



Improving Local Government: the **Commonwealth vision**

Background discussion paper for the
Commonwealth Local Government Conference,
Freeport, Grand Bahama, 11-14 May 2009



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Commonwealth Local Government Conference

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Foreword



The biennial Commonwealth Local Government Conference has become a key date in the CLGF and international local government calendar. In May 2009 it will be held in the Bahamas - for the first time in the America/Caribbean region, followed by Commonwealth Heads of Government who will meet in Trinidad and Tobago in November. We look forward to close interaction with our colleagues in the region and with the many different stakeholders attending, many of which come from small states where local government is still being developed. This year's theme, as reflected in this background report, is *Improving Local Government: the Commonwealth Vision*.

The report provides a helpful analysis of the status of local government around the world and how it is seeking to go forward - in financing, in democratic structures and in improving performance. It also provides valuable suggestions and discussion points on how our improvement agenda can be implemented and how best CLGF can support its members, building on the framework provided by the *2005 Aberdeen Agenda* and the *2007 Auckland Accord*. We are grateful to Philip Amis and all who contributed to the report, which I am sure will provide a key reference point for our discussions. At our 2007 Conference Professor Jeffrey Sachs highlighted the critical role that local government has in delivering the basic services which underpin the UN's Millennium Development Goals. Our task in Freeport is to ensure that, despite the many pressures generated by the current world economic recession, our vision of improved delivery of services to the community, of clear and adequate resources and of greater local democracy and accountability is not compromised but continues to be pursued in all the 53 countries of the Commonwealth.

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Introduction

This paper provides an introduction to the Commonwealth Local Government Conference 2009 whose theme is *Improving local government: the Commonwealth vision* being held in Freeport, Grand Bahama from 11-14 May 2009. The conference brings together ministers of local government, elected local government mayors and leaders, officials from all spheres of government, academics, representatives from NGOs, regional/international development organisations, and the private sector. It is a unique event in that it promotes debate, policy making and international learning with all the key practitioners in the local government sector.

The paper highlights some of the key issues around this theme. It considers some of the challenges and barriers affecting improvement across the sector, sets out some of the opportunities that exist to enhance the effectiveness of local government, and raises some of the key questions which the conference should consider in terms of learning from international good practice to enhance and improve the effectiveness and accountability of local government across the Commonwealth. As far as possible the paper draws on practical case studies from a cross section of Commonwealth countries to demonstrate the issues that it raises.

Chapter 1 sets the context within which local government is currently working, highlighting the important role local government plays in poverty reduction and meeting the MDGs, the growing challenge of urbanisation; local government's role in addressing climate change; the impact of the current economic crisis and the changing international aid architecture.

Chapter 2 discusses issues around the financing of local government, looking at some of the reasons why local government is often underfunded, and gives some policy suggestions. It highlights the importance of regular and formula driven central-local transfers; enabling legislation and mechanisms to access capital markets and look at innovations and the role of external (donor) funded support and some of the lessons that have been learnt.

Chapter 3 focuses on issues of improving democracy and accountability in local governance. It looks at:

- the critical importance of having elected local councillors and their role in service delivery
- the importance of local vision and leadership in local democracy
- whether or not the poor have been able to benefit from new democratic openings in the urban sector; and
- mechanisms for including previously excluded groups, including reserved or quota seats and the potential use of participatory budgeting.

Chapter 4 looks at improving performance in local governments. The mechanisms discussed include: financial tracking; community

monitoring; capacity building for officials, councillors and at both central and local levels. It addresses the experience of local government working in a range of partnerships, public-private, and public-community; including a section on international twinning and cooperation. The final section looks at the importance and challenges of developing indicators and mechanisms to measure impact and success.

Chapter 5 looks at how we can take the process forward. Within this there is a discussion of why local government is often invisible to policy makers and a rejection of common myths for not supporting the sector. It focuses on some of the issues that the conference will debate and ways in which CLGF and other stakeholders might be able to facilitate and support improvement at the local level. It is not an exhaustive list, but highlights many of the key areas

The conference seeks to build on the outcomes and recommendations from earlier CLGF events and conferences. Significant work has been done across the Commonwealth to come to a shared vision around local democracy and governance at the local level. All CLGF members, and crucially all Commonwealth Heads of Government, have endorsed the principles in the *Aberdeen Agenda: Commonwealth principles on good practice for local democracy and good governance*. Now part of the Commonwealth's commitment to fundamental political values, the *Aberdeen Agenda* sets out 12 principles that stakeholders agree should underpin local democracy and governance across the Commonwealth. Subsequently, including at its last conference: *Delivering development through local leadership* held in Auckland in 2007, the Commonwealth has set down commitments for the kind of local government it is seeking to achieve – local government that is an enabling body, that can act as a community leader and can forge alliances and partnerships with other organisations and partners to maximise resources in the interest of local development for all. The 2009 conference will consider more strategically what should be done to achieve these goals and aspirations, and to ensure that we generate a culture of improvement in public services at the local level across the Commonwealth. It will do so taking into account the severe economic crisis that undoubtedly has an impact on local government and its work.

The outcomes of the conference will be discussed and agreed by CLGF members at their General Meeting immediately after the conference and will be circulated to all members, encouraging them to support it and to implement the recommendations. The outcomes will also be formally submitted to Commonwealth Heads of Government for endorsement at their biennial meeting in Trinidad and Tobago in November 2009.

This paper puts forward some issues for the conference to address and makes some suggestions for discussion. The themes which have been highlighted are designed to prompt discussion and debate, they are not an exhaustive list.

1 The local government context

1.1 Why local government is important and why its improvement matters

Perhaps the most important question is why should we be concerned with local government? Why does it matter?

- Local government is part of the general government structures in most countries.
- Local government is the part of government closest to the people. To many people when you say “government” they instinctively think of local government rather than central government. It is the part of government that often has the most direct relevance to people’s daily lives. The distinction between different levels of government does not have much resonance with the public in many countries.
- Local government has an important democratic mandate; its politicians and leaders are usually elected by the public. It therefore enjoys a substantial amount of legitimacy. It is also a vehicle which represents its locality; it can lobby for the area.
- Local government, as we discuss in detail later, is important for poverty alleviation and for meeting the Millennium Development Goals (MDGs). It delivers many basic services such as waste management, sanitation, water provision, primary healthcare and local economic development.
- Local government can support the democratic process in general by offering a potential alternative source of political power. It can provide a check on authoritarian tendencies.
- In many countries local government accounts for a substantial proportion of both public expenditure and employment.
- Local government especially through building regulations, planning and transport policy, and disaster management and mitigation, has an important role to play in the global climate change challenge.
- Given its diversity and large number of administrative units, local government provides many opportunities for policy innovation and experiments. In the UK, for example, many public sector reforms were first implemented at the local government level.
- The increases in both democracy and decentralisation over the last twenty years have made local government more important. People are keen to play a more proactive role in the decisions that affect their lives and effective local government can facilitate this engagement.
- Local government is supported by international agencies; for example the EU, UN Habitat and the Commonwealth.

A substantial amount of what governments do is done by local

government. It is central to democratic governance and service delivery. Box 1 explains the special situation of local government in states that are sometimes identified as failed, and/or in post conflict situations. In some situations governments and states can be reconstructed from the bottom-up by beginning with establishing local government.

Decentralisation and local government is not implemented in a uniform way across the Commonwealth. Countries range considerably in size, population and culture, they may be recently emerging from period of conflict, have a federal system of government where local government is a creature of the state or province, or have a small population, albeit one that is keen for a degree of self-determination which goes beyond the capacity of central government. These differences have to be taken into account in designing, implementing and reforming policies of decentralisation. The nature of local government varies, but as the commitment to the *Aberdeen Agenda* show, there are core principles that should underpin local government across the Commonwealth.

Small states, with populations of less than 1.5 million, make up two thirds of all Commonwealth member states. Many have operating systems of local government and others are looking to develop or reintroduce local government. It may appear that small, indeed micro-states, do not warrant a system of local government as central government is already local. However as can be seen in countries such as Mauritius, Malta, Kiribati, the Bahamas or Belize, local government is an important part of the governance framework providing key services and local accountability of decision making. Indeed in a country like Kiribati, where island communities are remote from the centre, the island councils are the more immediate and important face of government with considerable autonomy.

There are however challenges, including financing local government, identifying the most appropriate size and functions for the council, clarifying the role of political parties at the local level, and capacity/delivery. Central government’s role in enabling local government in small states is critical. Some work has been done specifically focusing on the needs of small states, including as part of CLGF’s own capacity building work in the Pacific. The University of the South Pacific has looked at the general state of local government across the region and a review of local government legislation to identify good practice has been completed by the University of Technology, Sydney.

1.2 Rapid urbanisation and urban poverty

In 2007 the world passed an invisible but important milestone: for the first time ever, more than half the world’s population (3.3 billion) lives in urban areas. By 2030 it is estimated that this figure will grow to 5 billion. The urban populations of Africa and Asia are expected to double by 2030. The main population growth will be of poor people (UNFPA, 2007). In total 924 million people live in slums: Sub-Saharan Africa

has the highest proportion of its population living in slums – 72 per cent (in 2001), while south Central Asia has 58 per cent, Latin America and the Caribbean 32 per cent respectively. In absolute terms Asia with 554 million slum dwellers dominates but Africa with 187 million and Latin American and the Caribbean with 128 million are all well represented (UNCHS, 2003). Clearly urbanisation is inevitable. Some commentators say this is a major problem (Davis, 2006).

Box 1 Decentralisation in weak or post conflict states: a good idea?

There is considerable disagreement about whether and how decentralisation should be pursued in fragile or post-conflict environments. Many argue that strengthening sub-national governance in fragile situations is vital, particularly for delivering basic services where the state is weak or absent, for addressing ethnic/regional inequalities, and for conflict management. They note the importance of centre-periphery relations in terms of state-building, particularly in restoring state legitimacy. Recent research has found links between the potential for state fragility and the governance of cities (see Beall, 2008). Yet many are sceptical as to whether there is any evidence that decentralisation can produce pro-poor outcomes in fragile settings. A 2004 World Bank report found that the potential for poverty reduction through decentralisation was lowest in the most fragile countries. One study notes that comprehensive decentralisation reform has rarely been pursued in fragile settings; and argues that deconcentration should, in fact, be a starting point.

There is also concern that decentralisation in certain contexts can be potentially damaging; case studies highlight the risk that decentralisation can be subverted by politics (particularly patrimonialism and elite capture), therefore reinforcing non-democratic and non-participatory political systems, and increasing the potential of a return to conflict or fragility. Much of the literature discusses how the particular context of a given “fragile state” (note that there is wide variation among them) makes decentralisation inherently difficult. Strong state centralisation and control of local level state institutions often results in lack of political will for decentralisation. Some argue that in situations where non-state actors fill the gaps left by absence of government, comprehensive decentralisation risks reproducing state fragility. Conversely, some experts argue that it is precisely because of these difficult contextual factors that supporting sub-national governance is vitally important in situations of fragility i.e. as a means of reforming undemocratic political processes. Overall, there is growing recognition that without adequate understanding of local and national political context and political economy - particularly traditional authority and informal political systems - decentralisation reforms can be undermined (GSDRC, 2008d, p.1)

Despite these figures, historically urbanisation is a positive force and has been well correlated with increases in living standards and GDP per capita. While cities concentrate poverty they also represent one of the best hopes of escaping it. The challenge is to exploit the opportunities that urbanisation affords (UNFPA, 2007).

Local governance and urban management strategies should take account of the potential challenges that rapid urbanisation brings. Solutions require an all-of-government response and the dynamic between local government, ministries of local government and sectoral ministries will be significant. In such a complex governance environment with heightened community expectations, it is essential to empower local governments to forge links and partnerships with a cross section of stakeholders to handle the challenges of effective urban management.

“Evidence is needed to inform policies and to see how they work. The strengths of the Commonwealth – its diversity and solidarity - mean that it is exceptionally well placed to make a difference. Knowledge transfer across the Commonwealth has never been easier. With politicians, professionals and civil society organisations with first-hand experience of trying to make their cities better, safer and more inclusive places to live. What is needed is a catalyst that can trigger a new level of co-operation and endeavour – so that efforts to manage cities at least keep pace with the sharply rising rate of urban growth” Will French, State of Commonwealth Cities Report, CCGHS 2009.

CLGF and its ComHabitat partners recently launched a pilot network of inclusive cities to look at ways in which cities can learn from each other to improve policy and delivery at the local level to make cities more inclusive.

1.3 The importance of local government in meeting the MDGs

In tackling the issue of urban poverty, local governments are the main agencies for squatter settlement upgrading and the provision of public health. Primary health and education are also often local government functions, i.e. local government is responsible for planning and siting clinics and schools, if not paying the teachers and medics. In most government systems water supply is also a local government function. This is a political reality and is supported by economic theory as being the appropriate level for these functions (Shah and Shah, 2006: 10)

Crook and Sverrisson (2001), based on work in West Bengal in India, and the 2004 OECD report note that political decentralisation can potentially lead to pro-poor outcomes in the following four sectors:

- Pro-poor economic growth: changes in the level of economic activity;
- Pro-poor service delivery: better access to health, education, sanitation, water facilities etc. for the poorest sections of local government’s inhabitants;
- Social equality: pro-poor redistribution of income within local governments; and
- Regional equality: redistribution of resources of growth between deprived and economically wealthy areas.



Recent research has clearly shown the importance of local accountability in the successful delivery of public services, and that it is much easier to make these systems work at the local level (World Bank, 2004).

Finally local government has potentially negative levers (police and public order agencies) for 'bad governance'. The evidence shows that these can be very effective in terms of destroying jobs, mainly in the informal sector. This is an important insight as in many circumstances it is much easier to destroy jobs than to create them (Amis, 2002). Thus it is important to ensure that local government has the capacity to govern effectively. It may not on its own generate development, but where it is weak and unable to govern effectively, there is a strong chance that poor governance will inhibit growth. Removing it altogether is not an option to be considered.

Box 2 shows linkages and relationships between the MDGs and local government functions. Local government is involved in providing direct provision to most MDGs and has at least an indirect supporting role and/or some relationship with most MDGs. The provision of basic infrastructure including roads, police and fire service, solid waste management, local economic development and land use planning are all important responsibilities of local government. MDG 8 on global partnerships for development is the only MDG that local government is not seriously engaged with, but it can clearly be much more involved as programmes such as CLGF's Local Government Good Practice Scheme, funded by the UK, Australia and New Zealand, and the Federation of Canadian Municipalities' Partnerships Programme has demonstrated impressively.

The outcome of CLGF's conference on *Local democracy, good governance and delivering the MDGs in Africa was the Kampala Agenda*

for African local government the important role for local government in localising the MDGs and placing a stronger focus on local government's role in poverty reduction.

1.4 Implementation of energy efficiency and mitigation approaches to climate change

One of the most promising approaches to climate change is to improve the efficiency of energy use, particularly in relation to buildings (IPCC, 2007: 19). The enforcement and implementation of such building regulations and introduction of insulation to increase energy efficiency is a LG responsibility in most countries. Given the current concerns with climate change this is both important and an easy win. It reduces expenditure and is thus self-financing. The evidence suggests that environmental regulation requires administrative capacity at the local level.

Local government also has an important function in providing and supporting adaptation and mitigation strategies for climate change. One of the consistent predictions for climate change is of an increase in extreme weather events and natural disasters. Thirty of the 53 Commonwealth countries are small states (with populations of less than 1.5 million, where disaster preparedness and mitigation is increasingly a priority, including for local government. For example recent hurricane warnings in Jamaica have been delivered effectively using mobile phone technology, ensuring that people were able to get to shelters provided by the councils in good time. A similar approach is being considered in Australia following the recent catastrophic bush fires in Victoria. The provision of water facilities and storm drainage are also local government responsibilities.

Box 2 The role of local government in delivering on the MDGs									
MDG	Fire fighting and police	Solid waste management	Roads	Primary education	Water and sanitation	Primary health	Public health	Land use planning	Economic development
1 (Poverty)	■ ■	■	■ ■	■ ■	■ ■	■ ■		■ ■*	■ ■*
2 (Primary Education)			■	■ ■ ■	■	■		■	
3 (Gender Equality)	■ ■			■ ■			■ ■		
4 (Child mortality)		■ ■	■ ■	■ ■	■ ■	■ ■ ■	■ ■	■	
5 (Maternal health)	■	■	■ ■	■	■ ■	■ ■ ■	■		
6 (HIV/Aids malaria)		■ ■		■	■ ■	■ ■ ■	■	■	
7 (Slums and Water)	■	■ ■	■ ■ ■	■	■ ■ ■	■	■ ■	■ ■ ■	■
8 (Partnership)									■

Key ■ ■ ■ Direct Provision ■ ■ Indirect Relationship ■ Some Relationship *In some cases LG through bad governance can influence this MDG negatively

1.5 Local government and the global economic crisis

The current global economic crisis is likely to have a major impact on local government. At this stage it is difficult to speculate on the precise nature of the impact, however the comfortable assumption that the credit crunch would only affect the liberalised (perhaps too liberalised) Anglo Saxon economies of the US and the UK is a myth: the decline in exports and trade has dramatically affected the manufacturing economies of Germany and Japan. There is also evidence that the impact is being felt in the developing world in countries as diverse as China, India, Zimbabwe and Bangladesh. For example there are major concerns with the employment effects of a dramatic decline in Bangladesh's garment sector¹. The decline in metal prices is having a significant impact upon revenues on Zimbabwean rural government dependent upon the mining sector as a source of revenue. The World Bank has noted that of the 43 countries that were the most vulnerable to the current crisis, 14 were in the Commonwealth (World Bank, 2009). Meanwhile out of the twenty countries invited to the April G20 summit in London five are from the Commonwealth (UK, Canada, Australia, South Africa and India)

It is possible to identify two potentially conflicting trends:

- Relatively well resourced Commonwealth nations (Canada, Australia and UK) have started to implement stimulus² packages to stimulate economic growth and maintain employment. A substantial amount of this is likely to involve local government and be focused on the provision of infrastructure. Historically the provision of infrastructure and construction works (mainly housing in the UK) has been the classical counter cyclical Keynesian economic strategy.
- The second trend, which was clearly revealed in the 1980s austerity period often associated with Structural Adjustment Programmes, was for countries to limit public expenditure in general but resources going to local governments in particular. This makes political sense for many central governments as these areas are often opposition controlled and also it is easier to "let them take the strain". This was clear in a range of countries; urban infrastructure expenditures were often disproportionately cut as being easy targets, sectors that classically used scarce foreign exchange; did not earn revenue (either domestic or foreign exchange); and being capital intensive, large investments are easy targets for postponement. The result of all these factors is that local government and urban infrastructure were severely squeezed during previous recessions. While it is potentially misleading to speculate, it is difficult to imagine a situation where public expenditure in many Commonwealth countries is not put under intensive pressure in the near future.

The final issue concerns international finance: given the experience of the last two years, it is difficult to imagine a situation where private sources of capital will not be more conservative³. Many developing countries are also likely to be influenced by a decline in remittances and private investment/potential local revenue sources.

There is also concern that there will be a decline in aid in real terms in the foreseeable future. This may be a pessimistic assessment but will need to be monitored. The implication of this for local government is a need increasingly to seek to work with new partners, an issue we shall return to later. In summary: a central challenge is to limit the impact of the current recession from undermining much of the recent work and policy that has sought to strengthen decentralisation.

1.6 The changing aid environment

The aid environment has changed substantially since the mid 1990s and this has had a direct impact on the nature of support and assistance available either directly or indirectly to local government.

The following three factors should be considered:

- In the late 1990s all the countries of the UN and the major donors signed up to the Millennium Development Goals (MDGs) as an approach and commitment to addressing global poverty. From a UN-Habitat perspective - the UN agency with a focus on local government - the most important MDG is Goal 7: to ensure environmental sustainability with specific targets to reduce by half the proportion of people without sustainable access to safe drinking water; and to achieve a significant improvement in the lives of at least 100 million slum dwellers by 2020.
- The OECD 2005 Paris Declaration on Aid Effectiveness committed all the relevant donors to disbursing their aid according to twelve broad principles, emphasising the importance of ownership, alignment and harmonisation. The most important of these were the statements that donors would seek to harmonise their assistance; seek to work with existing country systems and to shift their aid to a Programme Based approach⁴. This represented a shift in aid disbursement from a traditional project approach to Sector Wide Approaches (SWAs) and to General Budget Support (GBS). The implications of, and opportunities for, the financing of local government that arise from this shift are important. The 2008 meeting issued a new Accra Agenda which has reinforced the Paris Declaration, and it is stronger in the role it sees for local government (see Box 6).
- A commitment to decentralisation, and to local government and governance. This was underscored by the 2005 Commonwealth Heads of Government commitment to the *Aberdeen Agenda: Commonwealth Principles on Good Practice for Local Democracy and Good Governance*. All countries of the Commonwealth have committed themselves to three key statements: the MDGs, the OECD Declaration and the Aberdeen Agenda. Together they provide a valuable policy framework, the challenge remains in the implementation.

2 Financing local government

2.1 Under-resourcing of local government

The evidence from a range of countries show that in most cases local government simply does not have the resources to either fulfil their mandates and/or to seriously tackle the MDGs⁵ although it is central government that has committed local government to delivering them (Kiyaga-Nsubuga, 2006). This was a central argument in CLGF's submission to the Commission for Africa in 2005. Furthermore there is a long running tendency for local government to become less dependent upon own revenue sources: *"Most countries experienced a decline in local government revenue sources as a share of local government funding of services (i.e. increased dependency and risk of decline in the sustainability of investments and local government autonomy). This is a trend that has proven difficult to reverse through existing support mechanisms"* (OECD, 2004: 34).

This trend has been noted in Commonwealth countries; for example the experience of urban bodies in India which, despite the 74th Amendment to the Constitution of India, are still unable to fulfil their mandates. (Om Prakash Mathur, 2006: 201). On average the under funding in relation to the Zakaria Committee⁶ norms is 130 per cent. Studies in Australia have similarly highlighted the issue of unfunded mandates.

The crude politics around national governments and taxation policy should also be noted. Despite economists' arguments about the appropriate levels for the incidence of different tax, in almost all systems, with the exception of Scandinavia and Switzerland, central government holds onto the best taxes. The result is often that local government must depend upon central government transfers; thus in most cases the emphasis has shifted from local government's own revenue sources to the robustness and efficiency of intergovernmental transfers.

The special case of local government in federal states needs to be considered; thus in India (and also Nigeria) central local relations is often better characterised as a three cornered fight between the central government, the state level and the local authority. This situation can create a whole series of complex issues but can also offer grounds for innovation. The case of Scotland within the UK, although not a federal state, could be an example of how this arrangement can promote innovation at the national/provincial/second tier of government. The experience of the provinces in the Republic of South Africa would be another case.

Local government, because of the nature of its activities, has an inbuilt tendency towards "fiscal weakness": local government faces an endlessly increasing demand on services caused *inter alia* by: population increase and urbanisation; a general rise in expectations – both through demands for welfare and sometimes safety nets; and inflation. Meanwhile the nature of local government's services, typically health care, education provision and solid waste management, is such that there are relatively

limited economies of scale in its provision, at least in comparison to industrial process. It takes more or less on a per capita basis on those receiving the service the same number of people to empty the dustbins, run health clinics or teach children⁷ in Accra as it does in Birmingham or New Delhi. Thus local government is classically caught in the scissors of ever rising expectations and the inability to achieve economies in the delivery of services; the result is a tendency (but not inevitability) that local governments often face fiscal weakness.

2.2 Access to sources of revenue

There is a common myth about local government finance; it is often argued that as countries develop their local governments become less dependent upon central transfers, and that local government not being dependent upon its own resources is a sign of underdevelopment. This is misleading. OECD figures make it clear that broadly speaking as countries develop they become *more* dependent upon central-local transfers. The exception is the countries of Scandinavia where local revenues account for a high percentage of local government finance. This should not surprise us, as countries develop their local governments are likely to have to perform a range of services. As noted earlier in most political systems central government often likes to retain the most important revenue streams.

While it is not possible to be dogmatic, there is evidence that buoyant taxes are very important for successful local government financial systems. This was established by research for ODA (predecessor of DFID) and the World Bank (Davey, 1996). A buoyant tax is one that increases naturally with population increase, rising expectations and demands and inflation; these are classically income or sales or expenditure taxes. The problem for most local governments, and this is especially true of municipal/urban governments, is that they are dependent upon property taxes. The updating and rerating of property is an administratively burdensome and political exercise. The result being that financially local governments are often effectively playing catch up. It is unusual for local governments to have access to easier revenue streams. Thus out of necessity local government will need to rely to a significant degree on central local transfers.

Central local transfers are often a problematic issue to local government treasurers. In principle they often have stated dates of arrival, but in many cases a combination of bureaucratic inefficiencies at the centre, shortage of funds and austerity programmes, means that transfers are often not as timely as is suggested. Thus for many local governments the treasurer's problems are often more about managing cash flow than strategic planning or budgeting. Later we shall discuss the innovation of publishing central local transfers in newspapers and other media to address this.

Box 3 Canada's Gas Tax Fund

The Canadian Gas Tax Fund provides stable and predictable funding for municipal infrastructure priorities that contribute to cleaner air, cleaner water and reduced greenhouse gas emissions

The 2007 budget extended the Gas Tax Fund to C\$2 billion per year from 2010 to 2014, with a further announcement in 2008 that the GTF was to be made a permanent measure at \$2 billion per year after 2014.

To implement the programme, detailed agreements have been prepared with every province establishing an allocation formula which allocates the revenues to provinces on a per capita basis. This allocation is shared between the province and its constituent municipalities; different formulae are used by each province to allocate funding to municipalities. In British Columbia and Ontario the local government associations distribute and monitor the funds.

The gas tax transfers are conditional, non-matching funds. The funds have to be spent on environmentally sustainable municipal infrastructure. Municipalities receive a lump sum based on their population. Municipalities can bank (use interest) or borrow against funds. Five per cent of the fund is earmarked for innovative projects developing new technologies for achieving environmental objectives.

What matters therefore for local government finance is:

- Local government needs access to a buoyant source of revenue; these are classically sales, income taxes and some licensing, vehicle taxes or market fees. Unfortunately in almost all systems of government finance these are collected at the centre.
- This necessity means that central local transfers are critical (and they are likely to increase as countries develop).
- Transfers should be formula driven, regular and reliable. The best formulas for this are those where local government is entitled to a proportion of a particular financial stream (Some countries would specify that local government should receive a proportion of sales or income from other taxes. This is the case in Kenya where LATF funds are determined as is 5% of national income tax, and in Ghana where the District Assemblies Common Fund (DACF) guarantees at least 5% of the national budget is distributed to district assemblies for development, and was recently increased to 7.5%. Distribution of the funds among the assemblies is governed by a formula which is approved by parliament each year.
- This also means that central governments should resist the temptation to manipulate the system for political advantage.
- The design and the detail⁸ of these is critical for local government finance and for effective systems.

- In some countries, especially those with federal arrangements, this system is enshrined with constitutional and/or legal protection. This is the case in the South African Constitution.
- Finally it is important transfer systems do not undermine the local effort to collect revenue.

2.3 Legislation to enable local government to raise funds from other sources

To improve the financial situation of local government it is sometimes necessary for enabling legislation to allow local government to raise funds through other means. For example, in many countries local governments are prohibited from seeking private sources of funds and this can only be changed by passing enabling legislation. However central government has a legitimate role in policing and/or monitoring local government borrowing. Thus for example substantial debts were run up in the 1990s in Latin America partly through excessive - and perhaps irresponsible - borrowing by sub-national governments.

One example where enabling legislation is needed is the case of municipal bonds. To some extent credit rating agencies mirror this trend in that no agency will give a credit rating to a sub national level of government or local government that is higher than that given to the national government. The logic being that in the end the central government is often ultimately responsible. CLGF together with the Development Bank of South Africa (2006) has published a very helpful guide entitled *Obtaining a Municipal Credit rating: a brief overview* on this process. Similar legislation may also enable local government to seek agreement with the private sector and receive loans. While gaining access to alternative sources of funding and credit is important for local governments where appropriate, the global experience of the last few years must emphasise the importance that this is done with due diligence.

2.4 Alternative mechanisms: the role of the private finance

Many local governments are urban or municipal governments. Given the nature of the extent of urbanization, the enormous needs for urban infrastructure cannot be met solely from the public sector. It is therefore critical to design systems to encourage private sources of funding. One model is the provision of municipal bonds alongside the development of a credit rating system. This is an innovation for developing countries of the Commonwealth but there have been some successful experiments in South Africa, Zimbabwe and India. Within India so far it is estimated that 14 cities have been assessed and have received a municipal bond. In addition more than 40 bodies have subjected themselves to a credit rating agency, which highlights the importance of market-orientated reforms and the use of these ratings as a source of benchmarking (Om Prakash Mathur, 2006; 193-195).

The demand-driven nature of this instrument is in contrast to many forms of aid disbursement, which is implicitly supply driven.

2.5 Municipal development banks

An alternative financing mechanism for local government is the municipal development bank. These are usually publicly-owned

organisations, whose objective and brief is to lend money to local government on commercial terms. It is seen as an instrument, which can be used to provide capital funds to local governments. HUDCO in India is an organisation that essentially operates on these lines. In continental Europe these banks are often linked to and sometimes owned by local government associations. The shareholder composition varies but in many cases the local government association is a major stakeholder. In principle this is an attractive option; unfortunately the research evidence tends to suggest that they are often put under political pressures and that they often do not provide loans on strictly commercial terms (Davey, 1996).

2.6 The experience of UNCDF

United Nations Capital Development Fund (UNCDF), through its Local Development Programme, has been an innovative donor in the field of local government funding. Its main focus has been to link the planning, revenue and budgeting cycles and process to make for more effective local government. This approach has been piloted quite successfully in a range of countries. UNCDF has been particularly concerned with the tension between the vertical logic of intervention, which is represented by GBS and SWAs, and the potential horizontal logic represented by an approach, which strengthens local government systems and the decentralization process in general. (UNCDF, 2006). One of the major innovations that UNCDF has piloted with some success is the linking of central government to local government transfers to improve performance in local government revenue collection performance. Thus the amounts of funds transferred are linked to local government performance. While intellectually satisfying, the evidence from elsewhere suggests that the political process tends to lead to such transfers becoming de facto entitlements rather than being clearly based on performance. This is a very important innovation, which requires further monitoring. It is clearly an important approach for the future.

2.7 International development finance: lessons learnt from government and donor decentralisation programmes

CLGF's recent conference on local government access to development finance, September 2008 highlighted many of the challenges facing local government in developing a relationship with the donor community and participating on planning and delivering development programmes, in spite of their role in delivering the MDGs and providing services that reduce poverty. This was particularly marked when taking into account the commitments made by African governments and donors at their meeting on aid effectiveness in the same month.

'Donors will support efforts to increase the capacity of ...local governments...to take an active role in dialogue on development policy and on the role of aid in contributing countries' development objectives..... work more closely with ...local authorities...in preparing, implementing and monitoring national development policies and plans' as well as to 'identify areas where there is a need to strengthen the capacity to perform and deliver services at all levels- national, sub-

national, sectoral and thematic- and design strategies to address them' Accra Agenda for Action, September 2008.

CLGF is committed to working with its members to continue to lobby and to develop the necessary skills and knowledge at the local level to ensure that these commitments can and are implemented.

2.8 Donor support

In a recent review of DFID's support to decentralisation and local governance in 27 countries in Africa, Asia and the Middle East, Newsom (2008) explains that "The good performers are where the decentralisation framework adopted is appropriate and pro-poor, the manner in which decentralisation is implemented is sound, there is strong and continued political commitment and there are adequate financial resources and human resource capacity. Long term and well sequenced decentralised country led programmes underpinned by flexible approaches and capacity building are important for achieving successful outcomes. (p8)".

Box 4 Funding for urban development: the JNNURM programme in India

India as part of its recent National Common Minimum Programme launched in 2005 a new programme entitled the Jawaharlal Nehru National Urban Renewal Mission (JNNURM)⁹. The rationale for the programme is a realisation that the weakness of urban infrastructure is increasingly being identified as a major constraint on India's desire to accelerate its already high GDP growth rate from 9%. The programme will provide US\$12.5 billion as a central grant which aims to leverage contributions from state governments, institutional finance, private sector funds and beneficiary contributions. JNNURM involves 63 urban areas and helps them prepare a comprehensive City Development Plan including funding issues but also important aspects of a reform agenda. From this Plan more detailed project plans for funding, including provision for future operation and maintenance. This programme represents a significant new approach to funding urban infrastructure in India; the emphasis on City Development Plans, funds for infrastructure for the poor and institutional reform should be noted¹⁰.

The need to strengthen capacity building through experience sharing has been recognized and a programme called PEARL (Peer Experience and Reflective Learning) has been launched. The objective of the PEARL programme is to create networks between JNNURM cities for cross learning and knowledge sharing on urban reforms and city governance so that the objectives of the mission are successfully achieved to make cities more liveable, economically vibrant and environmentally sustainable.

In general donors have found that their contribution has been most effective where there is political will and a sound decentralisation framework. The World Bank (2008) found that for decentralisation to work it must be underpinned by genuine commitment from the client country (p17). DFID recommends that it is insufficient to focus on national politics and secure national agreements for delivery of projects involving district/local government. Understanding the politics at all levels and the political relationships between the levels is important. Furthermore, it would be appropriate to consider working with smaller chiefs and family heads in cases where powerful chiefs have a vested interest in local assets. The OECD emphasises the importance of commitment from partner governments. One of the most important recommendations it makes is the need to ensure that donor programmes are integrated within the policies and plans of partner governments so that coordination in delivery remains coherent and sustainable. This is an important idea that we shall pick up later in this paper.

Establishing and sustaining good country partnerships for decentralisation-related projects present particular challenges. The EU Cotonou Agreement, which guides the EU's aid and trade relationships across African, Caribbean and Pacific countries for example, identifies local government as a key actor for development in its own right. The need to engage with all partners during the design stage is not always recognised. Many projects involve multiple institutions and different levels of government in the delivery of project outputs. It is important to ensure different levels participate in the design, field visits and monitoring. Also to establish appropriate feedback links so the experience at local level feeds into policy formulation (GSDRC, 2008e, p2).

The World Bank also emphasises the need for proper monitoring and evaluation: they encourage a more results-based approach to monitoring and evaluation that focuses on local outcomes (such as enhanced accountability, greater citizen participation, and improved service delivery) rather than on just the process of decentralisation (GSDRC, 2008e, p3). Effective monitoring and evaluation (M&E) requires careful design and use of good results-based indicators. If capacity is weak at the local level to take on responsibilities for M&E, technical assistance should be made available to build capability. Sound decentralisation indicators for measuring results; stronger and more effective monitoring and evaluation systems; and good knowledge management to support the complex and multi-dimensional nature of decentralisation work in partner countries are essential.

An evaluation of UNDP support to local governance and outer island development in Tuvalu found that a key contribution of the project was to support increased harmonisation between unwritten laws grounded in the customs and traditions of the people and formal laws as prescribed by the constitution. It is also noted that the project reinforced the concept of decentralised democracy alongside local traditional governance systems. The full ownership of the project by the Government of Tuvalu added to its success. One of the main lessons learned was that the project's flexibility and adaptability to the

local context enhanced project outputs (GSDRC, 2008e, p.9). The importance of external assistance, whether international or from central government, being sensitive to local socio-economic circumstances cannot be over-emphasised.

2.9 The changing aid environment and local government

The changing aid environment – especially the increase in donor harmonisation (Paris and Accra), represents both a threat and an opportunity to local government. The threat is that this approach can strengthen sectoral ministries at the expense of local government, (there is some evidence of this from Uganda). It can be an opportunity if local government becomes involved in the process: it should, at least in principle, increase donor funds, provide for better donor coordination, increase predictability and provide support for recurrent expenditure. Box 6 gives the main recommendations of a recent CLGF study.

2.10 Lessons learned from government and donor decentralisation support

The following lists lessons which have been learnt to make both government and donor support for local government more effective. These are important issues for the conference to consider for sustaining the positive gains that have been made in decentralisation policy, implementation of the Aberdeen Agenda, and also in consolidating improvements, through a culture of continuous improvement and capacity building:

- Strong national ownership, at both central and local level: central government commitment is essential.
- Understanding political context is important including the relationships between different levels of government; It is

Box 5 OECD on improved dialogue in donor and country programmes

"There is a need for a more extended dialogue between governments in developing countries and the donor community concerning the extent to which the Poverty Reduction Strategy Paper (PRSP) process and Sector Wide Approaches (SWAs) support or undermine decentralisation efforts. Partner governments that have embarked on decentralisation reforms should make sure they keep to their commitments concerning decentralisation in practice. Donors, for their part, should clarify their policies both towards SWAs, PRSPs and decentralisation and identify those aspects of their country support that lack coherence and compatibility. A review assessing the need for developing a poverty-reduction strategy credit similar to the present central government budget support system is also required."

(OECD report on *Lessons learnt on donor support to decentralised and local governance*, 2004,55).

important not to bypass local institutions, and to be flexible to local and traditional governance structures.

- There is a need to focus on both governance issues and technical capacity: support to decision making should be linked to access to resources.
- There is a need to build inclusive partnerships: decentralisation and local government projects typically involve multiple institutions and different spheres of government in the delivery of project outputs.
- Better monitoring and evaluation (M&E): good results-based indicators should be developed. If capacity is weak at the local level to take on responsibilities for M&E, technical assistance should be made available to build capability.
- Greater realism and management of expectations: Several studies note that expectations were high, and project aims were overly ambitious; furthermore decentralisation is a long-term endeavour.

Box 6 Financing local government; the new opportunities

The Paris and Accra Agendas on aid effectiveness present new opportunities from the new aid disbursement mechanism, namely SWAPs and GBS, and how they support local government. These new mechanisms must strengthen local government and not undermine it. Recent innovations have shown that this is possible. The key to achieve this is to make local government visible and a key stakeholder in central policy making, and to “hardwire” LG into the main CG system, especially in the following are the areas:

- There must be a local government component of the Poverty Reduction Strategy Process (PRSP) and PRSC process.
- Local government should be included in general public sector reform programmes and processes.
- Local government needs to be integrated into overall public finance management (PFM) discussions.
- There is a separate need to work towards making national statistics and financial accounting procedures compatible with local government systems.
- As far as practical, all policies should spell out which sphere of government (central/state or local) will be concerned with implementation. This is particularly important with sector plans and sector policies.
- Local government should be included in all SWAp and sector discussions which have a local service delivery component.
- Local government needs to be involved in the design of Performance Assessment Frameworks for the monitoring of SWAPs and GBS programmes.
- There should be a separate budget head for MD7 (slum upgrading).

3 Democracy and accountability

3.1 Local elections and accountability

The Commonwealth - in the Harare Principles (which sets out commitment to fundamental political freedoms) and the Aberdeen Agenda - highlights the importance of the election of local councillors in free and fair elections and their role in providing services to their constituents. Part of this process is the right for voters to replace politicians according to their preference.

In at least ten Commonwealth countries local government is not elected, or elected local government is under threat. Vigilance needs to be maintained to ensure that progress towards local self-government in the Commonwealth is consolidated and enhanced.

3.2 Citizens, voice and accountability and service delivery

Citizens, or voters, put pressure on the political representatives who deliver services in return. This is the classic argument for accountability and local democracy which CLGF supports. This is the "long route of accountability" as noted by the World Bank in the *2004 World Development report: Making Services Work for Poor People* where the relationship is perceived in terms of terms of a triangle of poor people, policy makers and providers. In terms of local government these categories are: local voters, local councillors and local government as the service provider. This is the central dynamic and main focus of democracy and accountability.

Citizens can also use a "short route of accountability" where citizens or voters seek to put pressure on the providers directly (World Bank, 2004), including initiatives like the report card system in Bangalore, community monitoring and the publicising of central local government transfers in Uganda. However there is sometimes a tension between these two approaches as some of these systems that aim to give the citizens greater voice can threaten the democratic mandate and role of local councillors. The case below provides some examples of how the urban poor are using democratic channels to exercise their voice.

3.3 The poor have been more successful in their claims in urban areas

Recent research by the International Development Department, University of Birmingham, based on a series of studies of ten urban areas - seven of which were in the Commonwealth - has shown that the twin trends of decentralisation and local democracy has provided the poor with more room for manoeuvre and some limited success in getting their claims recognised by government. In the Indian cases in Visakhapatnam, Ahmedabad and Bangalore it was clear that electoral politics did result in some benefits going to poor groups. Note that the poor have much higher rates of electoral turnout. (Devas et al, 2004). In the Bangalore case the study showed a very sophisticated process of "vote trading" with poor groups doing deals with different political parties in return for the best benefits.

Box 7 Capacity building in the Pacific – training elected leaders

In 2005 CLGF began a five-year project to enhance the quality of local government in the small states of the Pacific Islands. The project established strong "buy-in" by major stake-holders and partners through a participatory approach to design, planning and implementation.

Rapid urbanisation is one of the major risks to human security in Pacific societies in the coming decades, and the resource gaps that Pacific urban authorities face make capacity-development one of the most pressing issues.

A Regional Training of Trainers held in 2006 in collaboration with UN-Habitat and UNDP, used UN Habitat's locally-elected leaders (LEL) training program to train 30 trainers from eight Pacific countries. They modified the materials and the approach was developed to be appropriate to the region.

Vanuatu was one of the countries involved: in Vanuatu local democracy is strongly influenced by family, language and indigenous culture (*kastom*). This typically results in an extension of a chiefly, or patronage system, which in turn can lead to unequal distribution of public services. Information asymmetry is the norm with only those with formal education or the right connections able to access funds or services.

The LEL materials are structured around 12 competencies, delivered in two or three multi-day sessions or modules. They are: *Representation, Negotiation, Leadership, Communication, Financing, Enabling, Using power, Overseeing, Policy making, Facilitating, Decision making and Institution building.*

The LEL materials were used to train community leaders in Vanuatu as well as elected officials. Capacity building in communities includes many of the principles for good governance and many of the modules are useful for community development. Community leaders and representatives were grouped together according to their leadership roles, rather than geographical location, leading to lively debates where differing local approaches to leadership and representation were compared. Capacity issues rather than local issues were debated in small group workshops and presented in reports back. Local examples for discussion offered participants the opportunity to see different perspectives on community development priorities.

Feedback from participants confirms that participants appreciated the opportunity to be part of the training. The government hopes that it will continue to be rolled out to support the decentralisation policy. It can also enable community leaders to organise themselves to demand and take advantage of services provided to them. It is hoped that by raising community expectations of their elected leaders, local government's performance will improve in line with community expectations.

3.4 A vision for development by local politicians

The vision and leadership of local politicians matter, as was confirmed at CLGF's Auckland meeting 2007. Thus local politicians must seek to fulfil their mandate through general economic development and service delivery for all their citizens rather than rely on support solely through giving tax breaks and/or write offs to a

specific group or relying on patronage politics and/or using the local government as a source of unsustainable employment creation. The robustness and dynamism of local democracy is one of the best safeguards that can support and reinforce a greater vision for local government.

Box 8 Challenges to governance in Trinidad and Tobago

In 1990 the Trinidad and Tobago government embarked upon the reform of local government. Chaguanas was established as a separate borough in October 1991. It did not immediately enjoy all the status or entitlements of the other city/town and borough corporations because of the national economic situation and operated for several years with grants/subventions from central government.

Emphasis was placed on the core business of sanitation and maintenance of public infrastructure. These services were weak and there was a lack of transparency and accountability with little emphasis on governance from the perspective of participatory decision making, community ownership of projects and programmes or in developing infrastructure/programmes to support the changing needs.

It took almost a decade for the Corporation to develop and move its programming beyond the delivery of the basic local government functions and services to adopt and adapt to a new structure and philosophy. From 1999-2003, the groundwork was laid for the new council elected in 2003.

Some of the specific challenges, which were to be addressed, were:

- To improve effectiveness and efficiency of the Borough administration
- To inculcate a sense of community within the citizenry
- To increase awareness and participation in local government and local governance
- To upgrade the status of local government and promote good governance

In an attempt to change the mode of operations as well as the philosophy the Corporation used a two pronged approach, one dealing with internal challenges, the other focused on creating a more inclusive environment.

Internal dynamics: three specific actions were pursued:

- Clearly defining roles and responsibilities of the council/administration
- Developing a culture of a teamwork amongst the council and administration
- Retraining staff where necessary, to adapt to changes in culture/technology.

Responsibility for tasks and service delivery was clarified and support systems for managing and facilitating public services works were put in place, including training in software applications, to help increase efficiency. Numerous staff workshops to facilitate a team culture were also organised. Citizen awareness and inclusiveness: using innovative projects delivered directly and through partnerships with other organisations, the borough sought to inculcate a sense of community as well as building a more inclusive organisation.

These included:

■ **Youth programmes:** an art competition for school students to draw scenes as to the Youth view of Chaguanas: past present and future. On completion the students were invited to replicate their work as a mural in the town centre. This mural now stands as one with twelve scenes covering an area of over 500 square feet. The Corporation has also sponsored competitions and supplied schools in the Borough with sports equipment.

■ **Adult programmes:** the Corporation sought to engage in various activities including

- a Healthy Lifestyle campaign, developing properly lighted jogging tracks around the Borough
- aware of high levels of diabetes, the Borough has partnered with the National Diabetes Association to set up offices in Chaguanas, and with the Lions Club to distribute wheelchairs.

Local government authorities, particularly in small developing countries, face challenges in establishing themselves as institutions in the promotion of good governance. From a Caribbean perspective, this is a real challenge to many of the local government authorities. Their mandate from central government makes them focus on more mundane activities, rather than governance and inclusiveness. Local governments have to create their own niche, in a manner that will raise awareness of the role of the authority, and create avenues for greater citizen participation, empowerment and inclusiveness in the key decisions that affect them.

3.5 Reinforcing accountability

It is often seen as a good practice to have procedures and practices that support the accountability loop by requesting or requiring local governments to consult. There are, for example, provisions for this in the design of local authority development plans in Kenya and Uganda. Similarly, in New Zealand the local government has a "duty to consult". These processes often help prevent local government becoming too distant and can serve as a useful "reality check" for local government officers. There has been quite a long tradition of this in planning in the UK. Some of the difficulties in moving towards a greater process of working with local communities have been noted in the UK although there are still some positive developments (Churchill, 2008).

3.6 Mechanisms to increase accountability for excluded groups

There are various methods of ensuring and allowing the participation of excluded groups in local governance. They fall under two broad categories: 1) promoting the representation of excluded groups in local government, including in leadership positions and 2) Promoting the participation of excluded groups in local meetings to discuss planning, budgeting and development projects. Within these categories, a range of formal and informal mechanisms and strategies have been attempted in various countries (GSDRC, 2008, p.1).

- *Party list quota system to improve access:* This mechanism needs legislation to require political parties to allocate a percentage of their seats to members of excluded groups. The mechanism is not as popular at central government as it is at more local levels, especially within the Commonwealth. Namibia's parliament adopted an affirmative action provision in the Local Authorities Act of 1992 which stipulated that the first local authority elections were to use a party list system and that each party had to include at least two women for councils with 10 or fewer members, and at least three women for councils with 11 or more members. As a result, 37% of local councillors elected in 1992 were women. In 1997, amendments to the Local Authorities Act meant that the 1998 elections required an increased proportion of women to stand resulting in increased representation of women in local government of 41%. In 2004 the percentage of women in local government through by-elections in Namibia was 45% while 40% of mayors were women (UNDP, 2008, p.48).
- *Reserved seats for appointed and selected representatives for specific or minority groups:* Reserving elected and appointed seats through a quota system for minorities or disadvantaged groups is a common practice. It is a heavily criticised mechanism, as appointments often end up being accused of being a 'mouthpiece' for those who selected them. This is currently a concern in the Zimbabwean local government

system. Furthermore, in some systems, representatives are appointed after elections are held in which men usually win all the seats, after which bureaucrats appoint a number of women to the council. This method hinders openness and is an unreliable way of giving members of excluded groups voice, as those who are appointed owe their positions to the people who selected them (Manor, 2003).

The reserved seats mechanism for elected representatives has been more successful for engaging excluded groups:

- India has a successful record of formal inclusion of excluded groups in local government. There is Constitutional guarantee of seats (proportionate to the population) (73rd and 74th amendments to the constitution of India) being reserved at all levels of government for women and for scheduled castes and scheduled tribes (GSDRC, 2008, p.4). There is also a guarantee for women having leadership positions in village councils.
- Pakistan has a similar reservation system; women are either directly elected (to Union Parishad Councils) or indirectly elected by the entire electoral college of the upper-level local government unit in question (tehsil, town, district). Pakistan's local electoral system also ensures that minority religious groups are represented. Directly elected village or neighbourhood councils include one reserved seat for women and one for peasants. Directly elected UPs include four seats reserved for Muslim women, six seats (of which two are for women) reserved for workers and peasants and one seat for minority communities. For the indirectly elected councils, women must represent 33% of all members, and peasants and workers must represent 5% (Nickson, 2007).
- Uganda's local council system is designed to create opportunities for participatory decision making at all levels. Gender and minority interests are protected through reserved seats for women, youth and people with disabilities at each level (GSDRC, 2008, p8). Generally all members of the public have the opportunity to vote for reserved seats as opposed to segmented voting; this is because many experts suggest that segmented voting (e.g. only women voting for women) can be divisive whilst combined voting can give those elected more confidence that they are supported by a popular mandate. Furthermore, secret balloting is a tool that can give balloters the confidence to express difference of opinion to other family members (GSDRC, 2008, p2).

Manor (2003) argues that this method has done little to strengthen the influence of women. Studies of specific systems have shown that women often serve as proxies to express the decisions made by their male relatives. In many cases these are in societies where prejudices against women taking independent action still exist, sometimes

resulting in women being threatened and even facing violence from reactionaries when they try to carry out their assigned roles. However the involvement of women in the political system through such mechanisms increases their confidence, provides experience of leadership in the public sector, and breaks down ingrained taboos.

3.9 Separate institutions as a mechanism for involving excluded groups

Institutions that are independent of the established political system may allow members of excluded groups to run for office and to vote (GSDRC, 2008 p2).

There is evidence that these mechanisms have been successful in representing excluded groups, with most examples around the world being through the successful representation of women. However, further efforts are needed to ensure that excluded groups that are being engaged are aware and have the necessary skills and capacity to assume positions in local government and, most importantly, have influence. This means initiating an interest within excluded groups to participate in local democracy and equipping them with the necessary requirements to be active citizens and politicians.

Johnson et al (2003) found that the presence of women in local government in Uganda has helped to change attitudes about women's roles and increased acceptance of their participation in leadership roles and politics. However, women had not had any significant impact on local planning or budgeting because there are insufficient efforts to prepare them for their role in politics. They recommend that proper education and training must be provided for women in order for them to properly influence and participate in local government (p.313).

Narayana (2005) found that representation of excluded groups in Kerala, India was much higher than other groups in the *panchayat* (village, block and state level councils), and that they were much more involved in attending meetings, signing petitions and in communicating with elected representatives at all levels. This success was largely attributed to the political mobilisation and awareness in that state. Box 9 describes a project in Bangladesh aimed at strengthening officials and civil society.

The importance of youth in the political process should also be noted. This low visibility is highly significant given their importance in terms of employment opportunities, (or lack of) and their potential for political mobilisation and violence. The Philippines has arguably the best pro-youth representational system. The Philippines Local Government Code provides for the organisation of youth councils in every village. Members are elected by those aged 15 to 21, and are present at every level of the Philippines local government system; this ensures that the local government decision making process is at least partly attuned to the needs of younger members of the electorate (UNDP, 2008, p.52). It is also significant that the youth issue remains an identified problem in the agreement which led to the 2008 Kenyan multi-party agreement.

3.10 Participatory budgeting: involving the poor in the budgeting process

Participatory budgeting is an effective way of directly involving citizens in allocation of public resources from a local government perspective. It was originally developed in the 1990s by the workers party in Brazil in Porto Alegre. It was an attempt to give the poor some inputs into how local budgets were made. The process involved a series of local meetings and the election of delegates to a series of meetings to then consider the process and agree the budget. The evidence of the Brazilian case has been that, in the highly unequal nature of Brazilian society, the poor (although not the poorest) have made an impact into budgetary decisions, mainly in favour of infrastructure provision for poor settlements. However it represents a relatively small fraction of the municipal budget. While achieving some success, in many cases local politicians felt threatened by the process, arguing that it undermined their legitimate democratic function and mandate. (Souza, C 2001, p151). In such policy transfers it is important to understand the specific context: in the case of Porto Alegre it is a prosperous city by Brazilian standards and the idea had very deep political roots.

Participatory budgeting has become a very fashionable and has been introduced in a wide range of countries.

- Manchester in the UK has experimented with such an arrangement.
- The Hunger Project in the Tagnail district of Bangladesh in 2005 allowed people to raise questions on tax proposals and development. The Union Parishad declared the budgets before some 500 people, and both men and women were given the opportunity to ask questions about expenditures and revenue within the budget. Local people appreciated this as an opportunity to promote accountability and transparency especially in such peripheral regions of Bangladesh (Rehman, 2005, p.19).

These initiatives are taken in order to:

- promote public learning and active citizenship
- achieve social justice through improved policies and resource allocation, and
- reform the administrative mechanism (Rehman, 2005, p.8).

The World Bank observes that increased participation in budgeting can lead to formulation and investment in pro-poor policies, greater social consensus, and support for difficult policy reforms. Experiences with participatory budgeting have shown positive links between participation, sound macroeconomic policies, and more effective government (Rehman, 2005, p.9). Local and national government bodies arrange participatory budgeting to use information by the public for revenue and expenditure decision-making. Forums are held throughout the year so that citizens may have the opportunity to prioritise broad social policies and monitor public spending.

Box 9 Strengthening local democracy: the BUILD project in Bangladesh

The Capacity BUILD project of CARE-Bangladesh promotes democratic principles and a heightened sense of civic duty to support a larger government goal of decentralising public decision-making. Capacity BUILD works throughout Bangladesh to instill an awareness of the roles and functions of locally elected bodies. The intervention supports capacity building activities both with the elected officials and *union parishad* (UP) secretaries (administrative officials) to improve their management skills. It also creates stakeholder groups in local communities that meet regularly with UP members in order to increase the transparency and accountability of local government. The program promotes the participation of excluded groups, especially the poor, in local level planning and emphasizes the public role of women in government. It has tried to enhance the capacity of local government to plan and coordinate effective initiatives with community participation to foster local level transparency and accountability. Ultimately, the programme looks to reform traditional attitudes and behaviour of local people that constrain the development of representative government. In the long term, it looks to pave the way for participation of excluded groups into local governance (Rehman, 2005, p.14).

- Exercises to tackle taboos and traditional prejudices about excluded groups should be incorporated in the implementation of any legislative mechanisms to ensure their participation.
- Awareness through media campaigns to increase awareness, functions and opportunities of participation to excluded groups.
- Engagement of citizens in democratic process should begin as early as the planning and design stages to ensure pro-poor priorities and a sense of public ownership.

3.11 Improving participation in democratic processes

Ideas to be considered at the conference on how local democracy and accountability at the local government level can be strengthened include:

- The electoral mandate of local government is important and local electoral processes need to be strengthened and maintained.
- The role of local councillors and officials in strengthening democratic processes and accountability is critical to improving service delivery; as is the ability of citizens to express their views – are there ways in which this can be improved?
- In some cases such as New Zealand, UK and Australia there are formal systems that encourage and support a consultation process.

Formal and legislative mechanisms to ensure representation must be accompanied with:

- Training packages and capacity building to help understand planning, budgeting and local government processes: training should include confidence-building and public speaking skills.

4 Improving performance

4.1 Improving performance through tracking funds and publishing central-local transfers

A recent innovation in local government finance is publishing central-local transfers in the local newspapers, as Uganda has done. As previously noted, the problem for many local government treasurers is managing cash flow. This often means being able to pay local government workers on time.

During the late 1990s the World Bank was concerned that despite nearly a decade of sustained economic growth in Uganda (around 5%) and increased government expenditure on health and education, the relevant social indicators (infant mortality, maternal mortality rates and literacy) did not appear to be showing any signs of improvement questioning whether the budget figures were telling the whole story or not; they commissioned an independent survey (*Do budgets matter?*) of schools and health clinics which showed that only 20/30 per cent of the funds were actually getting through to the frontline. This was publicised in the local press and media and set off a national debate. The result was the idea that the ministry of local government and other ministries would publicise central transfers in the press and in some cases post notes on the relevant local government offices and on the outside walls of schools, showing that the relevant central local transfer has taken place and that salaried staff could therefore be paid.

Such publicity enables and empowers local workers to demand their salaries and not to be fobbed off with suggestions that the money has not yet arrived or come from the centre. This is a brilliant but costless innovation that has now been adopted in a range of Commonwealth countries including Kenya, Tanzania, Malawi, Nigeria and Ghana.

4.2 Improving service delivery through community monitoring

Accountability and transparency are at the centre of any political system. It is the right of every citizen to know what decisions and actions are being implemented in their name and it is the means with which objections can be made internally and externally when governments abuse the rights of citizens (Shah, 2007, p.15). In addition, accountability has an instrumental role in improving the efficiency of the public sector.

Community monitoring is the systematic collection of information to assess the quality of public services. It aims to provide a stock of information/data which can be used to advocate for improved services and better align them towards the needs of local people.

Mechanisms for community monitoring of services can be ongoing but are usually one-off (or cyclical) exercises. They include:

- citizen report cards; survey-based quantitative assessments of services

Box 10 Reducing corruption through citizen feedback in Pakistan

In Jhang, Pakistan, the District Coordinating Officer (DCO) asked the Registration Branch in all *tehsils* (councils) to submit daily the list of all property transactions registered, with cell numbers of the seller and the buyer, the total amount of taxes due and other basic details of the transactions. The clerks of the branch were told that the DCO would call all these citizens himself and find out if they were asked to pay any bribe or commission above and beyond the taxes due, if any.

This threat of personal and intimate feedback communicated directly to the DCO and the possibility of anti-corruption of other PEEDAA action had an immediate deterrent effect on the behaviour of the government officials.

The features of this approach are:

- Immediate feedback from citizens who have interacted with the state avoids the complaint system because it speaks directly to ordinary citizens who have paid the routine fees and have gone back home – unhappy with the treatment meted out to them but unwilling to lodge a complaint because of the relatively smaller size of the petty corruption involved.
- In a phone based conversation citizens are happy to divulge details of the interaction that they went through. All names and all transactions are mentioned. This exposes any officials demanding money from citizens. It can also be expanded, with simple modifications, to monitor remotely the quality of various services offered by the state.
- This manner of speaking to the citizens is scalable, simple and effective.

This kind of feedback will not impact on collusive corruption, such as between the contractor and the engineer, or the revenue officer and the land scammer. But it can, backed by political and administrative will, reduce petty corruption involved in day to day interactions.

- community scorecards; quantitative surveys combined with qualitative meetings
- social audits; combination of the two, or
- participatory expenditure tracking; whereby the community check the flow of resources to a particular service.

Some hybrid approaches are also emerging which combine a number of monitoring components. Community Based Performance Monitoring (CBPM) in Gambia is one example of this. Methodological approaches to the collection of information include, but are not limited to, quantitative household surveys, gathering and analysing public records, key informant interviews, public hearings and focus groups.

Whilst the participation of local service users in the assessment and oversight of services is usually confined to focus groups, interviews and surveys, civil society organisations can play a more strategic role in analysing and presenting data and engaging in a policy dialogue to encourage reform measures. CSO-led activities can take place inside or outside of formal monitoring systems, in partnership with the state or independently. The emerging consensus is that they work best when closely aligned to national planning and information gathering processes (GSDRC, 2008c, p1).

Box 11 Citizens report cards in Bangalore

Citizen report cards (CRC) are quantitative questionnaires which assess citizen satisfaction levels with public service agencies and rank them in terms of their performance. This approach generates a stock of information on the problems citizens encounter. These can then be used to exert pressure for change (GSDRC, 2008c, p4). They first appeared in 1994 in Bangalore through the work of the Public Affairs Centre, an independent NGO.

The idea was inspired by the mechanisms used by the private sector in collecting consumer feedback. The CRC aggregates scores given by users for the quality and satisfaction of the public sector-provided services. Thus a quantitative measure is given of overall satisfaction and quality of services through the use of several indicators. According to the World Bank, this mechanism of feedback serves as surrogate competition for state-owned monopolies as dissatisfaction in terms of survey results initiate pressure on the state to change the quality of its services (World Bank, 2004, p1).

In an assessment of the impact of CRCs on the performance of public agencies in Bangalore, the lessons were:

- The timing must be right and time must be allowed for the results to impact on city policies.
- The CRC does not take into account the real and more specific constraints faced by certain agencies. These must be considered and their impact on the survey results taken into account.
- Senior government officials need to be involved in the process. Their leadership and commitment to improving services in response to the Report Cards is critical.

4.3 Improving service delivery through capacity building

Technical assistance and capacity building programmes for local governments have commonly been supply-driven – by central government and donors. This approach has been criticized for a number of reasons, including a lack of ownership by local authorities and a failure to address their genuine needs. This led to a more demand-driven approach. Local governments have varying capacity gaps and needs and it is increasingly recognised that it is they that are best placed to identify, articulate and address them. However, as this is still a fairly new approach, there are limited examples of demand-driven programmes that have been implemented.

The most common mechanism is the Capacity Building Grant (CBG) or Capacity Building Fund (CBF), a form of discretionary budget support which gives local authorities the flexibility to determine, finance, and manage training and technical assistance according to needs. Assistance has usually been connected to a larger capital/investment development fund that local governments can tap into once they meet certain performance benchmarks (based on core functional competencies identified by donors). Some sources argue that this system is beneficial as it promotes a coherent institutional development strategy and provides strong incentives for local governments to build up capacity to meet the benchmarks. However, other literature critiques this system as preventing genuine comprehensive training and assistance needs assessments, since local governments will be inclined to make assessments based solely on the performance benchmarks.

This type of system was adopted for the first time in Uganda under the District Development Project (DDP) which is considered the key test case for demand-driven assistance. The DDP had a capacity building fund for local councils, which allowed them to decide what training and assistance they wished to finance based on the needs assessment process. Most evaluations of Uganda's DDP have found that this innovative demand-driven approach has been beneficial in getting local authorities actively involved and in developing their skills and knowledge. (GSDRC, 2008b, p.1)

4.4 Capacity building at the centre

In discussion of local government there is a tendency, common amongst European donors¹¹, to ignore or indeed to actively ignore the role of the central ministry of local government. This is a mistake as a strong central government ministry is critical to argue the case for local government at the centre and to provide effective monitoring and evaluation and lesson learning between different spheres of government.

Central government ministries must have a supportive attitude to local government and not just see their role solely as one of policing or control. Building capacity for this both in terms of skill development and reorientation is critical.

4.5 Capacity building for local councillors

Local government is only as good as the skills and competences of those who work in the system. Capacity building is in the long run the most effective way of ensuring sustainable results and effective service delivery.

Capacity building and training is a critical activity to support the improvement of local government. Capacity building and training must therefore be taken seriously with appropriate funding. Thus, properly funded training organisations are important; and they should have a hands-on approach that is engaged and practical rather than academic.¹² UK local government is renowned for the professionalism

of its staff and some of its professional associations, such as the Chartered Institute of Public Finance and Accountancy (CIPFA), are seen as leaders in their field.

CLGF's experience in South Asia, the Pacific and Sub-Saharan Africa has shown that capacity building for local councillors and their officials is very important to improve their efficiency and effectiveness. This is most needed in systems where there is a very high level of turnover of councillors and a high number of new recruits who need training on the basic mechanics of how a local government system works, principles of good governance, and the respective roles of councillors and officers. All the evidence suggests that this is a very effective intervention.

Box 12 Community based waste management in Dhaka, Bangladesh

Waste generation in Dhaka is increasing with rapid population growth: only 40-50% of waste is collected. Though recycling of solid waste has long been an income earning enterprise, the predominantly organic residue causes leachate contamination and methane problems. Composting reduces adverse environmental impacts and generates employment.

In 1999 a partnership agreement was signed between Waste Concern (NGO), the Public Works Department, Dhaka City Corporation and a private company (Map Agro) to work together until at least 2005. The Ministry of Environment and Forests and UNDP (which provided seed funding) also participated. The project provides waste management services in five slum, low- and middle-income communities of Dhaka City with a combined population of about 30,000. It also promotes the use of solid waste for compost in rural areas to improve fast depleting topsoil fertility, creates employment for the urban poor and reduces environmental pollution and health risks caused by uncollected or unmanaged waste.

Since 2002 the project has been replicated in a large number of cities and towns across Bangladesh. The project was set up following a pilot project in 1995 where households paid a monthly fee for collection of waste which was then composted at the neighbourhood plant run by Waste Concern. However, without public sector support it was very difficult to replicate this approach in other areas, mainly due to the scarcity and cost of land for the composting plant. Under the expanded project the Government makes land available free of charge for waste management.

Waste Concern undertakes surveys and community consultation in potential target areas. Once agreement has been reached it provides technical assistance to establish small scale composting units (1-5 tons per day capacity) and training their operation and management. After one year of training and demonstration

operations the plant is handed over to communities or to the public agency owning the land. However, Waste Concern continues to monitor the project for the next three to four years.

Map Agro and a sister company have agreed to purchase all the compost produced, enrich it with nutrients and market it through their countrywide distribution network in rural areas. The enriched compost is cheaper than chemical fertilisers and, following demonstration of appropriate usage is now popular with farmers.

Some lessons:

- A clear and supportive government policy framework is essential to overcome any doubts and uncertainties regarding the role of public agencies and possible legal implications.
- Significant resources are required for project facilitation and capacity building.
- Technologies must be appropriate to local circumstances and available expertise.
- It takes time to build trust among project partners and all partners must be able to see tangible benefits for their own interests (for example reduced costs for public agencies, improved environment and property values for communities, increased markets and profits for the private sector).
- Low-income communities are prepared to pay for services if prices are realistic and benefits clear.
- Community projects of this nature require "soft" loan financing and access to land at low-cost.
- Private sector commercial and marketing expertise can be crucial.

Box 13 Sri Lanka: community contracts

In response to a request by the community in Seevalipura (Wanathamulla in 1986) to the National Housing Development Authority (NHDA), a community contract system was set up. Since then, the system has been improved and been used successfully by several other organisations to provide infrastructure in urban under-served settlements. It has been an effective tool for participatory decision-making and community empowerment.

A community contract is a procurement system, which involves residents in the planning and implementation of infrastructure provision to their own community. It is a partnership arrangement where communities are promoter, engineer and contractor involved in the conventional contract system, as well as end user of the service provided. As well as being a procurement mechanism, it is also a tool to empower people to take control of the process of local development. The community contracts are awarded to Community Development Councils (CDCs) - a group of office bearers elected by households. Community contracting has lower overheads than work by private construction firms and is therefore cheaper. Community construction contracts are also simpler and faster to process. The savings that the community makes is deposited in a community fund, making communities less financially dependent on the government.

There are, however, some hidden costs in using community contracts, as they require more staff time for community training, auditing of financial records, and inspections of construction. However, the benefits of the community contract system clearly outweigh these. Both the NHDA and local communities have been satisfied with the achievements.

For the community contract system to be successful and sustainable the political environment must be favourable toward enabling, participatory local development processes that include a degree of decentralised decision-making power at the district, ward and community level. This means that politicians and officials need to change their attitude and facilitate the provision of services rather than act as a direct provider. This, it has been shown, can be achieved within a pro-poor political environment.

4.6 Partnerships to improve performance

There is increasing awareness that local government needs to work with other partners to deliver services. These partnerships can be broadly identified as: working with the private sector; working with community organisations; and working with other local authorities.

Working with the private sector Local government partnerships with

the private sector or sub-contracting arrangements have become relatively common. This is part of a general move to encourage market mechanisms to work with the public sector. This has been one of the main policy suggestions of the New Public Management approach. In theory, working with the private sector should provide cost savings and efficiency gains.

Working with the private sector has been most common in solid waste management. For such partnerships to be successful research suggests that both sides must gain real and lasting benefits, furthermore that they must be able to share the risks and the costs. The potential problems mainly relate to the process of contracting and whether the local government has the skills to negotiate such arrangements. This is not just a problem for weak local authorities, even a well resourced authority can suffer substantial losses from a failed public private arrangement, like Sydney in Australia (Sansom, 2006, p66).

Working with community organisations and/or civil society organisations The aim is to gain from the advantages that community organisations have in terms of their relationship with the community, their attitudes and motivations, and in some cases their reputation for honesty. Many of the same issues arise with the nature of the partnership arrangements. However in some cases the NGO or civil society organisation may have problems with the bureaucracy of the local authority.

Partnerships between different public sector agencies Public sector partnerships can produce economies of scale and other benefits. In Malta the capital costs of providing a one stop shop approach, with a strong ICT component, is covered by central government, whilst local governments ensure that public services are provided to citizens via ICT. Public sector partnerships have been particularly important in the UK as part of a general approach to "joined up" government. The aim is to increase economies of scale, reduce duplication and involve a series of stakeholders. Within the UK this has been formalised with Local Strategic Partnerships established between a set of public sector agencies with the local authority taking the lead role. Australia and New Zealand have similar arrangements.

Regional partnerships have been particularly significant in small and island states in particular in the Caribbean and the Pacific.

In summary, the main issues for partnership working are:

- Partnerships need time and effort to develop
- Partnerships work best based on trust
- Reciprocity is important in the development of partnerships
- Partners need to maintain their sovereignty and identity
- Competition is more important than the partnerships
- Multiple partners can be problematic
- Small management groups are more effective than larger steering groups.

4.7 International partnerships

Cross-border local government/community partnerships can also help build capacity. These partnerships are usually based on mutual needs and are thus, effectively demand-driven. They involve transfers of knowledge, skills and experiences through staff exchange, study and teaching, and on-the job training programmes. They can also be useful in providing training and technical assistance to local government (GSDRC, 2008b, p11).

The CLGF Commonwealth Local Government Good Practice Scheme (GPS) started in 2000. Funded by DFID, AusAID and NZAID, it has supported more than 60 partnerships (north south, but increasingly south south) across the Commonwealth, and achieved practical improvements in local government service delivery

and governance from job creation, to support for local economic development, better revenue collection and improved management of services such as solid waste and water. The partnership projects promote a participatory approach to development and help support the development of multi-stakeholder partnerships, including with the private sector. By also helping to build the capacity of local government associations, CLGF aims to ensure that learning from the projects can help to influence and improve the national policy debate, which has been evidenced in a number of projects.

Key lessons from evaluation of partnership programme such as the GPS highlight:

- The importance of the appropriateness of the exchange
- The importance of having people working technically side by side

Box 14 Partnerships for social cohesion in Birmingham

In September 2006, Birmingham City Council launched a strategy document on social cohesion that outlines everyone having a stake in society and being able to join in and influence the decisions that affect their lives.

Birmingham is a city of great diversity, both in terms of culture, art, faith, race and language. Yet it is a city that is cohesive, vibrant and innovative.

For Birmingham, real community cohesion means living together positively; so people feel secure that their different backgrounds and circumstances are appreciated and valued, and strong, positive relationships are forged. It is giving all citizens a stake in the city's success and opening up similar positive life opportunities, creating fairness and openness and encouraging enterprise, excellence and innovation – making people feel good about the city they live in.

To promote these principles Birmingham aims to strengthen a range of attitudes and behaviour, including:

- Valuing and respecting all people – their ideas, energy, skills and talents;
- Building trust between and across communities, so the council can work towards the greater good of the community and city as a whole;
- Empowering individuals and communities to generate and release individual capabilities and collective resources, so everyone can contribute to the growth of communities.

To meet these aspirations these attitudes and behaviours have to be embedded into the social ethos of society, and mediated through social institutions, including:

- The family, where the values of community cohesion begin,

yet with increasing pressures and demands can become fragmented and ignored;

- Young people need to be nurtured and encouraged: and as one of the most youthful cities in Europe, Birmingham gives young people special attention. They are future leaders and managers of the city, who will contribute to its social, cultural and economic development.
- Faith communities have a valuable contribution to make in building a sense of local community and renewing civil society, although also having distinctive characteristics and potential of their own. The new challenge for these communities, and in particular their leadership, is how, in a secular multi-faith society, theologies can transcend their boundaries to reach out for a mission which promotes cohesion between and across faiths;

More emphasis is being given to the voluntary and not for profit sector: Birmingham aims to use the sector's strengths to challenge and stimulate new ideas, complement shared objectives, and work with citizens and communities to respect, trust and value each other.

The political and democratic culture is an important influence. The Conservative-led Progressive Alliance in Birmingham City Council has been a champion and advocate of local democracy, and recently in partnership with Be Birmingham (the Cities local strategic partnership, bringing together partners from the business, community, voluntary, faith and public sectors to deliver a better quality of life in Birmingham) have established the Neighbourhood Boards, and the Neighbourhood Boards Strategic Partnership.

Community networks have been established to ensure that the voices of citizens in various local communities from across the city are heard.

- Political support from higher levels of government
- Consistent leadership
- Public awareness
- Demand-driven focus
- Cost-sharing and cost-effective projects
- Free information flows.

With regard to the demand-driven focus on which city-to-city cooperation programmes are generally based, there is a desire to

increase mutual understanding between both partners and therefore they are driven by mutual need and respect. Such demand-driven cooperation is integral to the success of the programme in promoting learning. (GSDRC, 2008b, P.11).

4.8 Measuring improvement

Performance management is a key aspect of the new public management approaches to improve local government efficiency. In the UK this has been accompanied, since new labour was elected in 1997, with an explicit and non-ideological approach which states the “what matters is what works”. To do this it is critical to be able to measure success; in many cases this has taken the form of specific

Box 15 International peer reviews: Local democracy enhancement programme, Zimbabwe

CLGF in partnership with Urban Councils Association of Zimbabwe (UCAZ) jointly implemented the Zimbabwe Local Democracy Enhancement Project (ZLDEP) in five cities in Zimbabwe (Bulawayo, Kadoma, Kwekwe, Gweru and Masvingo) from 2004-2008, with funding from the European Commission and the UK Government.

The primary objective was to strengthen local democracy and good governance in Zimbabwe through assessments of local democracy mechanisms, identifying weaknesses and strengths and developing strategies to address identified weaknesses. The project also sought to develop a methodology with which to measure local democracy that could be replicated in Zimbabwe and elsewhere. It sought to highlight and promote good practice in local government in Zimbabwe and promote gender mainstreaming in local governance processes. Empowerment of locally elected representatives and the provision of increased opportunity for citizen participation in local government in the selected municipalities were also priorities.

The participating municipalities' local democracy and governance systems were assessed using two methodologies: the International Peer Review Methodology (IPRM), which was developed and piloted, and the Urban Governance Index (UGI) a UN-Habitat tool promoting stakeholder assessment of governance and democracy. The findings were used to develop individual change or improvement plans. They were consolidated by UCAZ, the local government association, to produce a local government reform programme which is now being implemented. The project also resulted in the development of a *Toolkit on International Peer Reviews in Local Government*.

Operating in a rapidly changing political environment and being a pilot, meant the project was highly innovative with no precedence to draw lessons from, in terms of approach and the way it was structured.

The pilot phase yielded remarkable outcomes, with observable evidence of impact on the overall local governance situation in the municipalities involved including:

- Building a local consensus on the concrete and local meaning of 'governance' (beyond the negative connotations the concept used to evoke).
- Creation of 'social capital' by re-establishing relations of trust, facilitating bonding and joint action, as well as 'institutional capital' in the form of restoring the basic legitimacy and credibility of local governments in the eyes of organized civil society, the private sector and the population at large.
- A better understanding by communities of the constraints faced by local governments to deliver public services.
- A search for establishing 'smart partnerships' between public and private actors with a view to addressing pressing local development challenges through dialogue and a new division of labour (based on the comparative advantage of each participating actor).
- Participatory design of local governance agendas, agreed upon by the various stakeholders and translated in 'change plans' for each of the cities involved;
- Expansion of the notion of 'local governance' so as to include not only traditional public service delivery at local government level but also a much wider agenda of improving urban management and local democracy processes.
- Opportunities for national training activities coordinated by UCAZ eg on preparing newsletters and gender mainstreaming to build skills across the sector.

Following a regional dissemination workshop the partners are now looking to consolidate the project in Zimbabwe and roll out the model in other countries in Southern Africa.

indicators or targets. Within this there has been attempts to measure indicators along a continuum of inputs, outputs and outcomes (or impact). Measuring the latter has proved particularly challenging. Recent research from New Zealand highlights the difficulty in developing community indicators and suggest there are often institutional barriers (Memon, A and Johnston, K, 2008).

Evaluative studies are also used to measure success. While easy in theory, this has proved much more problematic than it might appear. A key issue is the attribution and the significance of the local context; thus the original question has been reposed as “what works where and in what context”. This approach seeks to focus attention on delivering and measuring results but it has had some noticeable side effects:

- A focus on what is measurable, sometimes at the expense of more relevant but difficult to measure aspects of a policy or programme;
- A danger of the proliferation of such indicators – many commentators would characterise the UK public sector as overwhelmed with an excessive number of targets or indicators;
- The service provider focuses excessively on achieving the target to the detriment of common-sense good practice and general service delivery.

Nevertheless measuring impacts, inputs and outputs can be an important mechanism in improving service delivery. Such indicators should be a) few and measurable b) robust and c) not distort the process of service provision in an adverse way. Box 15 describes CLGF’s work using a peer review mechanism to improve local authority performance in Zimbabwe.

CLGF has also pioneered an approach towards assessing a national system of local government against the Aberdeen Agenda (Box 16).

Box 16: Assessment of local governance and democracy in Uganda

Recognising the challenge of implementing the *Aberdeen Agenda*, CLGF developed a pilot project to use it as a tool to measure local governance and democracy in Uganda. The aim was for the process to be locally driven and owned, and for it to help a cross section of local government stakeholders to agree on the progress that had been made so far and make recommendations for further improvements which could help to support future reforms.

Makerere University in Kampala, and the Uganda Management Institute (UMI) provided a background study which reported against each of the 12 principles and made a number of recommendations highlighting both strengths and weaknesses. A national verification workshop bringing together key stakeholders then debated the contents and made their own recommendations. The debate was robust, but resulted in a broad consensus for the future, including highlighting the need for continuous improvement in the sector.

The report was submitted to Commonwealth Heads of Government in 2007 and Heads called for the methodology to be rolled out to other member states. This process is just getting underway.

5 Towards a way forward

5.1 Local government is often invisible to central government policy makers

One of local government's most persistent problems is that it is often simply invisible to many central government policy makers and is not considered an appropriate stakeholder in general policy and governmental reform discussions. There is no clear reason nor is there a "conspiracy theory" in this, but the following seem relevant:

- Economics, which tends to dominate policy making especially at the ministry of finance, is fundamentally an aspatial discipline;
- This is reinforced as central policy making and donor interactions are often very capital city focused. Furthermore there are some elements of the new aid architecture (especially the emphasis on GBS) that are basically centralising and seek to strengthen the role of ministry of finance as the key agency in resource management and allocation;
- In many countries the ministry of local government is often a relatively weak ministry in terms of personnel and capacity; and
- In many countries ministry of local government finance figures and data are very poorly integrated into national accounts.

For these reasons there is a tendency for central government policy makers to simply ignore the role of ministries of local government and their concerns. This could be exacerbated as many new interventions seek to strengthen a "vertical" logic while ministry of local government and decentralisation aims to promote a more "horizontal" logic.

Nevertheless it is worth noting that local government not being recognised might reflect the relatively recent moves towards support for local government and decentralisation in many countries; as such it could be interpreted as a transitional problem until local government systems are more fully embedded. A central aim of the conference is to facilitate and encourage such a process.

5.2 Local government associations play an important role

Local government associations have a very important role in supporting local government systems and making local government visible. Successful associations play a critical role in advocacy and lobbying on behalf of local government and in discussion of reform, as recently in Australia (Sansom, 2008).

Local government associations are also important in training and capacity building; lesson learning from one authority to another, and can provide a very good vehicle for disseminating innovations and good practice. In some countries they have a role in providing finance for capital development through mutually owned funds. This is a relatively common phenomenon in European countries. In addition

to local government associations in some countries there are associations of officers, such as SOLACE in the UK and the Institute of Local Government Managers in South Africa, who provide a parallel function.

5.3 Debunking the myths on why local government should not be supported

Policy makers give many reasons to resist demands to support local government and channel more funds through local government.

Firstly it is often argued, with some justification, that local government is weak in terms of capacity. While this may be true, *surely* the response is to strengthen local government rather than to seek to bypass or ignore it. Furthermore there is good evidence that channeling funds through a system is a very good way of strengthening the system – especially in terms of PFM. This was one of the benefits of GBS that was identified in the recent GBS Evaluation (IDD, 2006).

Secondly it is often claimed that decentralisation programmes are likely to lead to "elite capture"¹³. There is no evidence that such capture is more likely at the local rather than the central level. Indeed the reverse can be argued in that local government politicians are often closer to the people. There is a paradox here in that in urban governance discussions "growth coalitions" are seen as positive in encouraging economic growth (Amis and Grant, 2001); it not clear why it is considered "elite capture" in rural areas and "growth coalitions" in urban areas.

The third claim is that local government is more corrupt than central government, yet there is no empirical evidence that supports this view. Given that more funds are present in central government, the reverse can be argued. In most countries local government often faces a far more robust and investigative media than central government. Indeed in many countries the local population often sees criticising local government as fair game! There is an issue here about respect for local government and how local government is presented in the media and in literature in general¹⁴.

The final argument for not supporting local government is "now is not the time, or we have more important policy agendas at the moment". There is clearly some validity in this in, for example, the rehabilitation of fragile states; where solving problems centrally may indeed demand more attention. This might represent the situation of Rwanda following its genocide in 1994; but in other situations such as Sierra Leone it makes more sense to start with local government and build from the bottom up. The conclusion is that local government support must be ascertained on a case-by-case basis.

6 Conclusion: issues for discussion and implementation

6.1 Context

The 2009 conference seeks to build on the outcomes and recommendations from earlier CLGF events and conferences. Significant work has been done across the Commonwealth to generate a sense of shared vision around local democracy and democratic governance at the local level. All CLGF members, and crucially all Commonwealth Heads of Government, have endorsed the principles enshrined in the Aberdeen Agenda, now recognised as part of the Commonwealth's commitment to fundamental political values.

The Aberdeen Agenda sets out 12 core principles that stakeholders agree should underpin local democracy and governance across the Commonwealth. Recent work by CLGF has sought to assess to what extent the Aberdeen Agenda has been implemented in Uganda (Kiyaga-Nsubuga, J and Olum, Y, 2009). This is an important initiative which hopefully can be carried out in other countries in the Commonwealth (see Box 17).

Subsequently, including at its last conference: *Delivering development through local leadership* held in Auckland in 2007, CLGF has set down commitments to the kind of local government it is seeking to achieve: local government that is an enabling body, that can act as a community leader and can forge alliances and partnerships with other organisations and partners to maximise resources in the interest of local development for all.

The discussions during the 2009 conference will consider more strategically what really needs to be done to achieve these goals and aspirations and ensure that we generate a culture of improvement in public services at the local level across the Commonwealth. It will do so taking into account the current severe economic crisis that will undoubtedly have an impact on local government and its work.

The discussions will also need to be cognisant of the diversity and complexity of local government systems and of communities, including the particular needs of small states. It is essential to recognise that countries are not all starting from the same point and that one-size does not fit all. Rather it is important that the Commonwealth coalesces around agreed common principles and aspirations that challenge members to improve and strengthen local government to improve the quality of life of the people they serve.

Here we list some of the issues that the conference will debate – it is by no means an exhaustive list, but highlights many of the key areas. Opportunities have been built into the programme to allow delegates to have a robust discussion and to really interrogate what is meant by improving local government and they will be encouraged to do so.

6.2 Improve the calibre of local councillors

There is a commitment to strengthen local democracy; within this the calibre of elected local councillors is crucial. This may involve being a visionary and playing a leadership role within the community; understanding the roles of councillors and officials; understanding financial management and planning in a complex environment. Capacity building for elected representatives is thus a key issue.

6.3 Improve the financial base of local government

If local government is to be effective it needs to have access to adequate resources to carry out its statutory functions. There are also huge pressures on local government to provide infrastructure of which the major challenge is the financing. This may be in the form of transfers from central to local government, which should be planned and timely, or finding access to local revenue sources. Innovative approaches to revenue-raising such as working in partnership or new financial instruments, including direct access to international aid, and access to capital markets should be encouraged. Effective financial management, a strong accountability framework transparency and probity are key issues to be addressed.

6.4 Community engagement

Local government needs to listen to and respond to local needs. This might be enshrined in legislation, or involve special mechanisms that the local authority can use to better understand the needs of the community and increase participation in planning, monitoring, budgeting, and service delivery. Particular attention has to be given to the needs of women, young people and the elderly, and people with disabilities. There is an increasing expectation that this is done and the role of civil society in promoting greater engagement and ensuring accountability is significant.

6.5 Improve central local relations

For local government to be effective there needs to be a strong and effective central/state/provincial government supporting local government. Central/state/provincial government's policy making, enabling legislation, and monitoring role is part of this. Indeed the capacity and visibility of ministries of local government must be built. However the relationship should be two-way and based on open dialogue and there are already a range of different models for this across the Commonwealth. Local government associations are key vehicles to mediate this relationship.

6.6 Improve local service delivery to meet the needs of the whole community

Local government is a critical player in delivering key basic services essential in the fight against poverty, for building community cohesion, and meeting the MDGs. Local economic development is emerging as a new priority for some local governments. Rapid urbanisation, increasingly complex governance, rising expectations and the current economic crisis are making sustainable local development increasingly challenging. Climate change is also impacting on local government and the services it provides. Democratic accountability to the public and the accountability of service providers to consumers are important issues. Solutions increasingly involve multiple stakeholders in different partnerships.

6.7 Improve the effectiveness of local government associations

Healthy local government requires an active and well-resourced local government association that can act as a partner in intergovernmental affairs, provide training and lesson learning and mentoring to its members, play a lobbying and advocacy role with central government and provide services such as bulk-procurement. Strategies for building the capacity of these institutions are essential to their effectiveness.

6.8 Improve monitoring and evaluation of the local government sector

Local government needs to know what works and what does not. Monitoring and evaluation plays an important role in fulfilling this function. There are a range of stakeholders who must be involved in this from central government, local government, the community, business and end-users. There remains a real challenge in effectively providing this function and in genuinely measuring the impact of services and governance.

6.9 The role of CLGF in taking this agenda forward

There is an increasing role for CLGF and other regional, Commonwealth and international partners to continue to support and strengthen local government. CLGF is owned by its members and offers a platform for the sector to come together and learn from each other. Policy-making, capacity building and providing a strong voice for local government at the Commonwealth level, means that members can work collaboratively towards achieving these objectives, and putting into practice the collective Commonwealth vision for improving local government.

References

- 1 Observation made by DFID Deputy Minister at Stakeholder workshop on the new White Paper at Birmingham in March 2009.
- 2 It was notable on a recent (February) CLGF mission to Zimbabwe how quickly the idea of a "stimulus" package has entered the local discourse.
- 3 A counter argument is possible to construct: namely that the crisis might make financial institutions in the medium term more inclined to somewhat "mainstream" investments in sectors such as infrastructure.
- 4 This was defined as having the following features (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor co operation and harmonisation of donor procedures for reporting, budgeting, financial management and reporting; (d) Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.
- 5 This point was forcefully made by Professor Jeffrey Sachs at the CLGF conference in Auckland March 2007
- 6 The Zakaria expenditure norms for municipal services were established in 1963. They have lost their relevance but are still used as a reference point to illustrate the weakness of LG in India.
- 7 Teacher/Pupil ratios widely considered by educationalist are in fact the inverse of a measure of productivity: thus for an educational expert the lower the ratio the better or at least it should not be too high. For a conventional economist the productivity of a teacher would be measured by the highest possible teacher/pupil ratio. Clearly there is a trade off between productivity and quality.
- 8 These systems can be bewildering complex thus in the UK it is sometimes suggested that there are only four people who can understand this system in the UK (Rate Support Grant)
- 9 This section is based on a presentation given by Kumari Selja Ministry of Housing and Urban Poverty Alleviation. Government of India at the CLGF conference in Auckland 2007.
- 10 There is much in common here with the approaches that the Cities Alliance has been promoting but the JNNURM is broader in including a clear emphasis on institutional reform; as such it is a more holistic approach.
- 11 I have spent a lot of time having this argument with officials from Danida and GTZ amongst others.
- 12 At IDD we see this as one of our major contributions as are similar policy focused institutes The Brazilian IBAM, and Malaysian INTAN are exemplars of such an approach.
- 13 Elite capture is the argument that local elites will gain effective control in their own interests rather than pursue pro poor policies
- 14 With the exception of the Mayor of Casterbridge it is difficult to think of a LG hero in English (UK) literature; they are more often portrayed in more negative/corrupt terms. This in sharp contrast to a Francophone literature where sub national regional and/or urban government is treated with much more respect.

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