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## Local Government Reform in Tanzania 2002 - 2005: Overloaded Planning Systems, Limited Fiscal Autonomy, but some Improvements in Service Delivery

What impact has Tanzania's Local Government Reform Programme (LGRP) had on local governance, finances and service delivery? Have there been any changes over time in the provision of basic services to the public? What factors may explain distinct improvements in service delivery?

These are some of the questions addressed by the Formative Process Research Programme (FPRP) on the local government reform in Tanzania. This brief summarises some of the key findings of phase 1 (2002-2005), focusing on governance, finance and service delivery.

The LGRP aims to transfer duties and financial resources to local government levels. Local government authorities are thought to be in a better position to identify people's needs and to encourage citizens' participation in democratic governance to ensure the appropriate form and level of public services.

The in-depth Formative Process Research Programme follows the implementation of the reform over time in six councils: Bagamoyo District Council (DC), Ilala Municipal Council (MC), Iringa DC, Kilosa DC, Moshi DC, and Mwanza City Council (CC).

### GOVERNANCE: LESSONS FOR LOCAL AUTONOMY AND CITIZEN PARTICIPATION

Local governance covers issues related to citizens' participation in formulating and implementing plans for local development.

Efforts have been made to include citizens in the planning process. Yet, bottom-up planning is in practice an ad hoc exercise, with the actual planning carried out by the council management team.

### There is an urgent need to simplify and streamline the existing planning and budgeting systems, especially in rural councils.

Urban councils are generally better resourced and seem to be able to implement more plans from below than their rural counterparts. The multiple planning, budgeting and reporting systems strain the limited capacity of the councils. The actual implementation of (realistic) plans and priorities suffers also on the ward and village levels. Village plans become utopic 'shopping lists'.

There are **no effective instruments and procedures in place for ordinary people to use when they want to hold council officials accountable**. Councillors have limited powers to remove non-performing or corrupt council officers. There are examples from the case councils where people have forced leaders to resign due to misconduct, but only via a very cumbersome process which included many compromises with the district leadership.

**Corruption is recognised as a problem** in all the six case councils. In Kilosa DC, for instance, 40% of the respondents in a Citizen Survey, viewed corruption as a serious problem, compared to 72% from Moshi DC. While almost 40% of the respondents in Kilosa DC claimed there had been a decline in the level of corruption over the past two years, 53% in Moshi DC said there had been an increase.

Yet, **people have confidence in their council officials**. As many as 55% of the respondents believed the council staff “do as best they can”. More than 60% of the respondents held the same view on the performance of the elected councillors. They also trust public institutions.

**The LGRP provides a potentially good avenue for combating corruption**. Effective means would be improved working conditions for staff in local councils, better salaries and pension schemes, training opportunities and other incentives. There is also a need for clearer demarcations of duties and responsibilities for council staff and councillors.

## **LOCAL GOVERNMENT FINANCES AND FINANCIAL MANAGEMENT: LESSONS FOR ACCOUNTABILITY AND REVENUE MOBILISATION**

Fiscal decentralisation has the highest priority of the systemic reforms since it directly effects the local autonomy. **Rural council's fiscal autonomy is limited both in terms of revenue and expenditure**. In 2002, the four district councils in our sample generated less than 17% of their total revenues from their own sources. For Moshi DC, the percentage was less than 10%. The rationalisation of many local revenue sources in 2003 and 2004 reduced their already limited fiscal autonomy even further. In 2005, local government revenue sources generated on average around 5% of the total revenues in rural councils. In comparison, the two urban councils, Ilala MC and Mwanza CC, were less dependent on central government grants than the rural councils. In 2002, Ilala MC generated about 64% of its revenue, and Mwanza CC almost 48%. However, the

recent local tax rationalisation, especially the abolishment of business licenses in 2004, made urban councils increasingly dependent on central government grants. For instance, in 2005, Mwanza CC raised only about 20% of the total revenues. A similar picture of limited local autonomy applied with respect to expenditure, since the grants from the central government are conditional and in general earmarked for specific activities.

Local government authorities face numerous reporting requirements imposed by the central government. For instance, the ministry responsible for LGAs, the Ministry of Finance and other central government stakeholders often have competing reporting requirements, as well as different reporting formats. Many LGAs are severely constrained in the production of reliable fiscal data. The staff are often overwhelmed by the reporting requirements, and do not have the capacity to put the reports together. Consequently, there are often substantial variations between the budget figures presented to the local council, the budget presented to the Parliament, information on expenditures compiled by the LGRP, and the figures in the final audited accounts.

Although substantial resources have been invested in computerising the financial management and planning, the actual use and impact of these systems on local financial management remain to be seen. During 2005, budgeting and accounting were still carried out manually in all the six case councils. Only Kilosa DC used an Epicor-based Integrated Financial Management System (IFMS) in combination with a manual system. It has proved particularly difficult to implement the new financial management systems at the lower levels of the councils.

In addition to limited technical infrastructure, the case councils do not have sufficient qualified staff to collect, process, and manage fiscal data. In the absence of reliable and consistent data, quantitative analyses meant to guide policy making are questionable. **There is an urgent need to simplify the fiscal reporting requirements for LGAs, and to build a reliable, consistent and updated local database on finances and expenditures**.

The potential benefit of establishing and maintaining such a database is substantial. The local government levels need staff who can build and work with fiscal databases, and who can process adequate information to relevant stakeholders. At the central level, there is a need for staff who can analyse local government fiscal data. Improved coordination

between the various stakeholders at the central levels is also required to avoid duplication and inconsistencies.

The Internal Auditor's (IA) role is to audit all council transactions: village and ward bank accounts, dispensaries and health centres, schools, agriculture and water projects etc. Each council must review several hundred bank accounts. This is an unrealistic task for one auditor. Hence, the internal auditor often adopts a highly selective risk based auditing strategy. Multiple accounts increase the potential for financial abuse, complicated local budgeting and financial management. **Measures are required to simplify the bank account systems in the councils**. Cash management is much simpler with fewer accounts.

The Internal Auditor's offices in the case councils are either understaffed or not staffed at all. A common problem is that auditors move to the private sector where they are offered substantially higher salaries. Vacancies in both urban and rural councils are difficult to fill. The council's Treasury Department (or other departments) often do not respond to internal audit queries and recommendations which also discourages auditors to stay in the councils. **Special incentives should be provided to encourage internal auditors to work for and remain with local government authorities**. Considering the short supply of qualified accountants and auditors, **adjoining district councils should consider to jointly recruit such personnel and share their services**.

Thus, the Controller and the Auditor General often cannot rely on the work of the councils' internal auditors. Sometimes reports are not even submitted. Our research also found that in some councils the IA's reports were neither acted upon by the council management nor presented to the finance committee and/or the council. This situation undermines the credibility of the auditing process, and underlines the importance of strengthening the internal auditor's office, as well as the need for improved coordination between the Internal Auditor and the Controller and Auditor General.

**Transparency with respect to budgets and accounts is at the heart of local government accountability**. Improved information to the public on budgets and accounts may also make it possible for people to voice their opinions and hold local authorities accountable. Local authorities do publish information on collected revenues and allocations of funds, but much of this information did not reach or was not

understood by the general public. A main challenge is to present accessible information that reach a greater proportion of the public. The successful dissemination of information on HIV/AIDS prevention, may provide useful lessons for how to design and disseminate information on budgets and accounts to the communities. **Written and oral methods of dissemination should be combined, with information posted at service outlets such as schools and dispensaries, and at village and ward offices.** Active use of the Village Executive Officers and mtaa leaders to communicate such information to citizens may also be very successful, as the experiences from Kilosa and Iringa show.

It is important to stress that encouraging citizens and civil society to engage in fiscal and financial monitoring does not imply that such measures should replace formal auditing and accounting mechanisms. Nor does it imply that such measures will weaken the formal accountability mechanisms. On the contrary, by contributing with complementary measures to improve the control of revenue collection and expenditures, **participation can strengthen the legitimacy and the standing of the local councils in the communities.**

### **SERVICE DELIVERY AND POVERTY ALLEVIATION: CITIZENS' SATISFACTION AND PRIORITIES**

The principal objective of the Local Government Reform Programme is to restructure local government authorities so that they can respond more effectively and efficiently to identified local priorities in a sustainable manner. This includes specific objectives, such as 'improve quality, access and equitable delivery of public services, particularly to the poor'. LGRP is only one of several determinants for eventual improvements in service delivery performance. The sector programmes based on donor funded basket programmes in combination with central government resources released through the Highly Indebted Poor Country (HIPC) debt relief scheme, are also important. We see this particularly in the Primary Education Development Plan (PEDP) and in health services.

The majority (54%) of the respondents in the Citizen Survey said they had seen an improvement in local government service delivery over the past two years.

### **EDUCATION**

There was an immense **growth in the school enrolment** from 2000 to 2003. There is close to 100 % enrolment in all the six councils. This success can be attributed to the abolition

of school fees in 2001 and the launch of the Primary Education Development Plan (PEDP) in 2002. With resources from the donor community, PEDP provided a 'basket fund' to nearly every village. It also mobilised communities to contribute with money and labour to construct new classrooms. PEDP improved affordability and accessibility, and it may also have improved the quality of primary education. The pass-rate increased in all the case councils. Yet, a majority of all grade 7 pupils still failed to pass in 2003. Some of the case councils reported progress in the quality of education, i.e. pupils per classroom, pupils per desk, and pupils per textbook. However, the main quality indicators of pupils per teacher and share of qualified teachers, had not improved in all councils. Four of the six councils reported a deteriorated pupil/teacher ratio, although this was compensated to some extent by a higher share of qualified ('IIIA') teachers. **The scarcity of teachers threatens the sustainability of the education reform and tends to widen the gap between 'advanced' councils and those lagging behind.**

### **HEALTH SERVICES**

There has been **significant improvement in the health condition of the population** for all the case councils. According to council data, the infant mortality rate has been reduced, and the immunisation rate has risen to well above 80%. Waterborne diseases are on the decrease in most of the councils, though the number of waterborne diseases reported shows alarmingly high levels for Mwanza CC in particular, but also for Moshi, Iringa and Kilosa District Councils.

The main problems identified are linked to the health facilities in the dispensaries and the clinics. People are not satisfied. Although there has been progress in accessibility, one third of

the population in Iringa, Kilosa and Bagamoyo District Councils did not have access to health centres in 2003. On average, only 38% of the respondents were satisfied with the dispensary in their area, and the corresponding figure for clinics was 16%. **There was an improvement in the number of health workers (nurses) and less waiting time for patients at the dispensaries. Yet, the majority of the people interviewed were dissatisfied because they could not afford healthcare.** Most health facilities require a user fee for every consultation and treatment, or fees on an annual basis for membership in a Community Health Fund. In addition, the patients usually have to pay for the drugs and medicines.

### **WATER SUPPLY**

Only 22% of the respondents were satisfied with the quality of the water supply. As few as 20% reported that there had been some improvements. The widespread view held by citizens was that **improved water supply was the most urgent need**, seems to be well founded. Official data supports people's dissatisfaction. With the exception of Mwanza CC, which had benefited from a huge donor supported water and sanitation programme, no significant progress was reported. In three of the councils (Ilala MC, Kilosa DC and Moshi DC), about half of the population was not covered by adequate water supply services. Unfortunately, it is also likely that the official data overestimates 'coverage'. Some councils, for instance, include installed but non-functioning water schemes or water sources that can only be used during the rainy season or the dry seasons.

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## CONCLUSION

Effective, responsive and responsible local governments are important not only for the local communities, but also for the entire nation to enhance democratic and developmental public institutions.

Citizen participation and accountability are issues that are now addressed by an increasing number of politicians, professionals, and civil society leaders in Tanzania.

The public have become more aware of their rights and responsibilities, but there is a need for more committed political, administrative and civic leaders in order to attain the objectives of the local government reform programme.

Perhaps the most easily overlooked lesson about the local government reform in Tanzania is that devolution takes a long time to achieve. The experiences of Western countries illustrate this well; it took centuries for today's industrialised countries to develop reasonably effective local government authorities. It is therefore not surprising that Tanzania's record to date is yet to meet expectations.

Sustainable change demands sustained effort, commitment and leadership over a long time. Mistakes and setbacks are normal and inevitable components of the process. The big challenge is to use failures as learning opportunities, rather than as excuses for abolishing reforms.

## PROJECT DETAILS

*The Formative Process Research Programme* started in 2002. It is funded by the Royal Norwegian Embassy, Tanzania. The first phase of the research was managed by REPOA and ran for the four year period 2002-2005. The Norwegian Institute for Urban and Regional Research (NIBR) was also involved in this programme. Phase 2 (2006-2009) is a co-operation between CMI and REPOA.

*Phase 2* of the Formative Process Research programme (2005-2009) is a direct continuation of Phase 1 with an emphasis will on local finances and financial management.

## FURTHER READING

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