tanzania and Uganda this is in the rural areas undertaken through a hierarchy of LG councils and administrative units from villages, through wards/sub-counties to districts. The elected councils at various levels make planning and budget priorities. In Uganda and Tanzania this process is foremost facilitated by the LGDP and LGCG funding mechanism (performance based non-sectoral development grant schemes). In Uganda the PMA-NSCG also supports some non-sector specific planning but exclude social sectors just as emphasis of planning and funding is on the sub-county level. The experiences from these systems have been encouraging when combined with CB support, incentives and monitoring.

b. Sector specific planning where district technical staff develops plans and budgets in close consultation with sector ministries and where plans and budgets primarily are financed through sector specific fiscal transfers from CG.

c. Non-sector specific planning through community structures other than the elected LGs. Currently in Kenya, the dominant modality for local development planning is the CDF. In Uganda and Tanzania social action fund programmes (Northern Uganda Social Action Fund (NUSAF) and Tanzania Social Action Fund (TASAF)) provides funding for "community planning" but in some consultation with district LGs.

In countries where LGs are mandated to provide basic services for the sectors in question, it would seem most rational to use LGs non-sector specific planning procedures as the point of departure for improved local planning and delivery of services. This would for instance imply the use of common development funding modalities at local level by the sectors; something that in principle has been agreed upon in Uganda and Tanzania. However while progress is made in Tanzania on mainstreaming development funding into LGCG, then similar progress has not yet been achieved in Uganda [64]. The reasons why LGDP never has been seriously pursued as a joint development funding modality is possibly related to the overall institutional arrangements for management of the grant modality, which by some is perceived as a "project" and the insufficient level of interactions between the Ministry of Local Government (MoLG) and the sector ministries.

Unless sector funding is harmonised with the discretionary funds such as LGDP/LGCG, then parallel planning and budget processes will continue with subsequent wastages and poor linkages between

[64] Although there have been attempts made to include the sectors in the non-sectoral assessments of LG performance.

LG and sector development plans as for instance clearly manifested in the health sector at present.

6-5-2 LG Council Management versus Community and Users Management

In development literature a contradiction is occasionally made between decentralisation by devolution (to LG Councils) and decentralisation to user committees[65]. It may be argued that in Kenya a driving force for the emergence of the various user structures has been based on the perceived failure of representative democracy and negative perception of Local Authorities (LAs). However in both Uganda and Tanzania, user management committees for education and health have been established as complimentary to the LG structures at various levels and mainly dealt with daily planning and implementation issues within an overall framework provided by the LGs and not as competitors or parallel structures. In other sectors not analysed here (such as water) there have been some conflicts since the user committees have not been clearly linked to the LG structures. In agriculture there are some concerns over the formal legality of farmers groups (an issue being addressed by reform) – especially when required to manage public funds.

Thus the experiences from the countries studies, indicate that it does not need to be a choice of either user committees or LG councils but a question of how to link the 2 approaches in a mutually supportive manner.

One particular challenge for effective user management is how to balance subsidies to the poor with the enhanced ownership that visible accompanies user fees. In all sectors there is evidence that the quality of user involvement and management decrease when user payments are fully abolished.

6-5-3 LG or Central Government HRM

In both Uganda and Tanzania it has in principle been decided to decentralise staff management to LGs. However, in practice the personnel management systems have been fairly centralised with centralised decisions on the size of the LG structures, scheme of service, payroll systems, CB etc.

The decentralisation policies in Tanzania and Uganda include some sweeping statements regarding full devolution of staff to the LGs, which may not be practically implemented in view of the dependence of LGs on central funding. Policy clarification seems required regarding what aspects of HRM really are to be devolved. From our study some areas appear of special importance for improved local service delivery:

[65] See for instance Manor (2003) *Local Governance* http://www.grc-exchange.org/docs/PO40.pdf.
An attempt has been made to conceptualise and combine the various approaches in: Shah (2006) (ed) *Local Governance in the Developing Countries*, WB.

a. Strengthening of local accountability of staff to LGs with some inputs from user committees. It seems for instance relevant to give school committees some role in curbing teacher absenteeism or lower LGs to guide and discipline rural extension staff, this might be in the form of user group and LLG inputs to staff appraisals,

b. Strengthening LG capacities for attracting staff in remote districts and remote parts of districts. This may include funding for local benefit packages tailored local needs, special targeting of staff facilities in remote areas, or special training opportunities for staff that have served in "hardship areas" for an agreed period of time,

c. Strengthening local capacities for merit based personnel management in District Service Commissions and similar local bodies,

d. Strengthening CG inspection of HRM in LGs.

6-5-4 LG Finance

Important developments have been noticed in the field of LG finance in Tanzania and Uganda since the Study in 2004[66]. However, in the case of Kenya, no major changes have occurred, except the further move towards increasing the funding of CDF and the move towards further fragmentation in the parallel planning and budgeting systems. Tanzania has managed to make a major reform of the intergovernmental fiscal transfer system. The development transfer system has been streamlined with government procedures, harmonised and has elaborated strong LG performance incentives, clear poverty sensitive formula based criteria for allocation. The recurrent grant system has moved towards more needs based, transparent formulas. This is a very promising process. Uganda has continued the implementation of the Fiscal Decentralisation Strategy (FDS), including attempts to improve the flexibility for LGs in use of resources, the allocation formulas, the reporting system, but the reform has met resistance from some of the sectors, and the capacity building support to ensure efficient nation-wide coverage (roll out to all LGs) from government and development partners has been insufficient. However, despite these improvements, it is the overall picture from the country reports, that some of the risks and challenges identified in the 2004 Study are still valid and need further attention, particularly the following:

- LG own source revenues – the LGs in all 3 countries are becoming more and more dependant on transfers from the centre. This impacts negatively on the local ownership, downward accountability and links to the citizens and the long term prospects for sustainability of

66 Steffensen and Tidemand (2004).

investments made and in the longer run of the entire system of local governance. This is one of the major issues to be addressed in future reforms. There is a need to establish a better linkage between the proposed technical solutions and the political discussions, as multiple reports have been elaborated without sufficient linkages to the actual political decisions made;

- User payment – fees and charges – The abolishing of mandatory user payments for primary health and education has been welcomed and appreciated by all stakeholders and has expanded the access to basic services for the poor. However, there are still a number of issues to be tackled in this area, particularly to ensure sufficient compensation of the lost revenues and to ensure that users (e.g. the parents) still have a sufficient interest in participation. There seems to be a link between fiscal contribution and level of participation and interest in decision-making, and this should be considered in the future reform process;

- Downward accountability: It is a great challenge to improve downward accountability and to establish a virtuous circle of mutually strengthening trust between the LAs and the citizens. This is an area, which needs urgent attention. Various tools such as better information about transfers, expenditure tracking studies, improved financial management systems, incentive based grant systems, monitoring, control and audit have sought to promote downward accountability, but there is needs to identify and implement more coherent systems to enable a stronger "checks and balance" environment in the relationship between local politicians, office bearers and the citizens. CB support and awareness raising should not end at the service provider level (the local authorities and the institutions) but should be extended to the community/citizens. CG also needs to establish and enabling environment, which will allow this to flourish, e.g. the delays and unpredictable transfers of funds makes it hard for the local governments and service providers to honour their obligations and plan efficiently;

- Parallel systems of funding: This is most pronounced in Kenya, where the situation has become increasingly complex with establishment of multiple funding channels for similar areas of investments in service provision, but is still a challenge in Tanzania and Uganda, particularly in the linkage between the local development funds, the social (action) funds and various donor supported projects. There is still a need to work seriously with the harmonisation of support to LGs and to reduce the local transactions costs by pursuing common systems and procedures for planning, budgeting, accounting, auditing and reporting and fund flows. The experiences from Tanzania over the past 2 – 3 years are very encouraging and can show how various fragmented funding flows can be mainstreamed and linked, but there is still some way to go.

- Information on resources flowing to LGs and utilisation – serious attempts have been made in Uganda and Tanzania to strengthen the fiscal resource data bases on LG finance, but there is still great room for improvement to ensure up-dated, common data on LG finance and service delivery, and particularly Uganda is constrained by the multiple authorities involved in data collection, storage and utilisation (Ministry of Local Government (MoLG), Local Government Finance Commission (LGFC), Ministry of Finance, Planning and Economic Development (MoFPED), Uganda Bureau of Statistics (UBOS), Office of Prime Minister (OPM), Sector Ministries, etc.).

6-5-5 Coordination of LG and Sector Reforms

Decentralisation reforms have for some time been implemented in all 3 countries with the Ministry responsible for LG as the key responsible ministry. However, as reforms progress it has become increasingly clear that decentralisation reforms is more than LG reforms; that sector coordination is required but also that other central ministries are to be engaged for reforms to succeed. In particular:

a. In addition to the focus on the MoLG, the need to work through the Ministry responsible for finance within reforms of systems and procedures in LG finance, LG taxes, sector funding and fiscal decentralisation,
b. The need to work through the Ministry responsible for Public Service and Public Service Commissions for reform of local personnel management systems,
c. The need for work with sector ministries in sector policy setting and support for local sector delivery arrangements within the agreed overall institutional arrangements of local service delivery.

6-6 Emerging Models for Decentralisation?

To what extent can the experiences from the 3 countries be generalised and applied to other African countries? Is it possible to argue that certain models, such as the Ugandan decentralisation by devolution, can or should be applied elsewhere? These are questions that arose from presentation of the draft country reports and this section will briefly respond to this.

The issues concern 4 more specific questions:

- The scope for furthering decentralisation by devolution and decentralisation of basic service delivery responsibilities to elected LGs,
- The extent of autonomy granted to LGs,

- The scope for applying the particular models for discretionary funding and LG assessment procedures as developed in Uganda under LGDP and Tanzania under the LGCG and finally,
- The scope for linking different strands of decentralisation.

The discussion will be a brief response to questions raised to earlier draft reports and presentations and not be fully exhaustive, as many of these questions will require more in-depth analyses.

6-6-1 Scope for Decentralisation to Elected LGs

Decentralisation by devolution; i.e. the creation of elected sub national LGs and subsequent transfer of functions and resources from CG to LGs are global phenomena where reforms at present primarily occur in developing and transitional economies [67] although most countries are refining continuously. The most developed economies have already devolved powers and resources substantively which are reflected in substantially higher percentage of public expenditures managed through LGs than poorer countries. The European Union countries have for instance approximately 33 % of all public expenditures and 67 % of all public investments managed through sub-national governments [68] and a sample of Organization for Economic Cooperation and Development (OECD) countries show that LGs in average constitute 28 % of the consolidated public expenditure, in some countries, more than 50 %. [69] African countries have generally substantively lower shares of public finance managed through sub-national governments. Also when compared with the LG share of the Gross Domestic Product (GDP) similarly trends appears. The findings from a comprehensive cross country study by Steffensen and Trollegaard in 2000 [70], which showed a glaring difference between the sub-Saharan African countries level of decentralisation and the level in the OECD countries and reviewed the various dimensions and factors behind, is still portraying the existing situation. This is of course only 1 (or 2) amongst many other indicators of decentralisation, level of autonomy on planning, budgeting, budget execution are other relevant measures (see below), but also within these areas, LGs in the Sub-Saharan African countries seems to be in the incipient stage of decentralisation compared to particularly the OECD countries, but also compared to some countries in Latin America (e.g. Brazil and Argentina) and Asia (e.g. Indonesia and the Philippines)[71].

Many African countries centralised their public sector immediately after independence in order to strengthen the new nation states at central level. This trend was evident in the 3 East African countries [72] but also applies to many other African countries. The trend has since then gradually been

[67] This trend has been on going for a decade. See e.g. Litvack and Bird (1998).
[68] Dexia (2006).
[69] Shah (2006) p. 34.
[70] Steffensen, Jesper and Trollegaard, Jesper (2000) for comparison of 50+ indicators on decentralisation across countries.
[71] See Shah (2006), and: Steffensen, Jesper and Trollegaard, Svend (2000) p. 39.
[72] See Steffensen and Tidemand (2004), chapter 2.

reversed, in part associated with the general political liberalisation of politics since the late 1980s. LGs have gradually been (re) introduced, although in many countries with limited powers and functions. In brief we may conclude that Sub-Saharan Africa compared to the rest of the world still has a very centralised public sector with substantial scope for decentralisation by devolution.[73] It is most likely that the trend towards establishment of LGs and decentralisation of basic services such as education, health and agriculture will proceed across Africa. However, the systems will continue to be adjusted to local conditions and prevailing political contexts. The degree of autonomy granted to these sub-national governments will most likely also continue to differ across the continent and according to sectors.

6-6-2 Degree of Autonomy Granted to LGs

The share of public expenditure is only a crude measure of decentralisation. The degree of autonomy is a more significant aspect of decentralisation, which most importantly will include such issues as analysed in our report chapter 2 [74], the most critically being:

- Degree of fiscal autonomy:
    - Extent to which LGs can raise local taxes and user fees and charges,
    - Extent to which fiscal transfers from central government are non-earmarked,
    - Extent to which LGs can borrow,
    - Extent to which the LGs can approve own plans and budgets.

- Degree of LG HRM Autonomy (control over staff):
    - Extent to which the LGs effectively hire and fire their own staff,
    - The extent to which they can decide on the establishment (number and categories of staff),
    - The extent to which they can determine employment conditions, including salaries and various allowances and other benefits.

- The extent to which the regularly and institutional framework is conducive for local decision-making in areas such as planning, budgeting, priority-setting, procurement and implementation, with clear laws, guidelines, manuals etc., and the extent to which the central government is supporting LGs in the applications of these.

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[73] It is interesting to note the recent findings from Ebel and Yilmaz (2002), which find that when decentralisation is measured as degree of autonomy in local revenue raising decisions, fiscal decentralisation has a positive impact on growth per capita GDP and a negative impact on the public sector size suggesting that the public sector's expenditure share of GDP decreases with the increase in subnational tax autonomy.

[74] The WB Group is working on a new set of indicators for LG fiscal autonomy based on previous work of the OECE/Council and Europe/the WB under the Fiscal Decentralisation Initiative (FDI). These indicators are being tested in a number of countries, including Uganda. Please also refer to the study by Steffensen and Trollegaard (2000) for further indicators on LG autonomy.

Detailed analyses of these aspects of decentralisation and their impact on service delivery arrangements are very rare, particularly in Africa. From our analysis of the 3 East African countries [75], it can be argued that the extent of LG autonomy has been most significant when they manage very local – typically urban services such as garbage collection, streetlights or very basic self-help services in rural areas including security. However, the provision of wider public services such as education, health and agricultural extension, although "decentralised" in principle, these core services are ultimately considered national responsibilities where significantly elements of the implementation is undertaken through local governments but where policy setting, standards, quality assurance are set by CG and where CG also provide most funding through conditional (and often strongly earmarked) grants and exercise a high degree of control over may HRM aspects of sector staff.

Uganda may be considered as having a relatively devolved system of local service provision. However, as evident from the discussion in this report, the degree of autonomy has changed over the years: within the last few years we can observe a certain centralisation of human resource management for instance, which significantly may alter the basic lines of accountability: CAOs are now appointed by CG and all staff in the district will report to him/her, whereas the LG council previously was responsible for employment of all staff including CAO. The funding system has also moved towards increased dependency on the CG, as the number and buoyancy of the LG tax assignments have been reduced. However even prior to these changes, there were significant limits to LG autonomy in Uganda: the taxes they could collect were limited by central control, and of relatively low yield, most of their budgets were financed through conditional grants where central government to a varying degree maintained close control and earmarking, LGs could not determine the number and type of staff they require, staff salaries and benefits were centrally set etc. It would be difficult to see how LGs could be granted full autonomy in these matters; a certain degree of central government control and guidance will always be required and each country will over time develop a balance between central and local control most suitable to local conditions. However, it seems obvious that there should be room for further deepening of the decentralisation process if certain conditions and support tools are supported.

In Tanzania, the Government has devolved a very similar range of functions to LGs compared to Uganda. The degree of autonomy bestowed LGs in Tanzania is at present not so different from Uganda after the centralisation of the CAO in Uganda. Thus rather than seeing an export of the "Ugandan model" it can rather be argued that Tanzania and Uganda in recent years have moved in a similar direction of decentralising significant service delivery responsibilities, but maintaining or strengthening central government control over both staff and finances. The systems are significantly more similar today in 2007 than they were just 3 years ago.

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[75] For urban services see Steffensen and Tidemand (2004).

In Kenya it is most likely that over time they will adopt a system where some form of district based LGs form the nucleus for local service provision. The specific degree of autonomy granted to the LGs will have to be determined and the reform may for instance have to consider how staff of the present CG ministries is to be managed within such a system. They will probably draw upon the significant experiences in the region, but also consider their own specific situation. It cannot be argued that only "one model" exists: decentralisation by devolution may take numerous forms.

To balance national objectives, targets and realisation of the Poverty Alleviation Strategies with a devolved system of local governance with sufficient autonomy, local efficiency, accountability and responsiveness will remain one of the main challenges in all 3 countries. It is important to move away from a vicious cycle of lack of CG trust in LG, limited LG autonomy, tight earmarking of support, CG control- low accountability and lack of incentives, lack of participation and innovation towards a virtuous cycle with improved trust, reliability in the fiscal support, performance incentives, increased autonomy, accountability, responsiveness and monitoring and follow up [76].

6-6-3 Scope for Application of Incentive Based Development Grants

One particular innovation of LG finance developed in Uganda in 1997, and fine-tuned since then, is the system of non-sector specific development grants transferred to LGs on a formula basis once the LGs have met certain minimum conditions and subsequently adjusted in size according to the annual performance of the LGs. The system also includes a discretionary CB grant that enables the individual LGs to take responsibility for their own capacity building. This local capacity building justifies that some LGs subsequently can be rewarded or penalised [77]. The system is based on a mutually strengthening linkage between the development grants – incentives and CB support and have promoted focus on improvements in areas such as planning, financial management, LG transparency and good governance.

As discussed in our reports, this system is since 2005 also applied in Tanzania and it is also increasingly adopted in a wide range of countries undertaken decentralisation, where the system is adopted as significant parts of LG reforms to enhance the capacities of LGs and to test and refine the delivery of local services through LGs [78].

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[76] See slides prepared by Yongmei Zhou, the WB, for the Workshop in Rwanda on Local Governance and Pro-Poor Outcomes in Africa, October 2006.

[77] See *Tanzania Country Case Study* (2006) for a description of the system in Tanzania. The system is further elaborated in Government of Uganda (GoU)/United Nations Capital Development Fund (UNCDF) 1997: District Development Plan (DDP) Design and later adjusted through GoU, Ministry of Local Government (MoLG): LGDP I and II

[78] This includes a wide range of pilots supported by UNCDF (see www.uncdf.org) for instance in Ethiopia, Zambia, Nepal and Bangladesh. In some countries the systems have been up scaled in others not. Ghana is planning nationwide introduction of such a system from 2007. For overview of selected international experiences see Jesper Steffensen and Henrik Fredborg Larsen (2005), Steffensen and Pyndt (2005).

The system has generally been considered effective in enhancing the capacities of LGs in Uganda; not least because the system provides clear benchmarks of each LGs capacity through the annual assessments but also because the system has clear incentives for LGs to perform [79].

Some basic preconditions have to be in place for the system to be effective. Most basically:

- All elements of performance that are included as minimum conditions or as basis for adjusting the size of funding have to be under the control of the LGs, and based on law, or clear regulations and guidelines (i.e. it is not reasonable to sanction LGs for activities not fully under their control and/or where the awareness of how to improve is very low),

- The system has to be "fair" and not discriminate against disadvantaged areas – for instance it would be unfair to demand excessive degree of co-financing from LGs, that only richer LGs could afford [80],

- The annual assessments have to be undertaken in a highly professional, neutral and transparent manner,

- Indicators for performance are clear, transparent, mutual excusive, reflecting the areas which should be promoted, in a balanced and simple manner.

The system was carefully designed in Uganda according to the specific legal framework and conditions, to ensure that these 4 basic conditions would be fulfilled. A similar thorough design took place in Tanzania, where some concerns were expressed regarding the extent to which some aspects of the minimum conditions were reasonable – in particular the requirements that LGs would have to have certain staff in place when they might not have full control over the employment of these categories [81]. The debate on that particular issue has continued for a while in Tanzania as interpretation and amendments of the Public Service Act has been ongoing and even included Presidential statements on the system.

Thus the system needs to be adapted to local laws, regulations and practices. One basic condition for giving LGs responsibility for their own performance is obviously that they have some control over staff and/or that the staff is influenced in their performance due to the system put in place; and this

[79] However, it should be noted that some problems now occur with the quality of annual assessments in Uganda (see *Uganda Country Case Report* (2006)) and that the annual benchmarks often are adjusted which complicates providing a long term trend in capacity developments. A thorough evaluation of the system would after the many years in Uganda be warranted.

[80] Experiences from several countries have shown that financially poorer LGs can perform as well as more wealthy LGs in areas such as planning, financial management, good governance etc. if the CB support is available. See *Tanzania Country Case Report* (2006) p. 21 for an analysis of the extent that poorer LGs perform differently from ricer LGs in Tanzania.

[81] Pricewaterhouse Coopers Tanzania (2003) *Design of Local Government Support Programme, Volume II.*

condition is rarely 100 % fulfilled in Africa or poorer Asian countries. If staff is transferred excessively across LGs it can be debated whether LGs or CG are main responsible for LG performances. However, even if LGs are not in full control of their staff, the performance based systems may have a role to play to ensure that basic safeguards (typically financially to reduce fiduciary risks) are in place prior to transfer of discretionary funds and the experiences from e.g. Nepal has been that LGs/staff may be influenced by the system through other channels even in situations where staff are not fully devolved.

Performance based grant systems have shown that if proper incentives are in place for LGs to improve performance, tight earmarking of development grants and CG micro-control, prior approval of plans and budgets etc. to address national priority areas, may not be required, as LGs have proved to spent the discretionary development grants within the core national priority areas, but with increased flexibility and thereby expected efficiency gains.

6-6-4 Scope for Linking Different Strands of Decentralisation

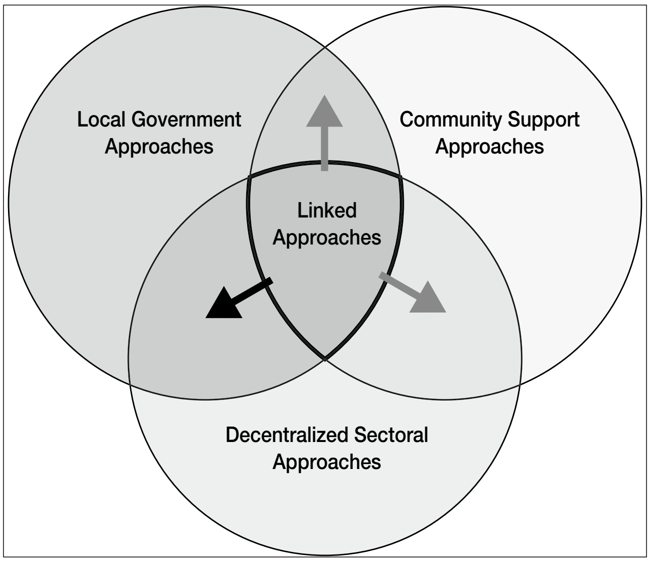
In our analysis we have focused on 2 main forms of decentralisation: (a) decentralisation by devolution to LGs and (b) decentralisation through sector specific user groups where users at community level plan and manage services through health committees, school committees and farmers groups.

While these approaches emphasize many of the same principles: empowerment of the poor and other marginalized groups, responsiveness to beneficiary demand, autonomy of local institutions associated with greater downward accountability, and enhancement of local capacities. Despite these shared principles it has often been considered difficult to integrate these approaches at the local level.

Although the 3 approaches all aim to provide public facilities and services at the local level, they organize their efforts differently. While sector approaches organize according to the functions to be performed or the services to be provided, LG approaches organize based upon the territorial jurisdiction under a legally autonomous authority and elected political bodies. The basis of community support approaches is supposedly "the social unit through which people organize, either traditionally or voluntarily, to make and act upon collective decisions" [82]. As a result of these fundamental differences, each approach has generated a distinct body of theory and practice relevant to supporting local development.

[82] WB op. cit.

Figure 6-1 Approaches of Decentralisation



Some have argued for the existence of 3 alternative approaches to local development illustrated in this figure [83]:

- decentralized sectoral,
- local government and
- community support approaches.

Source: drawn by author

We have in the analyses not gone in depth into 2 social action funds operating in Uganda and Tanzania (NUSAF and TASAF), but they have been operation in both countries for approximately a decade. In both countries they are increasingly merging with the LG systems and have generated useful lessons for user involvements that have been adopted by sectors. However, they have also in several cases un-necessarily planned and implemented small scale projects in parallel with LG structures leading to confused accountability lines and empowerment of CG and party stakeholders rather than communities [84]. There is often significant scope for integrating the positive features of the community driven approach into the LG system, instead of "by-passing" the formal system, including the features of participatory planning, openness, citizen-oriented development and local responsibilities for operational and maintenance of investments.[85]

In the key sectors analysed in this report it is evident in Uganda and Tanzania that user group approaches through sectors to a high degree has been compatible with LG planning approaches. The main challenge has rather been to reconciliate the technical sector approach to planning as conducted at district level and financed through conditional grants with the LG approach to planning emerging

[83] WB (2005). OECD (2004) distinguishes the first 2 approaches as "sector" and "integrated" decentralization.

[84] See e.g. Tidemand (2005) and Prime Minister's Office Regional Administration and Local Government (PMO-RALG): Synergies and Conflicts between LGCG and TASAF 2004.

[85] See Shah (2006) p. 23 for an elaborated description of the options for moving into a more citizen-oriented developed process at the LG level. In Uganda in 2007 GoU has with WB indicated that it will pursue such integration; practical approach is still to be determined.

from communities through sub-district LG structures and financed with non-sector grants (LGDP and LGCG). This is a key challenge in the 2 countries, which needs to be resolved.

In Kenya, the merging of different forms of local planning and service delivery is of a much more fundamental institutional issue, that as discussed extensively in *Country Case Report* (2006) will require a fundamental legal and ultimately constitutional reform.

6-7 Key Areas for Possible External Assistance

6-7-1 Key Reform Areas for Support

It should be noted that for each of the 3 sectors, as well as for the 'sector' of local government development/decentralisation, the governments of the 3 countries have, in collaboration with development partners, established different forms of sector wide programmes through which all future development priorities are identified and through which development partners are requested to provide their assistance. However, these existing modalities are at present at some cross road.

In the Tanzania support to the LG "sub-sector", has to date primarily been through the basket funded Local Government Reform Programme (LGRP). However this will be phased out by 2008 and future modalities for support to the generic aspects of decentralisation and local government reform await a planned Review in early 2007 of the LGRP.

In Uganda, coordination have in recent years mainly been through the joint supported LGDP-I and LGDP-II and government – development partners' coordinating forums, but now a general Local Government Sector Investment Plan (LGSIP) is expected to guide future interventions. However, the LGSIP is a working tool, which needs to be currently followed-up, adjusted and used for practical interventions that support future reforms in a coherent manner and needs to be backed by support from an intra and intergovernmental strong institutional framework.

In Kenya – the government will have to make a choice between its future system for local governance – decentralisation by deconcentration or devolution. Once a choice is made, a road map needs to be prepared that may foresee a trajectory where deconcentration gradually evolves into devolution. There is at present no clear institutional vehicle to drive the reform ahead and a decision of whether to move ahead with decentralisation by devolution may take time. As elaborated in the Kenya Case Study it may therefore as a short-term measure be necessary to develop a more pragmatic approach for effective local (district) level coordination of the many different parallel planning and service provisions arrangements through the office of the District Commissioner (DC).

A key decision for any future external support to decentralisation reform is the institutional point of entry of support, which is not straightforward as discussed in Section 6-5-5. Decentralisation reforms are in all 3 countries part of the wider Public Sector Reforms and some external support may be anchored in the respective sector ministries, the ministries responsible for Public Sector Management, Finance or LGs according to the emphasis of support. It is important to clarify this prior to any design of external assistance, which then may target specific elements of the key challenges to decentralised service delivery summarised above:

- The balance between cross-sectoral local planning and sector planning and the related balance between central planning and budgeting and fiscal devolution and local budgeting,
- The balance between empowerment of locally elected councils and user (sector) specific groups for enhanced local participation and accountability,
- The linkage between the formal institutionalised system of LG and the more informal community based systems and programmes to support these,
- The LG Financing system,
- The challenges related to local management of staff and HRM issues,
- The challenges regarding coordination of LG and sector reforms.

Support should to the extent possible be aligned with the decentralisation implementation plans in each country and with the comparable advantages of each development partner, seeking joint support initiatives with like-minded partners.

6-7-2 Further Analysis

Each of the country studies has with limited input of an average of 17 days each for 3 persons tried to cover a wide ground: analysing decentralisation of 3 major sectors, looking at policy issues, planning and service delivery arrangements in theory and practice, and finally exploring the impact of these arrangements on governance and service delivery. It was necessary to review a very significant amount of literature including sector policies, guidelines, reviews etc. in addition to interviews of stakeholders at central and local level. The value of the study is foremost in its synthesis of these different sector studies and bringing a cross sector perspective into decentralisation reforms where decentralisation otherwise often is analysed purely as “local government reform” with limited attention to the specifics of sector service delivery arrangements and impact.

From our study some areas emerge as having been hitherto under-researched and in need of further analysis:

1. Analysis of local political processes. Such studies will require long-term fieldwork and may most suitably be undertaken by research institutions. We have limited data on analysis on local decision making processes, party politics, socio economic profiles of LG councillors at different levels, nature of local debates etc.,

2. Field analysis of Local HRM practices: this will also require substantive field work and collection of primary data as very limited data is generated at national level on different elements of LG HRM; how staff is hired, fired, promoted, disciplined and motivated. A recent study by Therkildsen and Tidemand (2007) gave a basic overview and was based on interviews with 400 public servants in Tanzania and Uganda. However, as highlighted in that report its emphasis was on staff based as district head quarters and did not include frontline service providers (teachers, extension staff etc.) or the political leadership.

3. Review of the linkages between local government reforms and community development approaches, including various planning, budgeting and funding systems, involvement of citizens in planning etc. – under which circumstances is each approach feasible and most appropriate, and how can they be mutually strengthening?

4. Review of the linkages between the core elements of the system on LG finance – the grant design and the LG own source revenues – what is the proper balance and objective of each component? How do they impact on each others?

5. Review of various performance based systems and initiatives, including performance based grant systems, output oriented budgeting, performance contracts etc. – What are the lessons learned, how could they be linked and replicated?

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