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**CHALLENGE FOR LOCAL GOVERNMENT
REFORM IN TANZANIA**

By
Dr O Thordalson
CSRP



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CHALLENGES OF LOCAL GOVERNMENT REFORM¹.

Ole Therkildsen²

Introduction.

Ever since Independence, Tanzania has faced the challenge of how to set up an appropriate political-administrative framework for participation and national development. Local level institutions have always been a hallmark of its policies in this endeavour. The actual arrangements with respect to local government have, however, varied significantly over time.

The local government system inherited in 1961 from the colonial regime was carried on and geographically expanded by the Independence government, but the system slowly ground to a halt and was abolished in 1972. It was replaced by the so-called decentralized system of development administration. In reality it signified a strengthening of the power of central government and the ruling party over development activities and service provision in the country. Decentralization was abolished in the early 1980s when local governments were re-introduced. The return to the local government system aimed to increase participation in and local resource mobilization for development. Neither of these goals have been achieved. The government has now decided that - by October 1998 - a revised (or new) legal framework for the local government system shall be passed through Parliament. The act will provide one important element for the restructuring of individual councils. The challenge is now to design and implement appropriate measures for this fourth generation of local-level political-administrative reform since Independence. This challenge is the focus of this paper.

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² Policy Adviser, Local Government Reform Component, Civil Service Reform Secretariat, August 1996 - October, 1997. Now Senior Research Fellow, Centre for Development Research, Copenhagen. The views expressed in this paper are mine and not necessarily those of the CSRS.

Challenges.

Each of the efforts to reform the political-administrative framework for participation and national development has been triggered by specific factors and forces at the time. But the **fundamental challenge** of local government reform - as is indeed the challenge of public sector reform in Tanzania in general - has remained the same since Independence:

what reforms of the existing local government system, including its relations to civil society, will further economic development and democratization and improve the general livelihood of the citizens under the prevailing conditions of extreme resource scarcity?

This fundamental challenge has both economic, administrative and political implications. Four specific challenges will be dealt with in this paper:

- ☐ how to fit the new local government system to the prevailing resource constraints
- ☐ how to fit the new local government system to the new role of the public sector
- ☐ how to fit the new local government system to the changing socio-political conditions
- ☐ the leadership and commitment required to make the local government reform a success.

A short summary of the Government's present policies with respect to local government reform will help to highlight the magnitude and the character of the challenges ahead.

The Local Government Reform Agenda.

This agenda was endorsed by the government at the end of 1996.³ It sets out the general directions of the reform of the existing local government system, but does not specify detailed proposals for change. Some of this work is outlined in the Action Plan endorsed in June, 1997.⁴ According to these documents **the overall reform objective is to improve the quality of and access to public services delivered through or facilitated by local authorities.** The specific objectives of the reform are:

3 The Local Government Reform Agenda, 1996-2000

4 Local Government Reform Programme: Action Plan and Budget: May 1997-June 1998, and subsequent revisions of this document.

- ☐ to improve the autonomy of local authorities
- ☐ to improve the responsiveness of local authorities to local priorities as expressed through democratic organs
- ☐ to improve council resource mobilisation from all sources
- ☐ to improve the operational efficiency of councils.

To the extent that these objectives are reached in the future they will mean a significant change in the way that central and local governments work, and in how services are provided.

Some initial progress in the local government reform work is noteworthy. Following the decision to restructure the regional administration, a new act to establish Regional Secretariats (RS) has been prepared and passed by Parliament. The new role of the RS will mainly be to support and backstop the councils. The latter will be the main implementing agencies of government in the future. RSs will no longer have direct implementation responsibilities. Consequently a substantial reduction in staff at regional level is needed. Some qualified staff at the regional level is in the process of being transferred to the councils based on council request and staff acceptance. A major restructuring of Dar es Salaam is also in progress. The City Commission is in charge of this reform work. When completed it will result in the formation of three municipal councils and a greater Dar es Salaam City Council.

Restructuring of RSs and of Dar es Salaam are included in the Agenda which divides the reform work into six components focusing, respectively, on: (i) the legal and institutional framework; (ii) finances, (iii) human resource development; (iv) governance; (v) restructuring of individual councils; and (vi) programme management.

A Local Government Reform Team (LGRT) in the Prime Minister's Office has just been established to spearhead the local government reform at central level. Each of the above component is headed by a component manager with a programme manager in overall charge of the team.

Financial support for the local government reform work has been received from Denmark, the European Union, Finland, Ireland, the Netherlands, and Norway. The United Kingdom, UNDP and the World Bank have also expressed strong interest in supporting the process. Altogether the donors have pledged some \$25 mill. for the preparation and implementation of the reform. It is therefore fair to conclude that **so far the funding of the local government reform work is not a problem.** The challenge is now to make timely decisions that are appropriate in relation to the stated government goals - and to implement them accordingly. It is towards a discussion of these challenges that the remaining of this paper is directed.

Reform under severe financial resource constraints.

If there are sufficient funds for the design and implementation of the reform measures *per se*, why then worry about resource constraints at all? The answer is simple. Significant additional financial resources are needed to run central and local government on a sustainable basis, and to make much needed improvements in service delivery possible. Obviously these resources must, to a large extent, be mobilized domestically - not through foreign aid.

Economic recovery is, however, hesitant in most of Africa. Well into the second decade of structural adjustment efforts there is broad recognition that there are *no genuine exemplar of revitalised production and self-sustaining growth... on the continent.*⁵ Prospects for significant future growth are therefore dim. Although economic growth in Tanzania have picked up for some years, forecasts of average real GDP growth are no more than 4-5% p.a. for the foreseeable future. This plus the limited prospects for the continent as a whole imply that future expansion of the revenue base (and hence revenue collection itself) most likely will be modest.

Central government revenue mobilization from this slowly expanding revenue base has, however, improved significantly since the establishment of the Tanzania Revenue Authority, although collections recently have slipped below target. On the other hand, certain expenditure commitments are likely to increase rapidly in the future. The fast increasing burden of debt payment is a case in point as is the desire to improve public sector wages significantly.

Moreover, most local governments now collect fewer own revenues in real per capita terms than they did in 1984. One reason is that the revenue sources available to councils are poor and difficult to tap. The development levy is the example per excellence. (It is so unpopular, and the cost of collecting it so significant,⁶ that its abolishment should be seriously considered as part of the reform). Another reason is that people generally do not trust the public sector to use tax revenues in transparent and accountable ways. They regard corruption as a major problem.⁷ Together with changes in policy this may (partly) explain why the volume of user payments now by far exceeds the payment of local government taxes.

The main conclusion emerging from this short review of the resource situation is clear. It is unlikely - given the projected slow economic growth, increasing debt burden, and intended salary increases - that resources for service improvements will increase rapidly in the foreseeable future. Reforms of local government must be made with this uncomfortable fact in mind. The challenge is to develop a local government system that helps to deliver better services in a sustainable manner under extreme resource scarcity.

5 Lewis, P.M., (1996). *Economic reform and political transition in Africa*, *World Politics*, Vol. 49, p. 93.

6 This is illustrated by recent research conducted by REPOA.

7 This is illustrated by recent research conducted by TADREG.

Linking local government reform to those of the public sector.

To address the challenge of resource scarcity in local authorities it is absolutely necessary **not** to regard central and local government as two completely separate spheres of government. Funding arrangements and the functional division of responsibilities, among other factors, link the two spheres. It is absolutely imperative not to ignore this interlinkage in the reform work.

Take the issue of revenue mobilization. It is, unfortunately, a widespread view in Tanzania that self-financing and meaningful autonomy of local authorities go hand in hand. Hence the repeated demands from the authorities themselves to become self-financing through the control of more and better revenue resources (a demand that recently got some high-level political support). But lack of resources is a more serious obstacle to greater autonomy than control of revenue sources. Given the poor tax collection record of the councils in the past, and their very limited capacity to develop efficient tax systems, the key issues in relation to local government reform are different, namely: (i) how are revenues for the public sector mobilised most efficiently? (i.e. if a central government agency is better at collecting a certain revenue than local authorities, the former should be given the responsibility); and (ii) what mechanisms should be established to ensure that public revenues are divided between central and local government agencies so as to ensure better local government autonomy and improved service delivery? (i.e. the present approach used to arrive at the size of the central government grants to local authorities is not transparent and efficient). These two issues should be dealt with together. Central and local government revenues are interlinked and how to increase resource mobilization is not a zero-sum game.

A second very important link between central and local government reform concerns the division of functions. Much could be achieved if the proposed sharing of revenues would be based on a simple principle: **funds should follow functions of the various levels of government**. The Civil Service Reform Programme aims to re-define the functions of central government ministries and agencies. In the future ministries will have only limited or no implementation powers. Instead they will focus on policy making; regulation; creating an enabling environment for implementation; and monitoring. Service delivery and project implementation activities will mainly be left to the private sector, community organizations, local authorities and executive agencies. The challenge here is to avoid the mistakes of the past, when central government often allocated un-funded functions to local authorities. The logical consequence of the Civil Service Reform is that local governments should receive a larger share of the public revenues in the future - everything else equal. Hopefully this will also happen in practice.

A third link between central and local government concerns another important and desirable reform principle, namely: **staff should follow functions**. Given the envisaged new roles of central ministries in general and regional administrations in particular this implies a reduction of staff levels at these two levels through retrenchment and staff transfer to local authorities.

These three issues are sufficient to show that there are important links between the reform of ministries and local authorities. In many African countries these links have been

ignored. Reforms of central government have typically preceded those of local authorities. This has created major problems in Uganda, for example, where certain reform measures had to be re-done once the problems of ignoring the interlinkages were recognised.⁸ In Tanzania the local government reform has - until recently - been a part of the civil service reform facilitated through the Civil Service Reform Secretariat in the Civil Service Department of the President's Office. Now the direct responsibility for the local government reform at central level has been moved to the Prime Minister's Office (and the Local Government Reform Team). The challenge is to maintain the close links between the two reforms so that proposed changes are consistent and coordinated with each other. On this point Tanzania is on the forefront of 'best practices' of reform, and it is important not to jeopardise this position. Local Government in the democratisation process.

There are two dimensions to this challenge. One is the extent to which reform work itself should involve the local authorities, their inhabitants and other stakeholders. The other concerns the extent to which the day-to-day work of the authorities should be further democratised.

To which extent, then, should all stakeholders be involved in the design and implementation of the local government reform itself? The approach proposed in the Agenda and endorsed by government is as follows. In the first stage of the reform work leading to a new/revised legal framework for the local government system the local authorities are mainly involved through ALAT. It is represented in the Local Government Task Force which advises on and monitors the preparations of the reform work. In addition all councils have had the opportunity to discuss the reform at special conferences and in ALAT's annual meetings. Ministries are also represented in the Task Force and in inter-ministerial working groups which prepare specific technical aspects of the reform. Given the general desire among most stakeholders to move quickly with the reform work - and the October 98 deadline for passing new legislation through Parliament - this level of stakeholder participation is realistic.

In stage two of the reform work the focus will be on the restructuring of each individual council within the new local government framework established by Parliament. During this stage it is envisaged that each council spearheads its own restructuring assisted by the appropriate central government agencies. How this is to be done, and the extent to which civil society organisations are to be involved in their respective districts have yet to be worked out. More on this below.

How to fit the new local government system to the changing socio-political conditions is the other main issue of governance. It remains a major challenge because local authorities will, in the future, make up the main direct interface between government and citizens. The local level is therefore central to whole issue of democratization - a fact which is perhaps not sufficiently recognised yet. As a consequence the debate is given low priority and tends to be general and abstract. It may be useful to be more specific and to highlight some of the concrete issues that need to be addressed:

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governance.

Villadsen, S. and F. Lubanga, (eds.), 1996. Democratic decentralisation in Uganda: A new approach to local

- ② what are the pros and cons of allowing non-party members to run for office at the mtaa, village and council level?
- ② how should the role of civil society organizations (NGOs, trust funds, village-, school-, water- and health committees, etc.) in local development activities and in relation to local authorities be strengthened in the legislation? This question is very important because the need for devolving powers and functions **within** councils is just as big as the need to devolve functions from central to local governments.
- ② the local level governance system of urban areas (not only Dar es Salaam) is much weaker developed than that of rural areas. How should that situation be rectified?
- ② are the roles and powers of the Proper and Assistant Proper officers appropriate in a more democratic local government system which aims at a higher degree of local autonomy?
- ② should councils with larger capacity be allowed more autonomy than councils with low (or mismanaged) capacity?
- ② clarify the powers, rights and duties of council staff vis-a-vis councilors (and regulate this relation by law?)
- ② clarify the powers of sector ministries vis-a-vis local authorities, and clarify in particular, the processes and power of central government to abolish local authorities.

The above should not be taken as a plea for pervasive participation by everybody in everything. Nor should it be taken as an implicit argument for the efficiency of continued central government control. Rather the challenge is to arrive at an appropriate balance between bottom-up and top-down influences in the democratization process.

The challenge of leadership.

No recipe for successful local government reform exists. Each country must work out its own way of improving its public sector and further democratization. But experiences from other countries highlight two key features of reform: (i) it will always be met by some resistance; and (ii) no reform succeeds without continuous and visible top level leadership support. Obviously these two features are interlinked. If there were no resistance to change, there would be no need for leadership to carry them through.

Resistance to the local government reform is emerging. Although few would disagree with the earlier mentioned principle that funds should follow function, its implementation will meet with some resistance in practice. For changes in the sharing of funds means changes in

the sharing of power. Thus, some ministries seek to continue their direct control by establishing service facility boards at regional and district level (particularly in health and water) to be in charge of service delivery. If these boards are allowed to report directly to their respective sector ministries, and board members are appointed by ministries, the autonomy of local authorities will be seriously constrained and the efficiency and democratic control of such boards impaired.

Implementation of the principle that staff should follow function will also meet with some resistance. Many central government employees will become council employees although some prefer to remain central government civil servants. Furthermore, ministries will lose many of their powers as employers (to appoint, promote, transfer, etc.). Some of them will resist significant changes despite the obvious and persistent problems of the present very centralised human resource management in the public sector.

Experiences from other countries (Uganda, Ghana and others) show that such resistance from ministries and central government employees can be serious obstacles for reforms of local government. Certain councilors and council staff may not be too enthusiastic about the local government reform either, although it is too early to know the extent of their resistance in practice. Popular support for local government reform is probably modest at present, given the early stage of the reform process.

It belongs to this - very brief - analysis of stakeholders to note that donors are generally enthusiastic about the local government reform in particular and about the civil service reform in general. This is not necessarily an unmitigated blessing. Donors tend to demand too many changes too fast. Often they do not appreciate the complexities of the process and the resistance to the substance of reform. Nor can donors be held accountable for the results and impact of the advice, conditionalities, and funding that they provide. It is becoming increasingly clear - as research by the World Bank itself shows - that there is no systematic relationship between the amount of aid a country gets or policy reform (or the lack of it). Successful reform is largely driven by domestic social and political forces.⁹

It is in this situation - varying from strong resistance to enthusiastic support - that focused and continuous high level political commitment to and leadership of the reform is absolutely crucial for success. Work on the local government reform was started some years later than work on the Civil Service reform. This means that many major decisions must now be made within a very short time. First and foremost it is the offices of the President and the Prime Minister which jointly face this major challenge. Inevitably this involves risks, but the risks of not providing leadership in this important endeavour may well be much higher. The paradox of local government reform is that it requires a strong centre to devolve powers and responsibilities to local institutions.

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June 1997.

Burnside, C. and D. Dollar, 1997. *Aid, policies and growth*, World Bank Working Paper, No 1777. Washington,