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Research and evaluation  
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Commentary  
Reviews

# Commonwealth Journal of Local Governance

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# Editorial

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## **Graham Sansom**

UTS Centre for Local Government  
Australia



Most of the contributions to this sixth issue of the Commonwealth e-Journal of Local Governance cluster around the core issue of decentralisation and the role, financing and performance of local government in a decentralised system of government.

Donna Chiarelli provides an overview of the potential role of local governments as agents of development. She discusses the Position Paper on Aid Effectiveness and Local Government adopted by the World Council of United Cities and Local Governments at its annual meeting in Guangzhou, China in November 2009. The paper seeks to give voice to the local government perspective in the continuing deliberations on aid effectiveness, and to foster moves towards better incorporating local governments into the design and delivery of development programs and processes.

In an interesting counterpoint, Franklin Odoom suggests that, on the available evidence from Ghana, that local government expenditures are *not* inherently pro-poor and their actions may not be geared to improving the lives of local people. He therefore questions the validity of recent calls for greater decentralisation in developing countries in general and Africa in particular.

Ron McGill tackles the same issue in a different way, by setting out a framework to measure more accurately the performance of local government in making a difference to development outcomes, as well as to build local capacity in a systematic way. He identifies essential building blocks that must be in place before local government can deliver effectively.

Matthew Allen and Zahid Hasnain extend the discussion with a wide-ranging – albeit preliminary – assessment of local-level decision-making in relation to development planning and, especially, the allocation of state development funds in Papua New Guinea. They ask why PNG has performed so poorly with regard to basic social indicators and service delivery despite its fortunate resource endowment. The evidence points to major shortcomings in the political culture and decision-making processes, resulting in examples of chronic dysfunctionality in local governance and administration of development funds. However, these problems are by no means uniform and further research is needed to understand local and regional differences.

Brian Dollery and Albert Wijeweera, writing about Australia, and Jude Okafor discussing the Nigerian experience, present parallel accounts of central (in both cases state) governments limiting local government's financial autonomy and hence capacity to deliver infrastructure and services. Dollery and Wijiweera examine the system of 'rate-pegging' (capping) in the state of New South Wales. They discuss the rationale for rate-pegging and counter-arguments on its desirability, and identify a number of deleterious effects. These include a substantial 'dampening' effect on local government's financial capacity and undermining the democratic bedrocks of 'local voice' and 'local choice'. However, given the system's political popularity, significant change appears unlikely.

Jude Okafor considers inter-government financial relations and the financial autonomy of local government in Nigeria. He focuses in particular on the operation of the State Joint Local Government Account (SJLGA), through which federal funds are intended to be transferred to local governments within a

framework of coordinated and co-operative administration. This mechanism is intended to reflect accountability and transparency in local governance within the principle of separation of powers and the rule of law. Okafor finds, however, that the reality in Nigeria indicates the opposite: state governments interfere with the financial autonomy of local councils, and further, divert SJLGA funds for their own purposes, contrary to the constitution. This has greatly hampered the developmental efforts of local government in that country.

Terry Parker presents a more optimistic scenario in his account of efforts over the past six years to rebuild the institutional legitimacy and service delivery capacity of Honiara City Council, the local government of the capital of Solomon Islands, following the period of national instability around the turn of the century. He explores the important linkage between delivery of equitable basic services and the potential for prevention of conflict – or reconciliation – and concludes that on the evidence of Honiara, local governments are well placed to underpin social stability through effective leadership, good governance, proactive community engagement and concerted efforts to improve quality of services and life across the population as a whole.

Uttam K Roy and his colleagues provide a case study of the related need for effective and appropriate training of local government managers, in this case middle managers of the Kolkata Municipal Corporation in India. They describe a training program delivered to around 450 staff that focused on ‘attitudinal’ changes towards their service delivery responsibilities. For historical reasons, knowledge, skills and attitudes amongst officials of Urban Local Bodies in India have been traditionally of a low standard: managers need to be re-oriented in leadership, team building and communication skills to facilitate better services for citizens.

Jade Herriman and Emma Partridge also discuss an education issue – environmental and sustainability education provided by local governments in New South Wales, Australia. Their paper outlines the main types of programs being conducted by councils, and the target audiences. It highlights the very wide range of activities and approaches that are evident in the councils studied. This diversity indicates that councils *are* seeking to respond to the particular needs of their community, but the lack of a prescribed or preferred ‘palette’ of activities means that it is fairly resource intensive for each council

to develop education programs ‘from scratch’. Also, there is perhaps a lack of clarity about the appropriate scope of environmental and sustainability education, such that some councils try to be ‘all things to all people’ with very limited resources at hand.

Anne Sharp and Katherine Anderson offer another perspective on community engagement. They detail a new model involving establishment of online panels of citizens that are then used for consultations and research on a range of local government issues over time. Their paper sets out the rationale behind the panels, steps involved in their establishment, and what the most effective recruitment methods were to build panel membership. The model’s ability to recruit a wide audience of citizens as members, including those who would not normally participate in local government matters, is examined, as well as citizen expectations of the panel and satisfaction with being a member. The results of their research demonstrate that online panels can be used effectively in the local government context as a vehicle for consultation and research, and can be sustainable in terms of continued participation and high levels of citizen satisfaction.

This issue concludes with two very insightful book reviews. Jill Symonds and Brian Walliser review *Local Government and Metropolitan Regions in Federal Systems*, edited by Nico Steytler (McGill-Queen’s University Press, 2009). This is the sixth volume in the series *A Global Dialogue on Federalism*, published on behalf of the Canada-based Forum of Federations ([forumfed.org](http://forumfed.org)) and the International Association of Centers for Federal Studies ([iacfs.org](http://iacfs.org)).

Roger Wettenhall offers a wide-ranging review focused on *Finance and Governance of Capital Cities in Federal Systems*, edited by Enid Slack and Rupak Chattopadhyay, (McGill-Queen’s University Press, 2009), and also published for the Forum of Federations. In particular he acknowledges the pioneering work in this area of federal studies by another Canadian, Donald Rowat, who edited *The Government of Federal Capitals* nearly forty years ago.



# Power, pork and patronage: Decentralisation and the politicisation of the development budget in Papua New Guinea

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## Abstract

*This paper examines a number of recent empirical studies of local-level decision-making in relation to development planning and, especially, the allocation of state development funds in Papua New Guinea. The discussion is framed by the extensive theoretical and Papua New Guinea literature on patronage politics and political culture, by the recent history of decentralisation reforms, and by the frequently articulated, but largely anecdotal, observations about the functioning of district and local-level governance processes. In contrast to the anecdotal vision of widespread and chronic dysfunctionality, the studies considered here paint a picture of considerable spatial and regional variation. We offer some tentative hypotheses to explain this variation, while flagging the need for more empirical work. We outline how these preliminary findings have informed a program of research that is currently being undertaken at the district and local government levels with a view to gaining a better understanding of the extent and nature of spatial variation in the local-level governance of state development funds in Papua New Guinea.*

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<sup>1</sup> The authors would like to thank two anonymous referees for their useful suggestions on an earlier draft. We also thank a number of colleagues at the ANU and the World Bank, too numerous to name here, for their advice and assistance during the preparation of the unpublished background paper upon which this article is based. We acknowledge the World Bank for funding this research. The opinions expressed herein remain our own.



## 1. Introduction

In recent years, Papua New Guinea has been variously described as a ‘failed state’, a ‘weak state’, a ‘broken-backed state’, a ‘fragile state’, a ‘putative state’, and a ‘disorderly democracy’. All of these terms have attempted to encapsulate the well-documented challenges of economic, political and social development that have confronted the largest of the postcolonial Melanesian nation-states. Indeed despite the recent commodity sector-led recovery from the macro-economic shocks and fiscal crises of the mid to late 1990s, the state has failed to convert resource revenues into development outcomes for the country’s predominantly rural populace. Papua New Guinea continues to be the worst performing of all the Pacific Island states across a range of development indicators and spatial inequality is sharpening, not only between rural and urban areas, but also between different rural localities.

Why then, has Papua New Guinea performed so poorly over the three decades since independence – particularly in regard to basic social indicators and service delivery – despite its fortunate resource endowment? While there is a large literature that emphasizes the predominance of patronage politics operating in an environment of extreme ethno-linguistic fragmentation as the underlying explanation for this failure, there have been relatively few empirical studies of local and district-level governance conducted to date that examine how a political culture of patronage is manifested at the local level.<sup>2</sup> This paper analyses the small number of extant studies which have explicitly examined the issue of local-level decision-making around development planning and, especially, the allocation of state development funds. While the analysis is primarily situated in the Papua New Guinea-specific literature, linkages are also made to theoretical debates in comparative political economy.

In contrast to the anecdotal vision of widespread and chronic dysfunctionality, the studies examined here paint a picture of considerable geographical and regional variation in the functionality of district and local-level processes governing the allocation of development funds. While this variation invites explanation and hypothesis, most

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<sup>2</sup> Papua New Guinea is the most fragmented of all the Melanesian states. Indeed, with approximately 820 languages and many more autonomous political units commonly described as tribes – around 10 thousand according to one informed estimate, many of which are further divided into clans (Ketan 2007:14) – it is the world’s most fragmented society in ethno-linguistic terms. Some commentators have noted that a positive outcome of this fragmentation is that it has prevented collective action towards the overthrow of democratic rule and enabled PNG to be one of the few postcolonial states to maintain an unbroken record of democratic government.

obviously in relation to corresponding variation in the prevalence and intensity of patronage politics, we argue that more work is required to better describe and understand the full spectrum of spatial variation before a rigorous explanatory framework can be proposed. Such work is currently being undertaken by the authors in conjunction with colleagues at the World Bank, the Australian National University and the Papua New Guinea Institute of National Affairs. This paper is offered as the first in an intended series of papers investigating local-level governance in Papua New Guinea, with a particular focus on decision-making processes around the allocation of state development funds.

The first part of the paper provides a brief overview of political culture in Papua New Guinea with an emphasis on the relationships between elections and patronage politics. Some regional variation is noted, in particular the general, but by no means immutable, distinction between the Highlands on the one hand, and coastal and island regions on the other. A number of salient linkages with the international theoretical literature are also examined. The second part of the paper examines several case studies of district and local-level governance derived from three separate research projects. The case studies are framed by an examination of frequently articulated, but largely anecdotal, observations about the functioning of district and local-level governance processes.

## **2. Political culture, elections and patronage politics**

The introduced state and Westminster-style system of government have not replaced Papua New Guinea's pre-existing political structures and systems. The democratic state has hybridised with pre-existing political forms to produce syncretic political modes that exhibit elements of both Western and indigenous forms. Indeed, many would argue that the introduced state in Papua New Guinea has become thoroughly indigenised (Gordon and Meggitt 1985, Standish 1992, Ketan 1996, Morgan 2005).

Reviewing literature on the relationships between local political cultures and the formal state in Melanesia, much of which is concerned with Papua New Guinea, Morgan concludes that "pre-existing social forms pervade the state at almost every level" (Morgan 2005:4). For this reason, Morgan eschews political science's conventional preoccupation with the role of formal state institutions in governing political behaviour, in favour of an approach that places political culture at the centre of the analysis. He defines political culture as "the sets of actions and values that define and guide political

behaviour”, a definition that is shared by several other scholars of Papua New Guinea (Morgan 2005:3; also see May 2004, Wolfers 1982, Ketan 2000 and Gelu 2000).

There is considerable support in the political science and anthropology literature on politics in Papua New Guinea for the proposition that patronage has become a critical defining characteristic of the postcolonial political system (May 1982; Standish 1992, 2007; Stewart and Strathern 1998; Goldman 2003; Ketan 2002; Ketan 2004; Morgan 2004). A number of scholars have directly linked the failure of governance with the on-going prevalence of patronage, in addition to poor management and underlying capacity and skills constraints (see, for example, Ketan 2000, May 2004:323 and Morgan 2004:10). What, then, does this system of patronage look like, and what are the factors that drive it? These questions are now considered.

### ***The characteristics of patronage politics***

The literature indicates that patronage in Papua New Guinea is a two way interaction. This is clearly apparent if we consider the relationships between patronage and national elections. Candidates for political office spend increasingly large amounts of money on campaigning, which is distributed both as cash handouts and in the form of ‘gifts’ (Standish 1992, 1996, 2007; Strathern 1993; Stewart and Strathern 1998; Ketan 2000, 2004; Dinnen 2001). This is particularly the case in the Highlands where ‘money politics’ is more prevalent and where candidates have been known to spend up to a million kina during election campaigns (Ketan 2007:17; Standish 2007:140-142; Haley and Anere forthcoming:26).<sup>3</sup> A candidate usually targets this expenditure on their own village, clan or tribal grouping, colloquially known as their ‘voter stronghold’ or ‘vote bank’ (May 2006a).

Localism and clan mobilisation have been enduring features of national elections in Papua New Guinea (Hegarty 1983, Saffu 1996, Standish 2007), as has large numbers of candidates, meaning that seats have been won with very small proportions of the overall vote under the old first-past-the-post system (see Fraenkel 2004, 2005). Votes are effectively purchased by candidates – and this continues to be the case under the limited preferential voting (LPV) system first employed in a national election in 2007 – which

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<sup>3</sup> Based on his close observation of elections in Papua New Guinea over a thirty year period, Standish notes that campaigning is generally more intense in the Highlands where clan groups are larger and more geographically concentrated, and where the numbers of candidates per electorate are much higher, often double, on average, the numbers campaigning in lowland areas (Standish 2007:140).

creates one of the directional flows in the two-way patron-client interaction: the candidate ‘pays’ for the voting patronage of the constituent. The combined effect of clan mobilisation and large numbers of candidates is that MPs have been elected with very narrow popular mandates. They could be said to represent their primary kin group and, particularly in the Highlands, its alliance networks, at the expense of the wider electorate. The primary rationale behind the introduction of the LPV system was the hope that it would force candidates to campaign beyond their narrow strongholds, thereby broadening the representative base of elected MPs (Standish 2006, Reilly 2006).

It is important to note that the clan voting interpretation of electoral politics described above provides insufficient explanation for voting behaviour and electoral outcomes in all cases (Filer 1996, Saffu 1996, May 2006a, Standish 2007). Observers highlight important regional differences which have already been briefly noted above. The key distinction is between the Highlands on the one hand, and the lowlands and islands on the other. Generally speaking, in the Highlands clans are relatively larger, there are more candidates per electorate and, notwithstanding the increasing fracturing of the clan-based vote noted below, these candidates usually represent “clan-based voting blocks” (Reilly 1996:58; also see Saffu 1996, May 2006a and Standish 2007). In the coastal and islands regions, by contrast, “societies are comprised of much smaller clan and village units...and...candidates must mobilise numerous small social units, sometimes across several local vernacular languages” (Standish 2007:141).

The other directional flow in the patron-client relationship relates to the funding of electoral campaigns by constituents who understand that ‘their’ candidate, if successful, will repay and reward them with various forms of patronage including jobs, infrastructure, development projects and contracts (May 1997, Stewart and Strathern 1998). In this schema, the successful candidate is the patron and the constituent is the client. Moreover, even if supporters have not contributed to funding election campaigns, they nevertheless harbour a strong expectation of material gain and patronage in return for their votes (Hegarty 1983, Brown 1989, May 1997, Morgan 2004, McLeod 2008).

Of course, however, most candidates in national elections are not successful and this, coupled with the ever increasing numbers of candidates, has caused the fracturing of tribal, and even clan-based, votes in the Highlands, and the associated electoral and post-electoral violence that has increasingly characterised national elections across that region

(Saffu 1996; Stewart and Strathern 1998; Rumsey 1999; Standish 2002, 2003, 2007; May 2003; Gibbs *et al.* 2004). Once in office, MPs will tend to use whatever resources they can access to repay their debts, reward their supporters and shore up support in their voter strongholds to ensure the best possible chance of re-election (May 1997, Stewart and Strathern 1998, Morgan 2004, Standish 2007). While all MPs have access to constituency development funds (see Ketan 2007), joining the Executive provides further opportunities to access resources for distribution, and becoming a minister affords the best possible opportunities of all (Morgan 2004:4).

This depiction of the characteristics of patronage politics in Papua New Guinea is in line with a number of general conclusions from the more theoretical political science and economics literature that has examined elected policy-makers' incentives for providing public goods and improving service delivery. A stylised fact that has emerged in the literature is that policies in developing-country democracies generally benefit narrow interests at the expense of broad social interests. The older public choice literature (Olson 1965, Bates 1981) focused on how the greater organizational ability of special interest groups led to policy failures, such as destructive agricultural policies in Africa. However, this literature's emphasis on organized interest fails to explain why some democracies are more vulnerable to special interests than others.

The strands of the more recent political economy literature that are particularly relevant to Papua New Guinea explain under-investment in public goods and a predominance of patronage as a result of either a) politicians discounting the future too much; and/or b) the electoral benefits from the public goods not being internalized by them or, in other words, political market failures. On the former, as Olson (1993) noted, political-economic settings characterized by systemic instability and a high degree of political contestation and turnover are akin to 'roving bandits', and, since politicians have a short time horizon, they have an incentive to 'loot today' rather than to 'invest for tomorrow'. On the latter, politicians will have an incentive to provide targeted benefits to their supporters in situations where they will not receive electoral benefits from providing public goods due to the difficulty involved in mobilising support for public goods across ethnic groups (Easterly and Levine 1997, Alesina *et al.* 1999, Alesina and La Ferrara 2005, Keefer 2010); the lack of credibility of national political organizations for providing these goods (Keefer 2007); or voters' lack of information about the actions of individual politicians (Besley 2006).

It is worth spelling out how this literature would explain the failure of public good provision and the predominance of patronage politics in Papua New Guinea. Extreme social fragmentation manifest in large numbers of candidates means that each elected policy-maker has a very limited time horizon and is unlikely to be able to generate sufficient political support from clans other than his own by providing public goods to them. Moreover, the lack of voter information means that even if clan identity was not a primary form of political mobilization, voters would be unable to associate a good outcome with the actions of a particular politician, further increasing the incentive to provide targeted benefits for which credit can more easily be claimed. Underdevelopment of political parties means that politicians cannot coordinate to achieve national goals or appeal to voters through partisan platforms, and instead must build personal relationships based on providing individual favours.

A further implication of this literature is that once elections are incapable of enforcing accountability then the type of politicians seeking office will also change: honest competent individuals will be discouraged from seeking office and instead candidates who are more inclined towards 'money politics', will take over the political arena (Besley 2006).

A detailed description of the drivers of patronage politics is not possible here. Suffice to say that a survey of the literature points to a number of factors that have combined to give rise to a postcolonial political culture in Papua New Guinea that is strongly characterised by localism and patronage. The interrelated issues of extreme social fragmentation, the lack of commitment to abstract notions of state and nation, traditional leadership styles, *wantokism*, aspects of the colonial legacy, the collapse of state services and the non-emergence of strong political parties have all contributed to the prevalence of patronage politics in contemporary Papua New Guinea. Above all, however, it is the expectations of citizens themselves which have determined the boundaries of acceptable political behaviour (especially see May 1997; Ketan 2004, 2007; Morgan 2005; and McLeod 2008),

### **3. Decentralisation and the politicisation of the development budget**

The avowed spirit and intention of the 1995 *Organic Law on Provincial Governments and Local Level Governments* (OLPGLLG) was to 'bring government closer to the

people', particularly with regard to access to government services. However, the final form of the Organic Law, in concert with subsequent amendments, has produced deeply contradictory outcomes. Rather than strengthening the role of LLGs in decision-making around service delivery issues, LLGs have been increasingly marginalised from planning and financial decision-making processes at both provincial and district levels. They have also been starved of funding to perform their basic planning and service delivery functions (Barter 2004; May 2006b; National Economic and Fiscal Commission 2007; Gelu 2009, forthcoming). The 89 open electorate MPs and their associated electoral and administrative units – the districts – have eclipsed or overshadowed all other forms of local political activity. Indeed the OLPGLLG and subsequent amendments thereto can be interpreted as a successful attempt by national level politicians, particularly Open MPs,<sup>4</sup> firstly to remove their competitors in the form of elected provincial representatives, and then to gradually increase the volume of resources directly channelled into the district level over which they have developed significant *de facto* and *de jure* control. Many observers would agree with Ron May's assessment that the "real objective" of the 1995 Organic Law was "to substantially increase the political role of national MPs" (May 2004:202).

LLGs are defined under the OLPGLLG as elective bodies that represent communities. They can take a wide variety of different forms from urban authorities or councils through to traditional governmental structures. Most of their membership is comprised of elected councillors representing the wards in the LLG area. The law distinguishes between urban and rural LLGs for the purposes of funding and appointed membership (see Kalinoe 2009:16). The president of the LLG can either be elected by all of the people in the LLG area, as is often the case in the lowlands; or by a vote of the LLG councillors, which is more commonly the case in the Highlands (May 2005b:2).

LLGs have a large range of functions including: preparing rolling five year plans taking account of the equivalent ward plans; preparing annual plans and budgets based on the five year plan; constructing and maintaining infrastructure; and facilitating renewable natural resource development (Kalinoe 2009:17). LLGs were also given significant legislative powers under the OLPGLLG, covering matters such as labour and employment, self-help schools, dispute settlement, local environment and local aid posts (May 2004:198). The number of LLGs and wards has increased since the introduction of

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<sup>4</sup> There are 109 seats in the National Parliament. Twenty of these are Regional seats, sometimes referred to as Provincial seats, one for each of the 19 Provinces and the National Capital District. The remaining 89 seats, known as Open seats, are co-terminous with District boundaries.



the Organic Law in 1995. There are currently somewhere between 303 and 313 LLGs and 6,003 and 6,137 wards in Papua New Guinea (Anere 2008; Gelu forthcoming).

The OLPGLLG mandated six types of grants to provinces and LLGs to supplement their internal revenue sources (principally head tax, fees and fines, petroleum and mining royalties and dividends) and the payment of proceeds from certain tax revenues collected by the national government (a share of GST). There have been a number of widely recognised problems associated with the inter-governmental financial arrangements introduced under the 1995 Organic Law. Many of these stemmed from the effective “de-linking of funding and function” which occurred with the introduction of a system for determining the value of provincial grants based on a formula rather than on the actual cost of delivering services (National Economic and Fiscal Commission 2003:15). These problems associated with fiscal equalisation have recently been addressed through reforms to the inter-governmental fiscal transfer regime.<sup>5</sup> However, while these reforms hold considerable potential for solving some of the administrative and financial dysfunctions of the previous system, they will have no effect on the allocation and administration of grants allocated under the development budget.

These development grants are under the discretion of the Joint District Planning and Budget Priority Committees (JDPBPCs) which, since their establishment by an amendment to the OLPGLLG in 1996, have been responsible for overseeing all aspects of planning, prioritisation and budgetary considerations at the district level. In addition to the MP representing the district as chair, each JDPBPC consists of the heads of the LLGs in the district and up to three other members appointed by the MP in consultation with the heads of the LLGs. The District Administrator (DA) is the chief executive officer of the JDPBPC. These committees are also responsible for the administration of the fifty percent of each MP’s District Support Grant that is non-discretionary (Ketan 2007) and for a range of other grants that flow directly to the district level via the national Office of Rural Development, including the recently ramped up District Services Improvement Program (DSIP). The politicisation and unaccountability of these committees in many, though importantly not all, parts of the country has been widely commented on (if not

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<sup>5</sup> For details of these reforms see National Economic and Fiscal Commission (2009) and Gouy (2009). In short, the new ‘fiscal equalisation’ regime introduced via amendments to the OLPGLLG and the enactment of the *Intergovernmental Relations (Functions and Funding) Act 2009* specifically addresses the issue of horizontal imbalances in fiscal capacity. Grants for provinces and LLGs will now be determined according to their ‘fiscal needs amount’. This will be calculated for each province and LLG by subtracting its assessed revenues from its estimated costs of service delivery.

particularly well documented), leading to recommendations for their immediate abolition in two separate recent official reviews (Public Sector Reform Advisory Group 2006, Department of Provincial and Local Government Affairs 2007).

The process that was set in train by the 1995 ‘decentralisation’ reform is on-going and has recently been described by one informed commentator as “a kind of decentralisation race to the bottom” (Whimp 2009:3). This race has been characterised by the progressive increase in resources being channelled into the district level and the concomitant adoption of both legislative and *de facto* measures to increase the control that Open MPs have over such resources. Hence we have seen, since the original enactment of the OLPGLLG in 1995, amendments to it which have: established the JDPBPCs and with them District and Provincial Support Grants; removed the Regional MPs from the JDPBPCs; and, most recently, removed LLG presidents from provincial assemblies arguably providing Open MPs with more power and leverage *vis a vis* provincial governors.<sup>6</sup> Alongside these developments was the increase in District Support Grants, but not Provincial Support Grants, to a maximum of K1.5 million for each Open MP in 1999 (though we must also note the bearing that the machinations of parliamentary politics have had on the capricious nature of these allocations); and, most recently, the dramatic increase in the District Services Improvement Program (DSIP), which was introduced in the National Budget as a non-constitutional grant,<sup>7</sup> to K4 million, K6 million and K4 million per district in the 2007, 2008 and 2009 appropriations.

*De facto* arrangements have been centred around the deliberate marginalisation of LLG presidents, and even District Administrators, from JDPBPC decision-making processes, meaning that the significant amount of funds now being channelled through the districts can be, and are being, used for pork-barrel politics. This comes at the significant cost of

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<sup>6</sup> It appears that the rationale behind the November 2006 amendments to the OLPGLLG which removed LLG presidents from provincial assemblies was that they would instead sit on new bodies which were to be called District Authorities. A bill to establish such authorities was introduced by then Leader of the Opposition Peter O’Neil in 2006. The *District Authorities Bill* was passed, but has never been gazetted, apparently because the Minister did not sign off on it (National Research Institute 2008:60-61). Subsequent moves to enact legislation to reinstate LLG presidents to provincial assemblies appear to have foundered. One possible interpretation is that it is not in the interests of Open MPs, who dominate parliament and exclusively constitute the National Executive Council (cabinet), to have LLG presidents reinstated. Note that the Supreme Court has recently ruled the 2006 amendment to be unconstitutional, which would appear to pave the way for LLG presidents to be reinstated to Provincial Assemblies (*The National*, 7 June, 2010).

<sup>7</sup> Constitutional grants are mandated under OLPGLLG. They are the District and Provincial Support Grants. Non-constitutional grants are allocated in the development budget as part of the Public Investment Program (PIP). The DSIP is administered at the national level by the Office of Rural Development. Decisions about how the funding is allocated are made at the district level by the JDPBPC (Sai’i 2008; also see Government of Papua New Guinea, n.d.).

good service delivery outcomes not only because projects are targeted at MPs' voter strongholds at the expense of the wider electorate, but also because there is a strong emphasis on capital investments made with scant regard to provincial, district, LLG or ward planning processes and, therefore, to on-going operational funding. Peter Barter describes this situation as follows:

In many instances, parliamentarians select projects and disburse funds without consultation and cooperation from district officers or LLGs. Funds are often allocated with dubious justification to businesses belonging to individual families. In other instances, LLGs are saddled with maintenance responsibilities for such projects as water supply systems for which they are not prepared – because they were constructed by parliamentarians with direct-tied grants, but without the required consultations and feasibility studies (Barter 2004:140-141).

Barter continues:

The system bypasses the provincial and local-level planning systems, and downgrades the elected LLGs and district public service. The Joint District Planning and Budget Priorities Committees do not function. In turn, LLG presidents become isolated from their councillors because they tend to rubber stamp the National Members' political wishes (Barter 2004:141).

This view of the JDPBPCs is one which is shared by the Public Sector Reform Advisory Group (2006) and the Department of Provincial and Local Government Affairs (2007), both of which have recommended their abolition in recent review reports. According to the former review:

The structure of the membership enables MPs who represent the open electorates to largely control the budget allocation, and override heads of LLGs. They are ex-officio members of JDPBPCs. Many chairpersons dominate their JDPBPCs, with meetings held irregularly, and sometimes outside the district. It weakens the LLGs role to have a politically constituted committee that neither belongs to, nor answers to any level of government, that makes decisions on budgeting and planning for LLGs (Public Sector Reform Advisory Group 2006:31).

Ketan offers the important observation that another way in which MPs can control the decisions of JDPBPCs is through their control over the individual members of the committees. Ketan states:

Administrators and community leaders who sit on planning and budget priorities committees are often in client-patron relations with the MPs, thereby enabling the MP to exert considerable influence over them. (Ketan 2007:20)

Ironically, the main argument made in favour of electoral development funds and other grants over which MPs have significant control (such as the DSIP) is the deterioration of

service delivery, particularly in rural areas. Ketan provides a detailed discussion of the arguments made for and against such funding programs (2007:8-14). Supporters of the funds argue that they were initially devised as a useful way of capitalising on MPs' intimate knowledge of their electorates and bypassing bureaucratic bottlenecks to fund critical infrastructure projects to the benefit of the whole electorate.

The reality is that service delivery has deteriorated to varying extents across the country, leading to a "widespread feeling that the 1995 reforms have not solved the problems of the decentralised system" (May 2006b:9). According to the government's Medium Term Development Strategy (2004):

...in the years since the passage of the Organic Law [1995], service delivery has deteriorated. On the whole service delivery systems are dysfunctional and there remains widespread confusion over functional (who does what) and financial (who pays for what) responsibilities across the three levels of government. As well, institutional capacity to deliver services is at best described as grossly inadequate (Medium Term Development Strategy cited in May 2006b:9).

Importantly, Ketan provides a handful of examples of MPs who have used their funds responsibly, by allowing funding applications to be properly screened by committees and by using the accounting mechanisms of provincial governments to comply with financial management guidelines (Ketan 2007:29-31). However, before moving on to examine some recent case studies of district level governance, it is important to note Ketan's conclusion that such positive stories comprise the minority of cases. Moreover, three of the MPs in question lost their seats in subsequent elections, demonstrating that good management of electorate development funds provides no guarantee of continued electoral success.

The above-noted marginalization of LLGs highlights the important role played by national-level parliamentary politics in driving political dynamics at the lower levels of government. An important change in national-level political dynamics brought about by the OLPGLLG has been the dominance of the composition of cabinet, known as the National Executive Council (NEC), by Open MPs. This is because the OLPGLLG stipulates that the Regional MP will normally become Governor of the Province unless he or she accepts any national responsibility as a Minister or head of a Parliamentary Committee (or becomes Leader or Deputy Leader of the Opposition). Most Regional Members have opted to become Provincial Governors, thereby leaving cabinet positions to the Open MPs. The control of national-level executive decision-making by MPs who

have a strong vested interest in increasing the concentration of resources and power at the district level (as well as their significant numerical supremacy in parliament as a whole) has arguably informed a succession of decisions and amendments which have progressively increased the size of Open MPs 'slush funds' and their level of control over them and other types of grants that are administered by the JDPBPCs (Whimp 2009).<sup>8</sup>

This marginalization of LLGs also extends to administrative authorities. The OLPGLLG effectively abolished provincial public services and removed the power of provincial governments and LLGs to employ staff. These provisions have caused significant confusion primarily because it is not clear how the provincial-level reporting structures and the authority of the Provincial Administrator relate to the "chain of command within national departments and agencies" (May 2004:197). The provisions also raise issues concerning the accountability of senior provincial staff to their political leadership given that the latter have no say in their hiring and firing.

#### **4. Recent case studies of district and local-level governance**

As mentioned previously, there is a paucity of recent published research and analysis of the interactions between the lower levels of government and administrative units in terms of development planning and financial decision-making. This sub-section draws upon the preliminary findings and reports of two recent research exercises to examine case studies of these interactions in districts drawn from several different parts of the country. One of the projects was undertaken by the State, Society and Governance in Melanesia (SSGM) program in conjunction with researchers from Divine Word University and the NRI (Haley 2005; May 2005a, 2005b); and the other by the Constitutional and Law Reform Commission (CLRC) (Kalinoe 2009, CLRC 2009<sup>9</sup>). A third relevant research exercise is the district and LLG profiling work being conducted by NRI (Gelu 2009, Gelu forthcoming). This research is on-going and has not thus far reported sufficient data to

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<sup>8</sup> See Ketan for a detailed discussion of electoral development funds in Papua New Guinea. Their value increased from K100,000 in 1993 to K300,000 in 1994 and K550,000 in 1996. In a development that exemplifies the point being made here, while the Provincial Support Grants to Regional MPs remained at K500,000 each, the Open MPs' allocations in the form of District Support Grants rose to K1.5 million each in 1999, before being reduced back to K500,000 in the face of "public outcry" (Ketan 2007:7). Ketan also observes that governments have used electoral development grants to maintain power by placating government backbenchers who threaten to cross the floor and 'punishing' opposition MPs (2007:7, 10).

<sup>9</sup> This work is based on surveys in six provinces: New Ireland, Morobe, Eastern Highlands, Southern Highlands, East Sepik and Gulf.

support detailed case studies here. However, the general findings of this exercise reported to date, which relate only to the Southern Region, are briefly considered.

The districts that are examined in detail are: Kavieng in New Ireland Province (Kalinoe 2009, CLRC 2009); Madang in Madang Province (May 2005a); Goroka, Unggai-Bena and Daulo in Eastern Highlands Province (May 2005a, CLRC 2009); Rabaul and Kokopo in East New Britain District (May 2005a); and Mendi and Koroba-Lake Kapiago in South Highlands Province (Haley 2005, May 2005a, CLRC 2009). The two research exercises in question employed broadly similar methodologies, primarily consisting of the collection of qualitative data through semi-structured interviews with a range of stakeholders (politicians, civil servants and civil society representatives) in each location. However, it is important to note that the research conducted by May *et al.* explicitly considered a wider range of issues than that undertaken by CLRC. The data reported in the surveys conducted by May *et al.* are current as at late 2004/early 2005, and that reported by CLRC are current as at 2008/2009.

These case studies demonstrate the considerable variation in the functionality of local level planning processes, from the relative good performance and inclusiveness of local, district and provincial level planning and funding processes in East New Britain Province, to the dysfunctional ‘worst-case scenario’ of Southern Highlands Province and New Ireland Province. In East New Britain, for example, the Rabaul and Kokopo JDPBPCs meet frequently and are said to be effective. In both districts, there is reportedly close collaboration between the Open MPs, the JDPBPCs and the district administrations, and seemingly effective involvement of civil society. By contrast, in Southern Highlands the Mendi and Koroba-Lake Kapiago it is reported that JDPBPCs do not meet, there is no involvement of the community, LLGs, or district staff in the utilization of the DSIP and other funds, and the discretion of the MP appears to be complete.

#### ***Madang Province: Madang District***

The past three Open MPs had all come from outside the province and one respondent suggested that a “local Madang man would have real problems”. The Open MP at the time of the survey was an Engan who lived and maintained his office in Port Moresby. The DA at the time was from Manus Province. The JDPBPC had met only once during 2004 and the DA did not attend the meeting. The Open MP was accused of “stacking”

the JDPBPC. The district five year plan was said to have lapsed and interviewers were told that “politicians don’t really respect the public servants”.

***Eastern Highlands Province: Goroka, Unggai-Bena and Daulo districts***

Respondents reported a general apathy towards the government and politicians, with the exception of the Regional MP at the time who was said to have been doing a good job. District administration was described as satisfactory, though at least one DA lived outside of the district. Relations between district and provincial administrations were also described as satisfactory. The functioning of JDPBPCs was variable in terms of the frequency and location of meetings, with reports that some meetings were held in Port Moresby. Civil society was said to be adequately represented on JBPBPCs. Most districts appeared to have five year plans, but rolling plans were described as “under review” or “yet to be finalised”. It was reported that many wards did not have plans, more so in the less developed districts.

Although there is legislative provision in the province for LLGs to collect head taxes, they do not do so, meaning their primary source of internal revenue is from village court fines, trade store licenses and market fees. However people are often unwilling to pay these due to widespread distrust of the government and accusations of misappropriation of funds at both the ward and LLG levels. There were also reports of councillors “abusing their powers” and a former provincial premier said that LLG presidents are often young educated men who do not understand the realities of village life.

Several respondents claimed that service delivery was poor, particularly in the more remote districts, but that civil society was “filling the gaps”. Major communications and transport constraints were reported in all districts. Public servants in Daulo and Unggai-Bena reported difficulties accessing their pay due to the lack of banking services in those districts.

***Southern Highlands Province: Mendi and Koroba-Lake Kapiago districts***

Both districts were without Open MPs at the time of the survey (in the case of Mendi the MP had been removed from office after being found guilty of misappropriating funds; and in Koroba-Lake Kapiago the MP had been removed following a technical appeal against the 2002 election result). In Mendi, relations between the district and provincial administrations were described as “poor”. The DA was frequently absent and the



JDPBPC met infrequently, usually in Port Moresby or Goroka. In the absence of the Open MP, the JDPBPC was said to be controlled by associates of the provincial governor.

In Koroba-Lake Kapiago, the DA was also said to be frequently absent from the district. While relations between the district and provincial administration were said to be satisfactory, it was claimed that successive DAs had been political appointments. The JDPBPC was said to meet only once or twice a year and even then outside the district in Port Moresby or Goroka. One informant stated that LLG presidents had been given money to go off and “drink and play the pokies” while the meeting was in progress. It was also reported that civil society is not involved in the JDPBPC process. In both districts it was said that LLG presidents and councillors had been politically appointed by the provincial government and that this, in conjunction with lack of funds, had undermined the LLG system. In both districts there was uncertainty as to the existence of district plans and the planning process was said to be highly politicised.

In terms of revenue and expenditures, there were reports in both districts of widespread misuse of funds and of MPs using funds to buy support. LLGs do not collect head taxes. Koroba-Lake Kapiago is without banking services and public servants travel by air transport to Mount Hagen to collect their pay and, according to one respondent, they “often get stuck there for months at a time”. Service delivery was said to be unsatisfactory in both districts. The poor security situation is a significant impediment to service delivery in these areas due to frequent road blocks and the widespread breakdown in law and order.

***East New Britain Province: Rabaul and Kokopo districts***

Respondents in both districts said that the Open MPs had served the districts well. In both cases the JDPBPCs had met several times during 2004 (six times in the case of Rabaul and three in the case of Kokopo) and were said to be effective. There was said to be close collaboration between the Open MP, the JDPBPC and the district administration in both districts. Civil society is represented on both JDPBPCs by women’s, youth and churches’ representatives; and civil society (including NGOs, business and village communities) is said to play an important role in development at both district and provincial levels.

All districts in the province have five year plans. In both Rabaul and Kokopo, ward development plans were said to be feeding into the LLG and district planning processes. Both provincial sectoral staff and civil society groups actively participate in planning at the ward level, and LLG presidents submit their LLG plans to the JDPBPC. District plans contain summaries of all the LLG plans. The Rabaul DA reported that funding was sometimes late or inadequate, but that coordination between government agencies in the district was generally satisfactory. The relationships between LLGs and district administrations was said to be “very good”. In both districts it was reported that Open MPs have generally allowed JDPBPCs to allocate their District Support Grants. Head taxes have been introduced at the LLG level and in Kokopo revenue from these taxes is shared between the ward and the LLG. In Rabaul it was reported that communities contribute in kind to local projects, for example, by providing carpenters to help build a classroom initiated by the JDPBPC. In both districts access to basic services was said to be good, though some respondents said that service delivery had been politicised. Other obstacles to service delivery included inadequate funding, manpower shortages, poor management skills and logistical constraints.

***New Ireland Province: Kavieng District***

From 2002 to 2007, and under the initiative of the former governor, a parallel and unregulated system was established for distributing provincial funds to constituents that resulted in a considerable deterioration of service delivery in the province. This parallel system, known as the Limus Structure, was essentially the use of the governor’s 2002 election campaign committees as a vehicle for distributing state resources, entirely bypassing the provincial government, district administrations, and local level governments. As a result, there were no budgetary provisions to line departments, and a complete lack of functionality of the established provincial and district administrations.

In Kavieng, the DA, who had been in the position for around two years, stated that the lack of office and housing infrastructure, particularly at the rural LLG sub-districts, was a major constraint to the provision of services because field staff were based in town. Even in the case of Kavieng District headquarters, which is located in town, there is no designated district administrative office, meaning that district staff are scattered around different parts of town.

The DA also stated that district and LLG grants mandated under the OLPLLG were often late in arriving and were not in accordance with the prescribed funding formula. The small amount of funding received by LLGs, usually late in the year, is only sufficient to pay councillors allowances. The Kavieng Town Mayor (who is the elected head of the LLG) and the Town Manager similarly stated that lack of funding was a serious constraint. They had not received any funding from the provincial government for the past four years and had been entirely dependent on national government grants.

With regard to the Kavieng JDPBPC, the DA stated that it had not been functioning effectively for the past four years. On two instances the JDPBPC had met without the knowledge or involvement of the DA.

***Southern Region: preliminary findings from LLG and district profiling***

The findings from this survey have thus far only been reported in summary form in an National Research Institute *Spotlight* publication (Gelu 2009) and, to a lesser extent, in an unpublished conference paper (Gelu forthcoming). The survey collects questionnaire data from district and LLG officers, and records the assets and facilities of districts and LLGs. To date the survey has only been conducted in the Southern Region (Western, Gulf, Central, Oro and Milne Bay provinces). In the case of the districts surveyed (Rigo, Kairuku, Alotau, Tufi, Kerema and North Fly), the following observations have been reported in relation to development planning, funding issues and service provision:

- Inadequate funding is a problem in all districts.
- There is unclear delineation of authority between districts and provincial administrations, particularly in Tufi and Kerema.
- JDPBPCs are ineffective due to lack of transparency and irregular meetings, particularly in Kairuku, Tufi and Kerema.
- There was a lack of awareness in all districts about the DSIP and how the funds were being used.
- Tufi and Kerema do not have district plans.
- All districts experience varying degrees of administrative constraints relating to staffing, infrastructure and transport.
- All districts have problems with health and education services including lack of staff, materials and supplies. Church-run schools and health centres generally have better facilities, supplies and material than government-run services.

The following relevant observations have been reported in relation to the LLGs profiled (Rigo Central Rural, Mekeo/Kuni Rural, Huhu Rural, Alotau Urban, Kerema Central, Kiunga Rural, and Tufi Rural):

- None of the LLGs have either LLG or ward development plans;
- Only two LLGs receive sufficient funding to support administration and service delivery. These are Huhu Rural LLG, which raises revenue in the form of fees from Alotau market; and Kiunga Rural LLG, which receive royalties from Ok Tedi mine;
- The LLGs generally lack administrative capacity and some lack council chambers.

The case studies presented above lend significant weight to the generalised and frequently cited observations about district and local-level governance that were examined in the previous sub-section. This particularly applies to the domineering role that many Open MPs play in development planning and financial decision-making at the district level, to the exclusion of LLG presidents, ward councillors, and communities and civil society at large. However, the case studies also provide a window into the enormous diversity and variation in practice that exists across the country. This diversity of planning and financial decision-making contexts is directly reflected in the range of service delivery outcomes that are observed in different provinces and districts. . Again, we can point to East New Britain and Southern Highlands as exemplars of good and bad service delivery outcomes respectively. Most local-level contexts in Papua New Guinea probably lie somewhere along the continuum between the case study districts examined in these two provinces.

## **5. Conclusion**

As stated in the introduction, empirical field data on the functionality and inclusiveness of district and local-level decision-making around development planning and, particularly, the allocation of state development funds is too inchoate to be able to start developing rigorous frameworks to explain apparent variation. That said, the finding of significant spatial variation is in itself important as it challenges the orthodoxy that these local-level processes are ubiquitously dysfunctional and the associated assumption that all development funds, so-called slush funds, are being used for pork-barrelling in MPs' voter strongholds. Moreover, the apparent extent of spatial variation lends itself to the development of hypotheses to explain this variation. One tentative hypothesis is

canvassed below. However, more work is clearly required to gain a better understanding of the extent and nature of spatial variation in the local-level governance of state development funds. As mentioned at the outset, a program of research is currently being undertaken at the district and LLG level with a view to doing precisely this.

The bare bones provided by the case studies sketched out here, and the accompanying survey of the literature on political culture and patronage, has enabled us to frame this research program around some of the relationships that appear to emerge from the limited data available to date. The spatial variation in the extent to which MPs marginalise LLG presidents in order to control the allocation of development funds appears to loosely map onto similar patterns of spatial variation in the intensity of patronage politics, money politics, and the traditional and on-going importance of the 'big-man' system.<sup>10</sup> The critical, though by no means immutable, distinction is between the Highlands on the one hand, and the lowlands and islands on the other; with the former characterised by clan-voting and more aggressive and individualistic leadership styles, and the latter by a greater emphasis on mediation and group decision-making. This provides an initial hypothesis: that functionality is related to the intensity of patronage politics. Importantly, however, the evidence of relative dysfunctionality in parts of some coastal and island provinces, such as Madang and New Ireland respectively, highlights the clumsiness and crudeness of this geographical dichotomy. Data from a larger number of districts and LLG areas will enable us to investigate these spatial relationships more rigorously, and the field sites have been selected accordingly.

Another important research question relates to the impact of limited preferential voting (LPV). The change in the electoral system has raised the potential for significantly changing the clan, tribal and patron-client dynamics associated with elections, and therefore local resource allocation. The introduction of LPV was an attempt at electoral engineering in the sense that it was "intended to change people's electoral behaviour or political culture, and in particular to break down the intense localism found in most areas of Papua New Guinea" (Standish 2006:197). Importantly, the preliminary evidence relating to the impact of LPV on campaigning in the 2007 election indicates that while

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<sup>10</sup> The behaviour of politicians in contemporary Papua New Guinea strongly resonates with the leadership style of traditional big-men. Notwithstanding important regional variations, a key defining characteristic of traditional big-man politics is the accumulation and distribution of resources to create webs of obligation and reciprocity; or, in other words, patron-client relations. It is this particular aspect of the big-man model that finds most resonance in the 'tactics' and behaviour of modern Melanesian parliamentarians (see Morgan 2005 and McLeod 2008).

candidates sought votes and preferences more widely than they have done in the past, the basic pattern of campaigning has remained the same (Haley and Anere forthcoming; also see May 2008). Moreover money politics intensified in the 2007 election, possibly as a consequence of the increased scope for vote buying under the LPV system.

However, one area for cautious optimism relates to campaigning strategies around the allocation of preferences (Standish 2006, May 2008, Haley and Anere forthcoming). There is evidence to suggest that in five of the ten districts which had previously had a LPV by-election, voters during the 2007 election allocated preferences to strong candidates with solid track records. This is a promising departure from the widespread strategy observed during the 2007 election and in previous LPV by-elections whereby candidates asked their primary voters to direct their preferences to minor candidates who were unlikely to pose a threat. The selection of districts in our current research program will enable us to investigate possible relationships between LPV and patronage politics.

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## Online citizen panels as an advance in research and consultation: A Review of pilot results

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### **Abstract**

*This paper details a new model for local government consultation and research. The model involves a local government partnering with a university to establish an online panel of citizens that is then used for consultations and research on a range of local government issues over time. The model was evaluated across an 18-month pilot involving three metropolitan councils in South Australia, each running its own panel. This paper details the rationale behind the panels, steps involved in their establishment, and what the most effective recruitment methods were to build panel membership. The model's ability to recruit a wide audience of citizens as members, including those who would not normally participate in local government matters, is examined, as well as citizen expectations of the panel and satisfaction with being a member. Finally, key learnings from the pilot are identified. The pilot results demonstrate that such an online panel model can be used effectively in the local government context. The panels achieved citizen membership wider than that historically seen in local government consultation and research, and were sustainable in terms of continued participation and high levels of citizen satisfaction. Since the pilot, the project has grown to include seven councils and almost 2500 citizens. This is further evidence that this model offers a way forward for enhanced citizen participation in local government decision-making and policy development.*

### **Keywords**

Local Government, Research and Consultation, Community Consultation, Citizen Panel, Online.

## 1. Introduction

Meaningful and effective community consultation and participation have been identified as critical for local government in the 21<sup>st</sup> century, as has improved monitoring and evaluation of local government performance. Coupled with this, has been a call for local government to find new ways to build capacity with cited examples including partnering with other organisations (Sansom, 2010). This paper examines the pilot of a model for local government citizen consultation and research that goes some way to introducing these desired elements.

The pilot was initiated out of frustration with the limitations and expense associated with existing methods of citizen consultation and research. Two large metropolitan local governments in Adelaide, South Australia, approached and partnered with a University of South Australia-based research institute to trial an alternative approach to community consultation and research – an online citizen panel. Funding from the Local Government Association of South Australia supported an 18-month pilot of the model. The pilot saw three metropolitan city councils establishing online panels of citizens with which they regularly consulted and conducted research. Each panel sought wide membership from citizens living and working in the local government area and aimed to reach an initial critical mass of 300 members.

While many councils and other local government agencies conduct off-line research and consultations, these are rarely done through a continuous multiple-purpose panel, built specifically for that organisation. Rather, specialist advisory committees or citizen juries are used, made up of a small number of citizens for a particular purpose or issue. Such consultation mechanisms are common in the UK and increasingly so in Australia. As for the use of online methods, at the time the pilot was initiated, online research and consultation in the local government arena had mostly been limited to one-off research or consultation surveys hosted on council web sites on an ad hoc basis, and ongoing online citizen panels not been established.<sup>1</sup> The pilot project examined in this paper was the first in Australia to establish online panels across multiple councils and with the aim of learning and disseminating knowledge about this approach. It was also the first example

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<sup>1</sup> Parramatta Council would be one notable exception to this. The authors would like to gratefully acknowledge the time and information shared by Parramatta Council (especially Wade Clark) during the project's development. Ku-ring-gai Council, north of Sydney, is another example of a council that has a multiple-use citizen panel, built specifically for its needs.

of local governments partnering with an external organisation (in this case a university-based research institute) to establish and manage the online citizens panels. The university had its own in-house research field team, including the ability to write, host and analyse consultation surveys. This partnership gave local government access to research design and consultation implementation expertise, as well as being able to assure panel members of anonymity and confidentiality in their participation. The university gained benefits from being able to build a research agenda around the pilot; one that was grounded in practice-oriented research.

## **2. Research and consultation in the local government context**

### ***Consultation and research: An operating requirement***

Community consultation and research has become an essential aspect of local government operations. In Australia, like many other jurisdictions, local governments are required to inform, and often to consult with, their citizens on matters that potentially affect them. The exact requirements vary for different matters and are generally governed by state laws and each local government's consultation policy. For example, in South Australia, under the Local Government Act (1999), there is a statutory requirement for local councils to consult with citizens when establishing strategic plans, setting annual business plans and budgets, changing rating policies, or considering changes to the status of community land. In addition, there is a requirement to notify citizens of such activities and give 'interested persons' a 'reasonable opportunity' to have input into the planning process. This includes, at a minimum, the publication of notices in the local paper, making draft plans publicly available, and considering submissions from members of the public when drafting plans.

In addition to these requirements to consult citizens, there is increasing pressure for government policy to be informed by research, and for performance, service delivery and customer service to be monitored by undertaking research with citizens (UTS Centre for Local Government/LGCSA 2007). In the local government context, research generally refers to activities where the aim is to gather reliable, statistically projectable results, usually by surveying a sample that is representative of the local population. Community consultation, in contrast, is typically more focused on gathering input or feedback from those who are interested in contributing. At times, the two tasks of research and

consultation can have very different, and potentially competing objectives, especially when consultation is undertaken as a socio-political task but research is conducted as an objective scientific process. Reconciling these can be a challenging task for local government managers.

However, whilst acknowledging that research and consultation are different activities with different principles and objectives, both can be considered forms of public participation. The International Association for Public Participation (IAP2) puts forward one of the most well known frameworks for categorising community participation. The IAP2 spectrum of participation ranges from ‘informing the public’, through to ‘listening to the public’, ‘engaging in problem solving’, and ‘developing agreements’ (for more information see [HTTP://iap2.org/practionertools/index.shtml](http://iap2.org/practionertools/index.shtml)). According to the ‘spectrum’, the research and consultation examples discussed in this paper would mostly be classed as ‘listening’ and this paper evaluates the effectiveness of the online panel approach for this task.

#### ***Consultation and research: A valued activity***

Citizen consultation and research are valued means of obtaining feedback and input from the community, enabling councils to be more responsive and representative in their decision-making (City of Tea Tree Gully 2001). They are also seen as means by which to build social capital, through encouragement of broader understanding and ownership of decisions and plans (Aukett 2009) and to enhance a council’s reputation as open, accountable and willing to listen (Local Government Association of SA 2007).

Over the last forty years, the value of engaging citizens in decision-making and governance has been discussed extensively in the planning, public administration and governance literature (see Day 1997, Bishop and Davis 2002, or Irvin and Stansbury 2004 for comprehensive reviews). There has been a particular focus on the potential of citizen participation to improve outcomes and foster good governance. Community consultation is seen as one of the central mechanisms to raise the level of citizen participation in decision-making and engage constituents (Brackertz and Meredyth, 2009), and the last decade has seen a groundswell of support for the concept of community input in local government. This support has been manifest in the appointment of ‘community engagement officers’ and the institution of ‘consultation



policies' which outline the range of issues on which local governments will seek input, the principles guiding processes, and appropriate methods to be used (see Brackertz and Meredyth, 2009 and Local Government Association of South Australia 2007 for reviews of policies and practices in various Australian states). Increased consultation and research with citizens are part of this broader trend towards greater community engagement and collaboration (Lowndes, Pratchett et al. 2001). Local government is moving away from using consultation activities as a 'disaster check' towards actively seeking citizen input early in decision-making and policy development processes, and most councils in Australia now use a diverse range of methods and approaches for working with citizens (Hornby 2007).

In the context of local government, research amongst citizens is valued for its ability to monitor and provide reliable feedback to local governments regarding service delivery. It is also relied upon to provide local government with a representative snapshot of community sentiments on an issue or decision, often when there have been vocal objections from a section of the community, or where an impasse has been reached.

The literature does not often acknowledge the challenges managers face in translating principles of consultation and research into activities, and how difficult, time consuming, and costly consultation and research can be for a local government to implement. Many local governments face capacity issues and do not have the staff or infrastructure to design or implement consultation strategies themselves (Lowndes, Pratchett et al. 2001). For these reasons, many local governments choose to outsource the design or implementation of research or consultation to external providers, making activities costly and preventing local governments from learning how to do these things well themselves. For many, the purported benefits of citizen consultation and research fall short in reality.

***Consultation and research: A frustrating reality***

Local governments face a challenging and frustrating reality when it comes to putting consultation policies into practice. The results of consultation activities are often disappointing, both in terms of the number of people engaged and the usefulness of the findings for developing policies or aiding decision-making (Cuthill 2001). Moreover, local governments often find consultation activities difficult to sustain over the longer term, typically running very effective consultations on just one or two issues (usually due

to the dedication of key staff to the process), but lacking the resources, staff, or time to do so on a sustained basis.

As Brackertz and Meredyth (2009) point out, the process used to facilitate community participation largely determines the outcomes. A range of different processes or approaches are commonly used in local government (see Heylen 2007 for a discussion of Australian practices or Lowndes, Pratchett et al. 2001 for a discussion of practices in UK councils), all of which have limitations or challenges. For example, 'town hall' meetings and public submission processes usually garner extremely limited participation and attract mostly people who are highly involved with the issue under consideration and are polarised in their opinions. This is because attending a meeting or writing a submission requires citizens to go to considerable effort, and consequently there is a large element of self-selection bias. The handfuls of people who do participate in such processes are usually part of a vocal minority opposed to a decision or policy and are therefore not representative of community sentiment. This is problematic for local governments, as they must make decisions that take into account the views of the entire community. This pattern of small numbers of unrepresentative, often negative participants can be disillusioning to local government staff and decision-makers. There is scepticism amongst managers that consultation will garner any genuinely new ideas or useful feedback or that it will amount to anything more than just the 'usual suspects' (Brackertz and Meredyth 2009). Similarly, surveys designed by councils and distributed to community groups or through service contact points are often criticised for being poorly designed, not being sufficiently impartial, and for achieving only small, unrepresentative samples. As a result, local government decision-makers tend to be dismissive or distrusting of findings gathered through such processes (Wilson 1999).

A more proactive approach, aimed at overcoming the problem of representativeness in consultation, is recruiting groups of citizens willing to be consulted on a range of issues, rather than recruiting interested citizens on an ad hoc basis to be consulted on a single issue. Citizen Advisory Panels are generally set up in this way (Lowndes, Pratchett et al. 2001), with a select panel being recruited to represent the community and meeting regularly to review policy and advise council on a range of issues. However, the chance of these few selected individuals being truly representative is slim, especially given that the nature of the advisory process (regular meetings) is likely to attract only politically

engaged citizens. Citizens' Juries tend to be better in terms of representativeness because participants are typically selected through random sampling approaches (Hendricks 2002), but require substantial resources to set up. Managers often lack the skills or infrastructure to do so independently, managing them can be time consuming, and they too typically only involve a few individuals.

Larger government agencies commonly use telephone and mail survey methods to garner the opinions of a broad cross-section of the community, and often engage external organisations to implement it to overcome design, implementation and impartiality issues. However the time and expense of such methods is an impediment to using them regularly or for many issues. Even a large city council can only afford to do two or three such research exercises a year, leaving many decisions under-informed with respect to the views of the community.

There is a clear gap between what local governments would like to achieve in terms of citizen consultation and research, and current practice, suggesting a need for innovative approaches and new models which overcome time, resource and competency constraints.

### **3. Online approaches**

An emerging methodology for consultation and research is online. The recent growth in Internet connectivity means that in most countries a majority of the population can be reached online – in Australia, 72% of the population is using the internet regularly (Australian Bureau of Statistics 2009). One of the key advantages of using an online approach is that it is easier for citizens to participate. People can choose to participate whenever and wherever is convenient for them. It is far easier for people to participate in an online survey or comment on a forum than to attend a public meeting or write a formal submission. It is also less threatening as people can participate in private, take as much time as they need, and can choose to remain anonymous, making full disclosure more likely (Holbrook and Krosnick 2010). By making consultation and research processes more accessible to the public, more people should be willing to participate and potentially, participants may also come from a more diverse cross-section of the community.

Some local governments, both in Australia and other Commonwealth countries, are already using online approaches. Surveys or forums are most commonly used and are generally focused on a single issue and hosted on the agency's website. However, such approaches have limitations in that presumably only those people who are already engaged with local government affairs or the particular issue tend to notice them and go to the effort of visiting the website and participating. So while the process may be more accessible and involve more people, the issues of representativeness and involving the silent majority are not really addressed by hosting an online survey on a website.

A more promising approach is to establish a panel of citizens who are interested in being consulted on a range of issues to do with their local community and inviting them more directly to participate in consultations online. A panel that is recruited to provide feedback on a range of issues will likely be less affected by issue-based non-response bias, and more able to represent a community accurately than a sample of respondents self-selected themselves to participate in a consultation on a single issue. If the panel is to be predominantly based online then citizens may be willing to join as participating will be easy and convenient for them.

Online panels are widely used by private sector companies and academics to conduct research and have been shown to have advantages over telephone and mail surveys in terms of their ability to collect a large number of responses relatively quickly and at a low incremental cost (see Ilieva, Baron et al. 2002 for a particularly good summary of their advantages). Many research and consumer-orientated companies have been successful in establishing large online panels of their customers and using them for research (Batinic and Morser 2005 as cited in Joinson, McKenna et al. 2007).

Online panels could be a very promising alternative for local governments wanting to conduct research and consult with their community. There have been some ad hoc moves towards this approach in Australia. As noted earlier, at the time of the pilot at least two local governments in Australia had successfully recruited and used citizen panels on an ongoing basis, although online components were minimal. Moreover, online panels had not been implemented in a co-ordinated way across multiple agencies, nor had they been subject to academic scrutiny. The approach also had not been run in a partnership context between an agency and a research partner. These were some of the motivations behind the pilot project when launched in late 2007.

#### **4. The online panel model in action**

The online panel model was piloted in three metropolitan councils in South Australia. The councils publicised widely to their local communities that they were establishing an online panel and were looking for citizens to be involved. They used a variety of promotional methods, the effectiveness of which is reported later in this paper. The panels were promoted as a way that citizens could ‘help shape their city’s future’ and that, once registered, people would be invited (via email) to participate in between four to eight online surveys a year for their local council. The registration process was relatively simple. The university designed and managed an online survey to collect names, contact details, demographic variables relevant to the local government context (household composition for example) and information about their prior contact, involvement and satisfaction with their local government. These variables were used to evaluate the representativeness of the panels. It was felt that a simple demographic comparison against the Australian Bureau of Statistics profile of the local government area would not address the issue of representativeness in terms of attitudes, knowledge and involvement in the sorts of issues to be discussed. So, this fuller range of variables was collected on registration and used in the representativeness analyses. All of this information was fed into a database designed by the university to manage responses and facilitate the sending of surveys.

Councils notionally aimed to recruit 300 panel members, as this is in the vicinity of what a commercial research activity would aim to sample. Once panels reached 300 they were validated against a traditionally used research methodology (telephone interviews or mail surveys) by running the same survey in parallel through both methodologies and directly comparing results across demographic, attitudinal and behavioural variables. Results were also validated against Australian Bureau of Statistics data for each area. If deemed to be sufficiently representative by the academic researchers at the completion of this process (all panels met this requirement), the panel was then used for research and consultation. Even once their panels reached 300 the councils continued to publicise them and recruited additional members throughout the pilot period.

An important element of these panels was that anyone living, working, using services, or paying rates in the local government area was welcome to join their local panel. Members were not selected and membership was not restricted in any way.

Correspondingly, tests for representativeness were aimed at establishing the validity of the online approach and the panels, rather than obtaining a perfectly matched sample. The principle of open membership is an important distinction from panels where members are selected on the basis of their credentials or characteristics, or where demographic or geographic quotas are imposed. Open membership was adopted to signal the councils' openness to community input from wherever it came. Furthermore, because the panels were also promoted as an exercise in community engagement by the councils, turning interested citizens away would have been counter-productive.

That the panels were to be predominantly engaged online was also a key concern for councils, and strategies were implemented to make the panels more accessible: making the online surveys available through local library computers, running training sessions for citizens not familiar with email or online surveys, and in some cases, making paper versions of the survey available to those citizens without access to a computer. Interestingly, these paper surveys had extremely low uptake. From this, it appears that online access was not an impediment to participation and that people did have a preference for the convenience of the online option.

The panels were managed by the university partner, protecting the anonymity of participants, enabling the sharing of database and survey infrastructure costs and overcoming issues of capacity and expertise within councils. The university also designed the surveys used for consultations and research, managed the online surveys, conducted analysis and reported back survey findings to council managers and elected representatives. This enabled councils without the skills or capacity to do so themselves to establish panels and was important to the integrity of the process. Community participants were able to comment honestly, knowing that the university, not the council, managed survey responses and that their identity would remain anonymous. The involvement of the university as an external gatekeeper partner also has implications for improved willingness of citizens to join a panel in the first place (Heberlein and Baumgartner 1978). That consultation surveys were designed and analysed by an external agency gave credibility and independence to the process and ensured councils saw the panels as reliable sources of information. The university also acted as the custodian of the panels, advocating on their behalf and ensuring they were not over- or under-utilised, a role that was important for the long-term health of the panels. Because

of the university's academic interest in the panels and its full in-house research services ability, resources were available to experiment and provide valued-added services (eg the use of pop-ups in surveys) to the panels that would have been prohibitively expensive and not offered in as flexible a way if a commercial research partner had been involved.

Each council conducted between five and seven research or consultation surveys over the course of the 18-month pilot. Consultations were scheduled every three months (approximately), or conducted as need arose. The frequency of consultation was one of the issues on which feedback from panel participants was sought at the completion of the pilot. Council managers and elected members determined what issues were put to the panels and the council retained ownership of the panel. Although all communications were sent via the university's software and servers, everything was branded as being an initiative of the individual council in collaboration with the university partner and as part of a broader cross-council program ('Community Panel'), giving consistency to the process.

## **5. Evaluating the online panel model**

Through the pilot the feasibility and sustainability of an online panel model was tested in the local government context. The most effective recruitment methods were determined and the time it took to build a panel of a size sufficient for research and consultation established empirically. Participant data was analysed to determine if the panels were able to engage citizens who had not previously participated in community consultations, and whether community participants were satisfied with the model. The results from this evaluation are discussed below.

### ***Results: Panel membership numbers***

A key question for the pilot was whether the local councils could recruit a panel of sufficient size for conducting research and consultation. Table 1 details the number of panel members each council had recruited by the end of the 18-month pilot.

**Table 1: Panel membership numbers**

Local Council	Panel Members	Area Population (ABS Census 2006)	Panel as % of Population
A	732	42 000	1.8
B	684	95 000	0.7
C	437	45 000	1.0

As the results illustrate, each of the local governments exceeded the notional 300-member ‘threshold’ by the close of the pilot, recruiting between 400 and 700 members each. Although the local governments varied in population from 42 000 to 95 000 residents, each panel represented about one percent of the local government’s residential population. Whilst this may seem too few to be considered effective representation, it is a vast improvement on public meetings that typically engage fewer than 50 participants, or even commissioned phone surveys that typically include only 300 to 400 participants. Hence, the participating councils judged the panels a success in terms of their ability to engage more citizens than traditional approaches.

How long it took councils to build their panel to the ‘threshold’ size of 300 members varied from as little as four months to just over six months. Council B had more than 500 members within five months; however, Council A recruited just 262 members in the same time period. A controversial local issue then saw an additional 150 people join that panel in a single week, growing the panel to 416 members after six months of recruitment. This raises the issue of the potential for a particular issue to skew a panel which, while not empirically examined in this paper, is important. Council C grew to 400 members within four months and then remained stable for the remainder of the pilot. On the basis of these results, it seems that local governments can build a usable citizen panel quite quickly – most certainly within six months of establishment.

#### ***Results: Recruitment methods***

The pilot trialled a range of recruitment methods in order to evaluate their effectiveness in growing panel membership. The effectiveness of recruitment methods was captured through a (prompted) question in the registration survey asking new members how they heard about the panel. As the trends were the same across all three panels, the results are aggregated and are shown in Table 2. The total number of panel members reported in



Table 2 is less than the number of panel members overall, as only the top five methods are listed.

**Table 2: Top 5 recruitment methods**

Recruitment Methods	n	%
Flyer with rates notice	794	43
Advert in council newsletter	314	17
Article in the local newspaper	200	11
Promotion on council website	131	7
Flyer at the library/ council offices	126	7

Recruitment methods with very broad reach, like a sending a flier to all ratepayers with the council's quarterly rates notices, were found to be most effective. Advertisements in council newsletters or articles in the local paper were the next most effective methods, primarily because they are circulated to every business and household. Other somewhat effective methods included promoting the panel on the council's website, at the council offices and library, and encouraging members to tell their friends. As these methods are fairly low cost to implement, they are probably worthwhile, although they recruit proportionally fewer members. Interestingly, recruitment methods that entailed additional resources or management time, like having staff hand out fliers at local events, tended not to result in much membership growth (less than three percent in total). That many of the most effective recruitment methods were 'off-line' is particularly notable and is likely to be important for the representativeness of such online panels.

***Results: Engaging the 'silent majority'***

Another research question for the pilot was whether an online panel approach could engage more than just the 'usual suspects' and effectively reach a wider audience of citizens. For this reason, two of the panels (A and B) were surveyed about their prior engagement with council and asked if they had previously attended a council meeting (and if so, how recently) or participated in any council consultations previously (no timeframe was set). Response rates were high, although not 100%, with 330 members of Panel A and 353 members of Panel B completing these survey questions, the results of which are reported below in Tables 3 and 4.

**Table 3: Panel participants – attendance at council meetings**

	Panel A %	Panel B %
Never attended a council meeting	62	68
More than 12 months ago	28	26
Recently (in last 12 months)	9	5
Unsure	1	1
Total	100	100

**Table 4: Panel participants – previous participation in council consultations**

	Panel A %	Panel B %
No, never participated before	63	72
Yes, have participated in the past	28	16
Unsure	9	12
Total	100	100

As the results in Tables 2 and 3 illustrate, the online citizen panels were able to engage people who had never been involved with their council before. Almost seven in 10 panel members had never attended a council meeting and most of the almost three in 10 who had, had done so more than a year before. Most panel members had not participated in local government consultations in the past either, suggesting the panels were reaching a new audience and engaging those citizens who had been silent. It is important to note that both of these councils had been proactive in their approaches to community consultation, running major community-wide consultation processes in the years preceding, so the results in Table 3 do not reflect a lack of effort on the part of councils, but rather the genuine difficulty in engaging the community.

Qualitative feedback from panel members supports the conclusion that online panels can effectively engage a new audience of constituents who have not participated in local government consultations before, and confirms the limitations with traditional approaches. The following quotes come from panel members via the survey seeking their feedback on the online panel model:

A good way to have a say. I am usually quiet and do not have an opportunity to say what I think in a big group of people.

I've never previously felt I have a real voice in the council because my only option has been to go to council meetings. I prefer to comment in my own time after having considered a summary of issues.

I'm in favour of doing this on-line, means I actually get a chance to participate, which I wouldn't if I had to go into council or attend a meeting.

### **Results: Consultation and research activities**

During the course of the pilot, 18 consultations or research activities were undertaken across the three council panels in the form of short online surveys. The topic of each survey is detailed in Table 5 in chronological order according to council. The response rate for each survey is also listed, along with the number of panel members at the time of the survey's launch. Multiplying the response rate and the number of panel members gives an approximation of the number of participants in each survey, but is not exact as new members continued to join during each survey period. In each instance, an email was sent to all registered panel members, inviting them to participate in the survey by visiting a linked website, and a reminder email was sent a few days later to any panel member who had not yet completed the survey.

**Table 5: Topics and response rates**

Local Gov Panel	Topic (in chronological order)	Starting Members n	Response Rate %
A	Consultation Preferences	193	72
A	Strategic Plan	216	81
A	Facilities	539	84
A	Service Quality & Performance	598	70
A	Panel Participant Satisfaction	682	58
A	Council asset	744	58
A	Annual Business Plan & Budget	755	40
B	Annual Community Survey	302	86
B	Library Services	608	74
B	Community Art Show Standards	609	60
B	Annual Community Survey	634	70
B	Panel Participant Satisfaction	617	55
B	Annual Business Plan & Budget	684	50

C	Council Performance	259	88
C	Environmental Initiatives	418	69
C	Council Communications	428	61
C	Annual Business Plan & Budget	439	50
C	Strategic Plan & Environment Initiatives	447	51
	Average	513	66

As Table 5 illustrates, the online panels were used successfully to conduct research and consultations on a wide range of topics – from service quality evaluations to strategic and annual business plans, council facilities and environmental initiatives. All of these surveys were used to collect qualitative and quantitative information that was then reported back to council.

Response rates for these surveys were generally high; the average response rate of 66% far exceeds the response rates reported in the literature for online surveys with email notification (see Ilieva, Baron et al. 2002 for a meta-analysis). These response rates were calculated controlling for bounce-backs to each survey (as these respondents never saw the invitation to participate). The number of bounce-backs was low, on average 4% for any given survey. The consistently high response rates also demonstrate that an online panel approach can garner enough responses to provide councils with a diversity of opinion on any given topic. And ensuring high response rates was a key focus; the university partner did not want non-response bias to undermine the representativeness or usefulness of the panels. The response rates were achieved by following best practices in online survey research such as pre-notification and reminder emails, personalised invitations, incentives for participation, and simple survey designs (see Mehta and Sivadas 1995 or Dillman, Tortora and Bowker 1998 for further discussion of design principles).

Response rates did vary for different survey topics, probably because some topics were seen as less salient to citizens (the impact of topic salience on response rates is firmly established by researchers such as Martin 1994). Across all three panels, response rates appear to fall over time. This may be related to the appeal of consultation topics: the lowest response rates were recorded for annual council business plan consultations and surveys where panel members were asked about their satisfaction with the panel process.

These are surveys that may have been less interesting or relevant to panel members (the satisfaction survey being seen not to relate to council issues but rather the university's research agenda on methodology development). The fall in response rates may also be a consequence of the panels ageing and some members becoming 'inactive' or 'worn-out', but this hypothesis requires further investigation.

Surveys were usually available to panel members (and the wider public, provided they registered as a new panel member first) for between seven and ten days, although one consultation survey (Art Show Standards) was left open for just four days. When the panels were initially established, it was thought that a consultation period this long was necessary to ensure that all panel members had sufficient time to access the surveys and respond. However, it was found through the pilot that approximately 60% of those who participated in a survey did so in the first 48 hours after it was opened and participation rates only increased once reminders were sent (Reynolds, Sharp and Anderson 2009). On the basis of this evidence, a survey period of four days may be sufficient if a reminder email is sent on the third or fourth day to those panel members who have not participated.

Incentives, such as movie passes and gift vouchers, were offered by some councils for some surveys to encourage participation, but the effect on response rates was not clear. Additional evidence from the pilot suggests that providing feedback on the survey results and outcomes has a greater impact on participant motivation and survey response rates, at least over the long term.

***Results: Satisfaction of participants***

The purpose of the pilot was to evaluate the online panel model from all perspectives, including that of citizen participants. At the close of the pilot, participants from two panels were surveyed to see how satisfied they were with the model and the initiative. Almost 700 panel members participated in this survey and over 85% indicated they were 'satisfied' with the panel experience overall. The mean average rating was 8.6 on an 11-point satisfaction scale where '0' denoted 'not at all satisfied' and '10' 'completely satisfied'. The comments received also demonstrate participants' satisfaction with the online panel model:

This is a great way of being able to provide feedback to council at a time that is convenient.

I believe that the council has already gleaned important information through this forum. It is an excellent medium for honest feedback.

It is very important to gain community feedback. Online surveys are a simple and effective method.

Enjoy the opportunity to express my views and keep local government 'local'.

Furthermore, 60% of those who responded indicated that participating in the online citizen panel had improved their perceptions of their council. It seemed particularly effective in mitigating feelings of mistrust in council decision-making.

I've been involved in community affairs in [Council B] for several years and have been a constant critic of the lack of transparency in the way they do business and the priorities they give various issues. This seemed like a positive way to perhaps have some input into the process.

An interesting finding from the model evaluation by panel members was just how important hearing about the results and outcomes of consultations was for motivating them and keeping them engaged. It suggests a need for regular communications back to the panel regarding the results of consultation and research surveys and how council uses them. In the pilot, the feedback mechanism was regular newsletters, emailed to online panel members four times a year (usually after a survey), as well as updates on the respective council websites about the activities of the online panel. While it was not difficult to report back on survey findings, articulating how citizen input had influenced outcomes or decisions of council was more difficult, particularly when there was a long time lag between the survey and the decision.

During the model evaluation, panel members were also asked how frequently they would like to be asked to participate in research and consultation online. Almost two-thirds indicated they would like to participate in a consultation at least once a month, and around a third indicated they would like to participate every few months. Throughout the pilot, the councils conducted consultations less frequently than this, but there was no evidence in the panel member feedback that this adversely affected the quality of consultations or satisfaction of panel members. These results suggest scope to consult quite frequently with citizens through an online panel if a council so wishes. Consulting with the community as frequently as once a month would require local governments to

think about the range of issues they consult the community on, as well as how they structure consultations and spread them throughout the year. For example, rather than just conducting a major consultation, a council could collect ideas for new projects or initiatives before it begins the process of drafting the budget, then seek input from the panel to prioritise the proposed projects, before finally seeking feedback on the allocations of budget. In this way a council could build up a picture of what the community wants over time and demonstrate directly back to the community how their feedback is (or is not, as the case may be) shaping the council's plans. Indeed, the feedback received in the pilot was that citizens prefer this more iterative approach to research and consultation. Panel participants do not just want to endorse or provide feedback on already formulated plans. The practical advantage of an iterative approach is that each consultation survey only has a few questions and is thus kept to a manageable length for participants.

## **6. Conclusions and key learnings**

The overall conclusion from the pilot is that online citizen panels are a viable alternative to traditional methods of community consultation and research. Local governments can build online citizen panels of sufficient size to conduct research and consultation in a relatively short timeframe, using straightforward, cost-effective methods of recruitment. Online panels can effectively engage a new audience, satisfy community participants and improve citizens' perceptions of local governments. Once established, the online citizen panels can be used to conduct research and consultations on different topics, collecting qualitative and quantitative information useful for local government decision-making, and in a timely manner. Online panels have definite advantages for local government in terms of their ability to engage large numbers of citizens over an extended period of time, in a fairly cost-effective way.

All of the topics on which councils typically conduct research or consult the community can be handled through online surveys, although it may require outside expertise to do so. Certainly the university faced a significant challenge in developing online surveys that were both appealing and accessible to citizens on topics like annual business plans and budgets, as these were topics that had only been explored in a face-to-face context in the past.

The pilot also demonstrated the value of a coordinated approach involving multiple councils. Local governments tend to conduct consultations and research surveys on similar topics, providing scope for them to compare approaches, share learnings and benchmark results. And this certainly occurred, but more so after the pilot, as networks between the council members strengthened and the feeling of being part of a community of councils was developed.

The online approach is, however, not without challenges. One of the main challenges was gaining internal council support for the model. Elected members were concerned about the potential for special interest groups to ‘hijack’ the process, whilst council managers worried that elected members might try to influence the outcomes by ‘stacking’ panels with their supporters. Both were nervous whether citizens, particularly older ones, would be interested in engaging with their local council online, on a sustained basis. However, the sheer number of citizens who participated, the eagerness of all residents (including older ones) to engage in this way, and continuous growth of the panels over time assuaged these fears. In the course of the 18-month pilot, there was only one instance with one panel in which 150 people joined in the wake of a controversial issue. However, the panel approach meant that these people were easy to identify and track over time. The objections outlined above were overcome by having senior managers willing to act as strong internal advocates for the model at each council. These managers educated their colleagues, secured access to elected members and advocated for the panels. Once the panels were established, these senior managers played a key role in planning the council’s use of the panel and working with other managers to design and coordinate consultations.

Once established, the panels were another ‘tool’ or mechanism available to council managers and elected members for conducting public consultations, and provided another way for citizens to have a say on issues important to them and their way of life. The ability to collect a representative snapshot of community sentiment on issues in a timely manner was seen as a key benefit of an online panel approach. Whilst the panels did not replace all of a council’s consultation and research activities, by the completion of the pilot they had been adopted by all three as the main method for doing so.



Significantly, each participating local government saw its citizen panel purely as a 'consultative' mechanism. They used their panels to seek input or feedback from the community, listening and incorporating it into their planning and decision-making, but responsibility for decisions still rested with council managers and elected members. Communicating this option clearly to councils at the outset of the project was fundamental to obtaining their support for the pilot, and communicating this intended role of the panels to the public was important in managing community expectations. Whilst the citizen panels could have been used collaboratively or empowered with decision-making authority, a consultative role fitted best with the current needs and structure of the councils, and with the place the activities were seen to sit on the IAP2 participation spectrum. Giving the panels a consultative role did not threaten the authority of elected members because they were free to decide how much weight to give to feedback from their panel, and were able to act against the sentiments of the panel if they saw good reason. Whilst some might dismiss the process as tokenistic, feedback indicates that the local communities involved are satisfied with a consultative role for the panels. Certainly most citizen engagement takes the form of consultation (Bishop and Davis 2002), and this is the role where citizen panels are likely to gain the most traction, so it is valuable to understand how effective they are in this role.

Since the pilot ended in May 2009, the project has grown to include seven city councils across metropolitan South Australia and to engage almost 2500 citizens. The councils and the university continue to work in partnership, sharing learnings and developing the model further. Further information about how the project is progressing is available at <http://www.communitypanel.com.au>

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## An assessment of rate-pegging in New South Wales local government

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### **Abstract**

*Rate-pegging has been in place in NSW for more than thirty years with broad support from all sides of politics. However, in late 2008 the NSW Government commissioned IPART to report on the adequacy of rate-pegging. IPART produced a Draft Report and then a Final Report, which has not yet been released by the NSW Government. Nevertheless, the NSW Government has made some changes to local government finance by way of capping developer charges, allowing IPART to make annual rate-pegging determinations, and enabling IPART to consider special variations in rate-pegging. Against this background, this paper considers the principles and practice of rate-pegging in NSW, the rationale for rate-pegging and counter-arguments on its desirability, as well as its economic effects on NSW local government finance relative to other Australian local government jurisdictions.*

### **Keywords**

Council Rates, Local Government, Rate-Pegging.

## 1. Introduction

New South Wales (NSW) is alone amongst Australian states in employing a policy of rate-pegging designed to limit increases in property taxes that can be levied by local councils in that state.<sup>1</sup> In essence, the term ‘rate-pegging’ refers to the imposition of state government determined upper annual bounds on the annual rate of increase in property taxes levied by municipalities. This policy has been an ongoing source of bitter controversy in NSW itself and the cause of much bemusement in the broader Australasian local government community (Dollery, Crase and Johnson 2006). While NSW had employed a form of rate-pegging between 1901 and 1952, which was discontinued due to its ‘impracticality’ (NSW Local Government and Shires Association 2008:16), the genesis of the modern method of rate-pegging may be found in the 1976 state election campaign, where rapid increase in rates had become the subject of political controversy. Under the Local Government (Rating) Further Amendment Bill, an interim type system of rate-pegging was re-introduced by the victorious Wran Labor Government in 1977 and further refined into its contemporary form in 1978. The timing of the introduction of rate-pegging legislation into the NSW Parliament should be seen against the historical backdrop of economic developments in NSW in the 1970s; over the period 1973 to 1976, rates had increased on average by 188 per cent, largely as a consequence of increased local government expenditure, whereas average weekly earnings over the same period rose by 75 per cent and the rate of inflation was 56 per cent (Johnson 2001:5).<sup>2</sup>

While the mechanics of the rate-pegging process have been adjusted periodically, the basic principle has remained unchanged to the present day. However, on 27 October 2008, (then) NSW Premier Nathan Rees announced to the annual New South Wales Local Government Association conference that the NSW government had given serious thought to removing rate pegging. This followed an earlier instruction to the NSW Independent Pricing and Regulatory Tribunal (IPART) in May 2008 to investigate the operation of rate-pegging and report on its findings. In July 2009, IPART released a draft *Review of the Revenue Framework for Local Government*. This Draft Report proposed two alternative approaches for a revised system: Option A would retain rate-pegging for

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<sup>1</sup> An exception resides in the fact that the Northern Territory joined NSW in imposing rate-pegging for a transitional three-year period beginning 2008 while extensive structural reform was put in place (Productivity Commission, 2008, p.97).

<sup>2</sup> Increases in rates in other Australian local government jurisdictions over the same period were substantially lower than in NSW (Radbone and Robins, 1980).

all councils, but link it to a new local government cost index and establish a 'medium term' cap on rates to allow for some revenue certainty. Option B would add to Option A: under Option B councils which demonstrated sound financial performance (as measured in accounting terms) would be exempted from rate-pegging altogether for periods up to four years.

After a period of public submissions on the Draft Report, IPART handed a Final Report of *Review of the Revenue Framework for Local Government* to the NSW Government in December 2009. As at July 2010, the NSW Government had still not released the Final Report to the public, nor had it responded formally to the Final Report of the *Review of the Revenue Framework for Local Government*. However, as part of the 2010/11 NSW budgetary process, the NSW Premier Kristina Kenneally announced 'sweeping changes to local government charges on new housing development' which involved some modification in the manner in which rate-pegging would be applied in NSW local government in future (Kenneally 2010). As part of its \$44 million *Comprehensive Housing Supply Strategy*, aimed at securing 'additional land releases, lower levies and faster planning decisions', the NSW Government set out the following measures: (a) A 'hard cap' of \$20,000 per lot for council developer charges, known as Section 94 contributions in NSW, imposed on new developments, and (b) a constraint on council Section 94 charges to be limited to 'essential infrastructure' which was 'necessary for the development to happen', like road works and stormwater management. Since (a) and (b) would inevitably intensify financial distress in local government, the NSW Government recognised that they would place upward pressure on rate-peg variation claims from local authorities. As a consequence, it retained rate-pegging, but it modified the process of rate-pegging. In the first place, the NSW Government transferred the determination of the rate-peg to IPART, which would devise a new Local Government Cost Index to employ in setting the annual rate-peg. Secondly, IPART was also placed in charge of deciding 'special rate variation requests' by councils, as well as 'variations for essential and community infrastructure'.

These requests, through which councils sought permission to levy rate above the rate-peg, had hitherto been considered by the Minister for Local Government directly. No further detail has been forthcoming from the NSW Government on the mechanics of the new process and it remains to be seen how it will work in practice.

Without getting involved in the minutiae of the two IPART recommendations, which have yet to be accepted or rejected, or the proposed new method of IPART implementing the rate-pegging process, it thus seems an opportune time to consider the nature of rate-pegging, the arguments surrounding its desirability, and its economic effects on NSW local government. This forms the main aim of the present paper.

The need for a satisfactory and stable rate-setting regime in NSW local government has been heightened by the Local Government Amendment (Planning and Reporting) Act 2009, which introduced an Integrated Planning and Reporting (IPR) framework. From the financial year 2010/11 onwards, the IPR framework will oblige local councils to prepare a long-term (minimum 10-year) Community Strategic Plan, a 4-year Delivery Program to implement that plan, plus annual Operational Plans and Annual Reports. The planning time horizon for local government has thus been substantially extended and consequently councils will require greater certainty on future rate increases. This makes debate on the current system of setting rates in NSW especially relevant.

The remainder of this paper is divided into five main parts. Section 2 provides a synoptic description of the principles and practice of rate-pegging. Section 3 considers the rationale for rate-pegging and various arguments on this question. Section 4 seeks to evaluate the impact of rate-pegging on trends in rates in NSW relative to other Australian state local government jurisdictions. Section 5 provides a synoptic description of various suggestions which have been proposed for improving the rate-setting system in NSW, including those contained in the IPART Draft Report. The paper ends with some brief concluding remarks in section 6. 2.

## **2. Principles and Practice of NSW Rate-Pegging**

In terms of the Local Government Act 1993, NSW local authorities have six main sources of revenue: rates, charges, fees, grants, borrowings, and investments. With respect to income from property, under Section 493 of the Local Government Act 1993 local councils calculate and distribute rates among four defined categories of rateable properties in their respective local jurisdictions; farmland, residential, mining and business. Section 492 of the Act makes provision for two types of rates: ordinary rates and special rates. Section 494 of the Act stipulates that every council must strike and

levy an ordinary rate each year on all rateable land within its jurisdiction. By contrast, a local council can exercise discretion on whether or not to levy a special rate under Section 495 of the Act. Special rates are aimed at the finance of particular projects, such as specified local infrastructure, but must be applied to all ratepayers if the project will benefit the entire local government area (Department of Local Government 2007).

For each category of property, rates can be calculated in one of three ways: Entirely on the land value of the property (calculated as an amount per dollar of unimproved land value); on a combination of the land value of the property and a fixed amount per property; and entirely on the land value, but subject to a minimum amount. Land values are set by the Valuer General at the Department of Lands under the Valuation of Land Act 1916 every four years (Department of Local Government, 2007).

Part 2 of Chapter 15 of the Local Government Act 1993 allows the relevant Minister to impose limits *inter alia* on a council's 'general income'.<sup>3</sup> With respect to the mechanics of rate-pegging, the NSW government sets a ceiling on the total amount of income that each council can raise from its rates and charges on land. This limit is termed the 'rate-peg percentage' and it is prescribed prior to each fiscal year by the Minister for Local Government. As a consequence of rate pegging, a given council's overall rates revenue cannot increase by more than the percentage increase approved by the Minister. Indeed, even if land values in a local government area rise in aggregate, local councils may have to reduce or otherwise adjust the amounts levied per dollar so that total revenue does not increase by more than the percentage increase stipulated by the Minister (Department of Local Government 2007).

In terms of the Local Government Act 1993, 'general income' does not include various rates and charges, including rates on water supply and sewerage, annual charges for waste management and storm water management services. Other sources of revenue are

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<sup>3</sup> In addition to rate-pegging, other budgetary and legislative constraints affect the ability of local councils to set rates in NSW. These also operate in other Australian local government jurisdictions. They include the land and property valuation methods stipulated by state governments, constraints on the ability of local authorities to impose differential rates on different categories of ratepayer, exemptions made for various classes of ratepayers (sometimes offset by reciprocal tax arrangements), and concessions that must be applied to certain categories of ratepayer (sometimes offset by reimbursements).

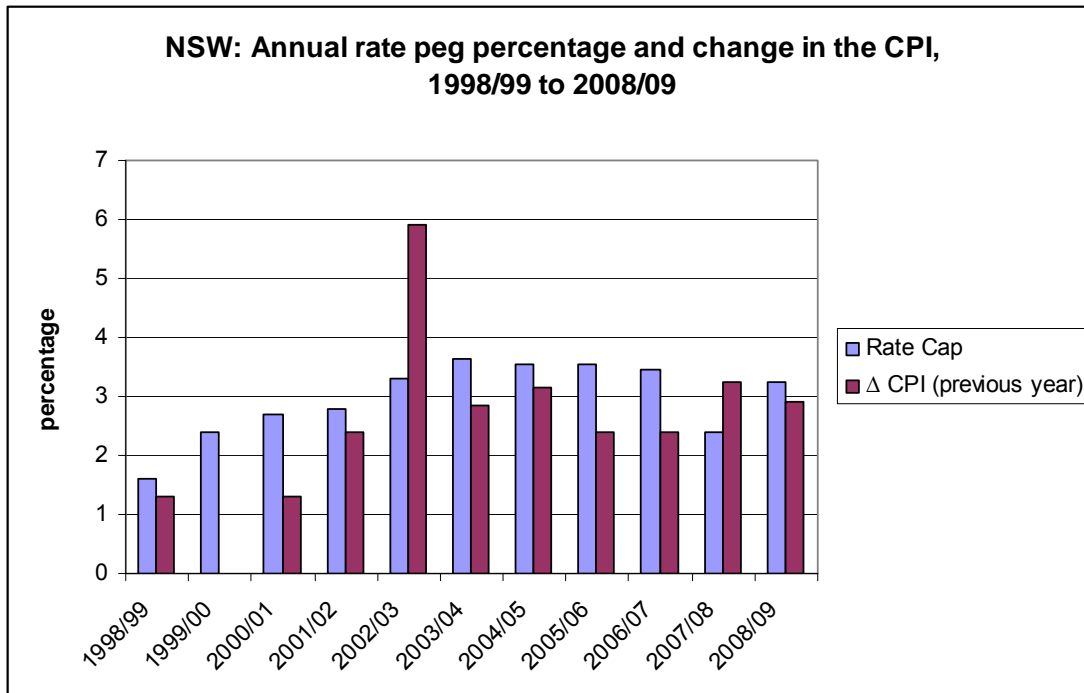
also not covered under 'general income', such as user charges, interest, grants, developer contributions, donations, and other forms of revenue, like fines and business activities.

As we have seen, councils can apply to the Minister for Local Government for permission to increase their general income by more than the rate-peg limit, a process which has now been transferred to IPART. This is called a special variation application. Guidelines for such applications have thus far been issued each year by the Department of Local Government, and councils applied for a special variation for one year only or for several years. A council had to include details of its intention to apply for a special variation in its draft management (corporate) plan and consider any submissions received from the public. If approved, the Minister specified the percentage by which the council could increase its general income, as well as the period of time over which rates may exceed the rate-peg. Whether the new IPART process follows this path remains to be seen.

To date, the process of rate-pegging has involved an annual limit on rate increases, typically set in March each year. In principle, 'this percentage reflects the projected annual increase in costs that a typical council delivering services at levels comparable to the previous year is likely to incur this year' (IPART 2008:48). Following this announcement, individual councils submitted requests for a special variation to the Minister for Local Government, who made a final determination on each submission by June. This enabled local councils to strike their rates to take effect by 1 July of each financial year.

Given the proposition that the rate-peg percentage is supposed to reflect the 'projected annual increase in costs' faced by councils, it is interesting to compare the rate-peg with the Consumer Price Index (CPI) over the past ten years. Figure 1 compares the annual rate peg with the CPI over the fiscal years 1998/99 to 2008/09:



**Figure 1: Annual Rate Peg Percentage and Change in CPI, 1998/99 to 2008/09**

Source: Amended Table 7.1 (IPART, 2008, p.48).

The information contained in Table 1 indicates that, in general, the rate cap exceeded the change in the CPI over the previous financial year; this is true for all years, except 2002/03 and 2007/08. It should be noted that the CPI for 2001/02 contained in the 2002/03 column in Table 1 reflects the impact of the introduction of the new

General Sales Tax (GST) on goods and services of 10 percent by the federal government, making it an unusual year. A second feature of the data contained in Table 1 is that, by way of a general trend, the rate cap and the CPI track each other closely. Finally, it should be stressed that the CPI is a measure of the rate of increase of a given basket of goods and services, weighted to reflect Australian consumption patterns, rather than a measure of production costs. It is thus not a good measure of the rate of increase in the costs faced by councils.

### 3. Rationale for Rate-Pegging

Rate-pegging represents a sub-set of a larger category of public sector regulation dealing with state-imposed limitations on the expenditure and taxation by local government, including property taxation (see, for example, Temple 1996 for a synoptic review of this

literature). This kind of regulation has given birth to a theoretical and empirical literature which has an overwhelming American institutional bias. State-wide limitations on local taxes, fees and charges, including property taxes, are comparatively common in the United States and often put to electorates in the form of referenda (see, for instance, Figlio and O'Sullivan 2001). However, little is known about either the effects of explicit tax and expenditure constraints on local government or the determinants of voter support for fiscal limitations. In common with earlier work, Temple (1996) found evidence which suggested that state-wide limits on property taxes induced a relatively larger reduction in local services than local administration. By contrast, Vigdor (2004) has argued that tax limitations have succeeded because they allowed voters to lower tax rates in communities other than their own where they hold property, invest or work, but have no vote. Unfortunately, this American literature has little bearing on rate-pegging in NSW since there is no provision for referenda on local taxes. Moreover, the significant differences between Australian and American local government, not least the much narrower range of functions in Australian local government, render most of this literature irrelevant to the NSW case.

The economic rationale for rate-pegging derives from the normative prescriptions of standard economic theory: local government enjoys a monopoly in the provision of essential local services. Accordingly, like all other monopoly providers, it will provide these services at excessive prices and/or inefficiently and thus warrants regulation by higher tiers of government to ensure efficient and equitable outcomes (Bailey 1999). However, it is important to immediately add the caveat that regulation must be carefully applied since bad regulation can make matters worse than no regulation at all (Hillman 2005). The validity of this general proposition is recognised in the NSW debate over rate-pegging (see, for example, NSW Treasury 2008).

With respect to economic efficiency, optimal regulation should seek to secure allocative efficiency, where the mix of local services provided must coincide with local community preferences, and productive efficiency, where local services must be produced in the most cost effective manner. In addition, regulation should also try to ensure that equity objectives are met. For example, essential local services should be provided to poor households by local councils at affordable prices. The effective application of regulation is difficult in all spheres of economic activity, including the operation of the local

government sector (Bos 1994). Moreover, regulation is further complicated in the local government sphere due to the fact that local councils possess the legal authority to tax; a monopoly power missing in both the private sector and in most other public utilities. Finally, in the special case of local council revenue regulation through rate-pegging, the regulatory agency faces additional problems since it is not regulating the prices of particular local services but rather the 'tax-price' of a whole genre of local public goods and services that are mostly unpriced.

Against this background, IPART (2008:55) has summarised the arguments surrounding rate-pegging that have been employed in the NSW debate. In terms of the case for rate-pegging, four separate arguments are identified:

- a) Revenue regulation through rate-pegging prevents the abuse of monopoly power in the provision of basic local services;
- b) Rate-pegging assists in controlling 'cross-subsidisation' and imposes restrictions on the 'provision of non-core services and infrastructure that might prove unsustainable to ratepayers';
- c) Rate-pegging manages the risk of poor governance in the local government sector; and
- d) Rate-pegging limits the ability of councils to divert funds from essential infrastructure to other projects as well as expenditure on 'marginal services' that are better provided by the private sector.

Some of these arguments are less than convincing. For example, it is not at all obvious that rate-pegging can have any positive influence on the supply of local services under argument (a); indeed it seems more likely to curtail their supply by restricting funding. Similarly, in terms of (b), it is hard to appreciate why rate-pegging will dampen cross-subsidisation. Quite the opposite may occur if fees and charges are increased to counteract the impact of rate-pegging. Along analogous lines, argument (b) does not meet with empirical reality regarding 'non-core' local services. For instance, Dollery, Wallis and Allan (2006) have demonstrated that an ongoing shift in all Australian local government jurisdictions has taken place away from 'services to property' towards 'services to people', including NSW. Much the same objection can be levelled against

argument (d). The NSW Treasury (2008:13-14) also found all four arguments largely unconvincing.

An additional argument for rate-pegging is adduced later in *Revenue Framework for Local Government: Issues Paper* (IPART2008:63). This contends that local government accountability is improved through rate-pegging because ‘the process of assessing and making determinations on applications for special variation’ ensures that the ‘reasonableness of all applications is scrutinised’ which may ‘enhance councils’ accountability’. But this argument is partly undermined by that fact that only a small proportion of NSW councils – only 26 councils out of 155 local authorities in 2008/09 (IPART 2008:56, Table 7.3) – actually applied for special variation; a point taken up later in this paper.

Two further implied arguments for rate-pegging were put forward in the Independent Inquiry into the Financial Sustainability of NSW Local Government (Allan et al 2006). Firstly, rate-pegging had worked well, compared with other Australian local government jurisdictions, if its primary aim was to constrain rises in council rates; an observation supported by both the Productivity Commission (2008) and the NSW Local Government and Shires Association (2008), which we will examine more closely in this paper. Secondly, rate-pegging may have forced NSW local government to become more efficient than it would otherwise have been, especially in the domain of corporate overheads and administrative costs (Allan et al 2006:245-257).

An alternative public choice argument for rate-pegging has been advanced by Dollery, Crase and Byrnes (2006). Invoking Wittman’s (1995) model of democratic efficiency, they asserted that the pervasive nature of the phenomenon of ‘local government failure’ in Australian local government meant that electors had demanded state government oversight of local councils, especially in pecuniary affairs. Thus, in Australian states, ““watchdog” institutions will form an agency relationship with local government voters to demystify fiscal illusion by monitoring council revenue and expenditure decisions on behalf of voters (Dollery, Crase and Byrnes 2006:350). In NSW, this ‘watchdog’ role has occurred *inter alia* in the form of rate-pegging, which has enjoyed strong public support (see IRIS Research 2005).

IPART (2008:55) identified four separate arguments employed in the debate against the use of rate-pegging:

- a) Rate-pegging limits councils' ability to provide local services;
- b) Rate-pegging prevented infrastructure backlogs from being addressed;
- c) Rate-pegging led councils to impose higher user pays charges which could result in pricing inequities; and
- d) Rate-pegging contradicts the principles of democracy and accountability of local government.

Most of these arguments seem to carry weight. In particular, argument (c) appears especially convincing. In this regard, the NSW Treasury (2008: 14) has noted that 'constraints on general revenue distort revenue raising sources and result in higher user charges'. Argument (a) also seems valid. After all, if the net effect of rate-pegging has indeed been to constrain total council income, then it follows that it must have limited local services as well. Argument (d) rests on normative grounds rather than on economic observation; it would appear obvious that regulation of rate-setting must diminish local democratic autonomy since it arbitrarily limits local decision making.

However, argument (b) does not meet available empirical evidence. For instance, the PriceWaterhouseCoopers (2006) *National Financial Sustainability Study of Local Government* found that not only was a large number of local councils in all Australian local government jurisdictions financially unsustainable in the long run, but that most councils confronted a massive local infrastructure backlog, regardless of the rate-setting regime in each state. Moreover, Byrnes, Dollery, Crase and Simmons (2008), Dollery, Byrnes and Crase (2007), and others, have demonstrated that the magnitude of this backlog is so substantial that it is now beyond the present capacity of any Australian local government system to remedy without outside financial intervention. Since this problem is endemic to all Australian jurisdictions, and does not appear to be comparatively more acute in NSW, it would thus seem that the NSW local infrastructure backlog cannot be ascribed simply to rate-pegging. The abolition of rate-pegging in NSW cannot therefore be expected address this problem.

The Local Government and Shires Associations of NSW (2008) developed a further and more general argument against rate-pegging couched in political economy terms. One

aspect of this argument is that rate-pegging has an unintended and broader ‘dampening’ effect on rates than simply the pegged limit. In this vein, the Association (2008: 14) contended that ‘one likely explanation for the dampening effect is that rate-pegging provides a public framework and creates public expectations about maximum rate increases, placing political pressure on councils to stay within the limit and not seek special variations’. A second dimension of this general argument is that rate-pegging provides a useful mechanism for local councils in NSW to engage in politically expedient ‘blame shifting’ onto the state government. The Association (2008: 15) argued that rate-pegging ‘provides an easy default option from both a political and managerial perspective’ since (a) all rate increases can be attributed to the state government; (b) the need for community consultation to justify rate rises diminishes; (c) sticking to the rate-peg limit avoids the problems contingent on special variation applications; (d) ‘councils can blame the state government for their financial deficiencies’; and (e) the existence of rate-pegging enables councils to avoid long-term planning. The net result of these factors has been the ‘under-provision of community infrastructure and services’, the emergence of a local infrastructure backlog and ‘undermining’ the financial sustainability of councils.

#### **4. Impact of Rate-Pegging**

The impact of rate-pegging on the NSW local government sector is best assessed not in isolation, but rather in comparison with the experience of local government systems in other Australian state jurisdictions which do not have any regulatory ceiling imposed on rate increases. In other words, the unique use of rate-pegging in NSW allows analysts to treat it as a kind of ‘natural experiment’ in Australian local government. A comparative exercise of this kind faces several difficulties, quite apart from the ubiquitous problem of data comparability. The most important of these difficulties in the present context are twofold:

First, there are substantial differences in relative significance of different sources of revenue in the different states (Worthington and Dollery 2001; 2002). For example, IPART (2008: 25) observed that ‘there tends to be an inverse relationship between taxation revenue and revenue obtained from the sale of goods and services’. Thus ‘states with greater reliance on taxation revenue (South Australia (57.9 per cent), Victoria (47.2 per cent), and Western Australia (43.5 per cent)) collected less revenue from the sale of

goods and services, whereas states with less reliance on taxation revenue (Tasmania (32.2 per cent) and Queensland (26.0 per cent)) obtained greater revenue from the sale of goods and services'. By contrast, the NSW local government sector 'is close to average, with a relatively even split in terms of its reliance on either revenue source'. However, in the present context, this problem is ameliorated by the fact that we are not concerned with absolute differences in the level of rates between NSW and other state local government jurisdictions, but rather in the rates of change in property tax revenue through time.

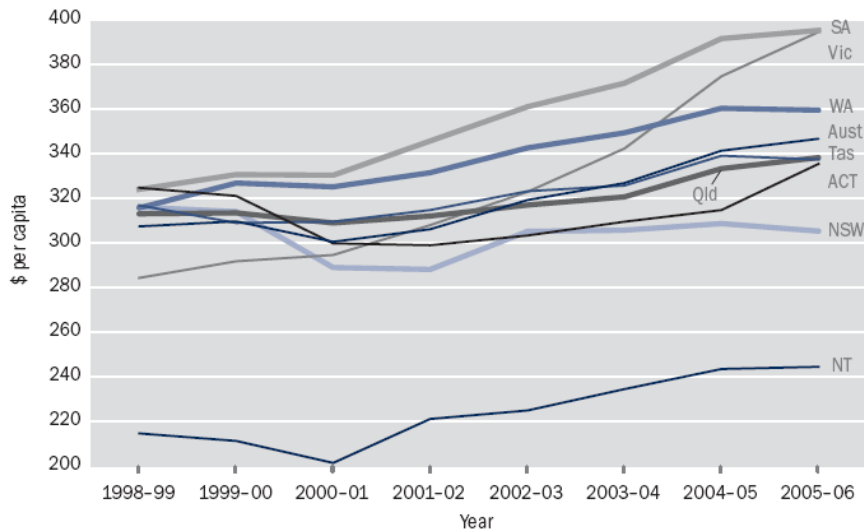
Second, considerable variation exists in the functions of local government in the different jurisdictions (Worthington and Dollery 2001 2002), which affect both expenditure and revenue patterns. For instance, in Queensland, Tasmania and non-metropolitan NSW (outside of the greater Newcastle-Sydney-Wollongong conurbation served by Sydney Water and Hunter Water), councils provide sewerage and water supply services, which earn an income, in contrast to the other state local government jurisdictions. In addition, there is an ongoing shift in local government functions away from 'services to property' towards 'services to people' (Dollery, Wallis and Allan 2006), which further distorts comparison; unless it is heroically assumed that this shift has occurred in a uniform manner across all states. However, because we are chiefly concerned with trends through time in rate rises, both of these problems become less acute.

These variations are compounded by the fact that large disparities in the capacities of individual local councils to raise rate revenues also exist within given state jurisdictions, as vividly illustrated in the Productivity Commission's (2008) *Assessing Local Government Revenue Raising Capacity*, especially Table 3.1 in this Report. While these disparities are in part attributable to the socio-economic characteristics of different local government areas, particularly local disposable incomes and their impact on the ability of householders to pay rates, numerous other influences are obviously at play, notably 'differences between urban, rural and remote councils, in population, rating base and the ability or willingness of councils to levy user charges' (DOTARS 2007: 12).

With these caveats in mind, we now seek to determine the impact of rate-pegging in NSW local government in the larger Australian local government context. Figure 2

illustrates trends in local government rate revenue per capita by state and territory jurisdiction over the period 1998/99 to 2005/06, expressed in constant 1998/99 dollars.

**Figure 2: Local Government Rate Revenue per Capita, 1998/99 to 2005/06**



Source: DOTARS, 2007, p. 15.

A glance at Figure 2 demonstrates that the average per capita rate revenue funding gap between NSW and the other Australian jurisdictions has grown over the seven-year period in question. Furthermore, it is noteworthy that NSW also has ‘the lowest council rates per capita of any jurisdiction in Australia other than the Northern Territory’ (Allan et al 2006: 207). Similar insightful data have been assembled by Allan et al (2006: 207, Table 9.4), reproduced here in Table 1 (which reinforce the information in Figure 2).

**Table 1: Total Percentage Rate Increases by Jurisdiction, 1995/96 to 2003/04**

State or territory	Per cent increase
NSW	29.2%
ACT	35.2%
Tasmania	36.3%
South Australia	55.1%
Queensland	55.6%
Western Australia	64.8%
Victoria	66.1%
<i>Gross domestic product</i>	<i>61.8%</i>



It is evident from Table 2 that the percentage increase in rates was substantially lower in NSW than in the other states; indeed, it amounted to less than half of the rate rises experienced in Western Australia and Victoria. From this and other data, Allan et al (2006: 2007) concluded that ‘rate-pegging has been a constraint on [NSW] councils’ revenue-raising capacity causing it to fall behind other states, notwithstanding NSW’s relatively strong property market over this period compared with Australia as a whole’. The Productivity Commission (2008: xxxiii-xxxiv) drew very similar conclusions from its deliberations. After stressing that ‘the rate of growth in rates revenue in NSW has been among the lowest of all jurisdictions over the past seven years’, it noted that NSW ‘also has rate revenue per person below that of most other jurisdictions’. It thus found that ‘rate-pegging in NSW appears to have been restricting revenue raised from rates, notwithstanding scope for councils to seek variations to mandated rate increases’. The Local Government and Shires Associations of NSW (2008: 14) reached an analogous conclusion: ‘If the objective of rate-pegging was simply to constrain council rate revenues, rate-pegging has been a success’ since ‘NSW rate revenue growth is lagging other jurisdictions’.

In addition, as we have seen, the Associations (2008:14) contended that rate-pegging had several other unintended effects. They asserted that rate-pegging has reduced investment in infrastructure maintenance and renewal – an argument which does not appear to accord with the evidence garnered by PriceWaterhouseCoopers (2006). A much more important argument in the present context resides in their claim that the special variation option is under-utilised, which suggests that the rate-pegging system has had a more general ‘dampening’ effect than the stipulated rate peg itself.

This proposition is worth considering in more detail. Table 2 provides information on the number of special variation applications submitted over the past seven years and the number of these applications that were approved by the Minister.

**Table 2: Total Special Variation Applications Submitted and Approved, 2002/03 to 2008/09**

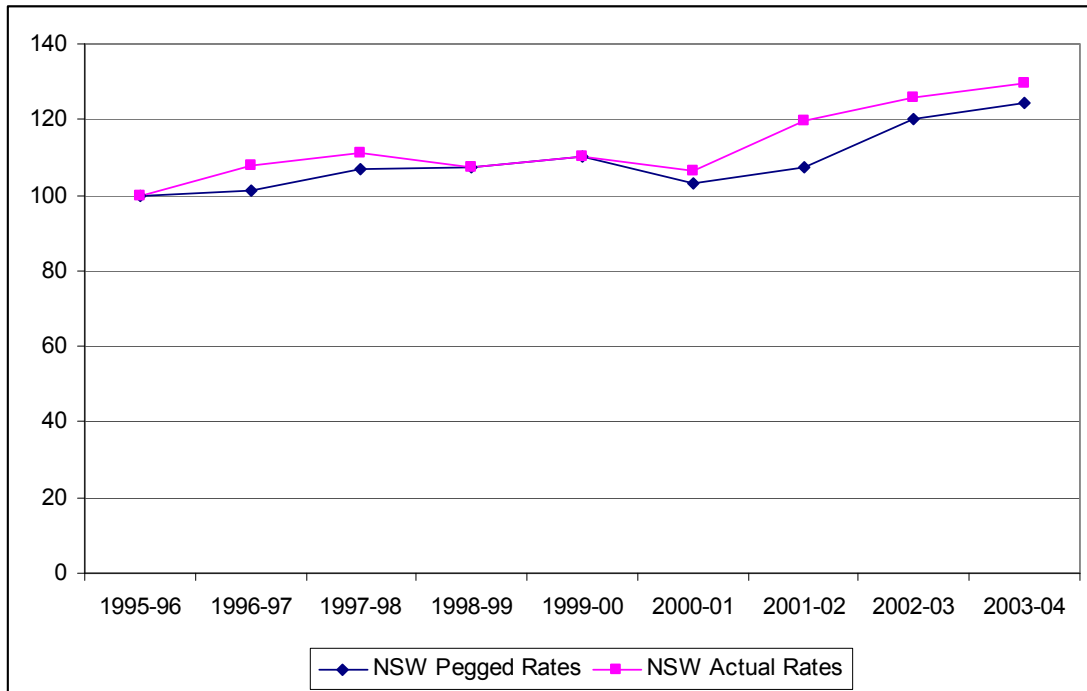
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Rate peg percentage	3.3	3.6	3.5	3.5	3.6	3.4	3.5	2.6
Number of applications for special variation received	30	23	25	42	46	34	30	28
Number of applications for special variation approved	23	23	22	30	39	30	18	N/A
Total number of Councils	172	172	152	152	152	152	152	152

*Source:* IPART (2008: 56); Allan et al (2006: 50): pers. comm. Mark Hely, Principal Finance Officer, NSW Division of Local Government, Premier's Department, 17.06.10

The information contained in Table 2 seems to vindicate the observations made by the NSW Local Government and Shires Association (2008), considered earlier in this paper, regarding the broader 'dampening' effects of rate-pegging. Thus in the 2008/09 special variation round, only 26 councils applied - a mere 17 per cent of all councils – of which 24 were successful. Put differently, while only a small proportion of councils actually apply under the special variation system, a very high fraction of these applications prove successful, ranging from a low of 71 per cent in the 2005/06 round to a high of 100 per cent in 2003/04. In other words, even though the great majority of special variation applications are approved by the Minister, comparatively few local authorities apply; a fact which thus must be ascribed to factors other than the prospects of success of an application.

A final aspect of special variations is their net effect on aggregate increases in rates in NSW local government through time. Figure 2 compares the long-term trends in the rate-peg with actual outcomes after special variations had been approved.

**Figure 2: Growth in Actual Rates Relative to Pegged Rates, 1995/96 to 2003/04**



*Source:* Amended Figure 9.7, Allan Report (2006, Figure 9.7, p.208)

The data contained in Figure 2 demonstrate that the impact of special variations on actual outcomes is minor; the observed final growth of rates diverges minimally from the rate-pegged trend line. Allan et al (2006: 207) drew the same general conclusion: ‘additional revenue allowed’ as a consequence of the special variation system has ‘not been large as a proportion of the total increase in the rate peg limit’.

## 5. Suggested Improvements to NSW Rate-Setting

Over the years there has been no shortage of suggestions on how to improve the operation of rate-setting in NSW. For example, a Rate Pegging Taskforce, established by the NSW Local Government and Shires Associations in 2001, called for a ‘compromise’ two-tiered rate-pegging system (Centennial Consultancy, 2004). Tier 1 would employ an annually determined index of local government costs, which would apply to all NSW councils, which would accurately reflect the real costs impinging on local councils much

more precisely than the CPI used at present. Tier 2 would replace the current special variation system with a method that took the circumstances of individual councils into account and allow councils to make their own variations above Tier 1 levels up to some stipulated maximum.

Allan et al (2006: 210) also presented a 'compromise' proposal to revise the rate-pegging system. This Report argued that 'the view of this Inquiry is that the peg should be made less discretionary (i.e. not subject to Ministerial fiat), be based on explicit criteria (e.g. local government unit costs), and be made more transparent (i.e. be published in full). Moreover, 'any variations to the peg with respect to a particular council should be more fully disclosed and explained in terms of rational criteria that are applied consistently across all councils and not subject to capricious change'.

At a more general level, in its *Revenue Framework for Local Government*, IPART (2008: 63-65) presented five alternative regulatory frameworks that could replace the current rate-pegging system. A detailed evaluation of these options falls outside the scope of this paper and would require empirical simulation exercises using 'realistic' data on particular types of local authorities to try to model their characteristics and impact of the alternative regulatory frameworks. However, it is nonetheless worth briefly outlining these possibilities. Option 1 would retain existing rate-pegging arrangements, but publish the economic basis for the peg, modify the special variations process, and leave all other charges unregulated. Option 2 would develop a more 'disaggregated form of rate-pegging' using specific pegs for specific categories of council. Option 3 would 'reduce the scope of rate-pegging to cover only local government revenue needed to fund operating expenditure', thereby excluding capital expenditure and all other charges unregulated. Option 4 would retain rate-pegging but exempt individual councils, provided they could demonstrate financial prudence and operational efficiency in various stipulated ways. Finally, Option 5 would remove mandatory rate-pegging and simultaneously 'enhance accountability to the local community' using several criteria and the threat of a 'default rate cap'.

A detailed analysis of the characteristics of these five options has been conducted by the NSW Treasury (2008). It has also suggested several additional feasible approaches to NSW council rates regulation. Amongst all these alternative regulatory methods, the

NSW Treasury (2008: 27) argued that the objectives of the current NSW rate-pegging regime could best be achieved at the least cost by retaining the existing rate-pegging system, but with 'improved criteria'.

Given the historical reluctance of the NSW state governments to make significant changes to the rate-pegging system, and the current NSW Government's new 'minimalist' modifications to the rate-pegging process, it would seem that these suggested reforms will remain hypothetical.

## 6. Concluding Remarks

Against the background of the IPART (2009) *Review of the Revenue Framework for Local Government*, this paper has considered the nature of rate-pegging, the arguments surrounding its desirability, and its economic effects on NSW local government. We have seen that the case for rate-pegging seems to hinge only on three convincing arguments. In the first place, as we have demonstrated in this paper, rate-pegging has achieved its basic objective of slowing increases in NSW council rates over time relative to other Australian jurisdictions (Allan et al 2006). Secondly, a *prima facie* case exists which suggests that the constraints imposed on council revenue by rate-pegging may have enhanced the administrative efficiency of NSW councils and reduced their overheads, at least in comparison with the NSW state government departments (Allan et al 2006). Finally, rate-pegging has enjoyed ongoing and strong public support (IRIS Research 2005), which appears to demonstrate the operation of an efficient 'political market' in NSW (Dollery, Crase and Byrnes 2006: 397) in the Wittman (1995) sense.

By contrast, several cogent arguments have been advanced against rate-pegging. Firstly, it has depressed the rating effort by NSW councils more than it intended since it has had a broader 'dampening' impact on rates in particular and local government finance more generally due to the limited use of the special variation option. Secondly, the existence of rate-pegging has partly absolved local councils of full responsibility for their own financial affairs, with numerous deleterious consequences, not least a lack of long-term planning, which is an essential part of the new IPR framework within which NSW local government must operate from the fiscal year 2010/11 onwards. Finally, rate-pegging has undermined the democratic bedrocks of 'local voice' and 'local choice' in local government and thereby reduced local autonomy.

The reluctance of the NSW Government to both release the Final Report of *Review of the Revenue Framework for Local Government* and to formally respond to its recommendations, as well as its recent decision to retain rate-pegging but shift the process to IPART, suggests that, despite the announcement by (former) NSW Premier Rees that the NSW government had considered the abolition of rate-pegging, rate-pegging seems set to continue in NSW, albeit in a slightly amended form. Moreover, its continuing popularity seems to indicate that, at best, marginal efforts will be made to improve the operation of rate-pegging and thereby at least ameliorate some of its harmful effects, rather than abolish it.

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## Education activities for environment and sustainability: A Snapshot of eight New South Wales councils

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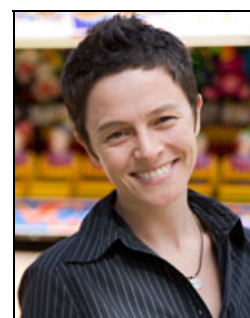
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### 1. Introduction

This paper describes in brief the findings of a research project undertaken by the Institute for Sustainable Futures (ISF) at the University of Technology, Sydney, Australia. The research was commissioned by and undertaken on behalf of the New South Wales (NSW) Department of Environment, Climate Change and Water (DECCW). The aim of the project was to investigate current practices of environmental and sustainability education and engagement within local government in NSW. The research was commissioned by DECCW as the preliminary phase of a larger project that the department is planning to undertake, commencing in 2010.

An explanation of the Institute's approach to the project is provided, and the research

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questions that were developed to guide it are outlined. The practice note then outlines in detail the findings about the main types of programs and practices being carried out by councils, and the audiences that these programs are targeting. It focuses on describing in detail the types of programs and activities; by theme, by the sector targeted, and in terms of whether the activities are place based or event focused. The paper concludes by reflecting briefly on some of the implications – both positive and less so – of the incredibly wide range of activities and approaches that are evident in the councils studied. A more detailed analysis of the research will be written up in a future article.

## **2. Methodology**

Eight local councils were chosen by DECCW as potential partners in the proposed larger project. Officers at these councils were first contacted by telephone and then sent an email link to an electronic ‘background information form’. Participants completed this form, providing initial information about their council’s relevant activities. This background information helped the researchers develop a basic understanding of the situation at each council, and informed the development of the interview framework. Semi-structured interviews of between 25 and 75 minutes were then conducted with the eight participants. Interviews sought to draw out more detail about the issues covered in the background information form, as well as exploring some of the more complex or subjective research questions. During the data analysis phase, the interview material, and the data provided on the background information forms, was subjected to a series of standard qualitative data analysis techniques, including a series of structured coding exercises.

Reviewing a number of key documents and considering the results of a previous Local Government and Shires Associations (LGSA) survey on a similar topic provided useful background for the research and informed the development of the research tools.

A number of limitations of the research are noted. Firstly, the findings are intended to provide only a ‘snapshot’ of current practice in this area, seen through the lens of the experience of the selected councils – this snapshot is not intended to be representative of the 152 councils in NSW. Secondly, researchers relied primarily on information provided by only a small number of people at each council – usually one or two – so the information provided may be incomplete. Finally, the research used a self-reporting methodology and did not seek to *evaluate* activities mentioned.

### ***Terminology***

Both within the literature and among practitioners there is a range of terminology used to describe the practices and activities that this research project is interested in. Some use the term ‘environmental education’ (EE), others refer to ‘education for sustainability’ (EfS), while the United Nations uses ‘Education for Sustainable Development’ (EfSD) (UNESCO 2009). Still others prefer terms focussed on ‘engagement’ or ‘behaviour change’ rather than ‘education’. In its work in this area, the DECCW also uses the term ‘Community Education and Engagement for Sustainability’ (CEE). For the purposes of this paper, these terms are used interchangeably to refer to the widest possible range of activities that councils undertake in providing members of their community with information, resources, tools or opportunities that enable and encourage them to live in more environmentally sustainable ways. Mostly the paper uses the term ‘environmental/sustainability education’ as a convenient shorthand.

### ***Approach and Research Questions***

In investigating environmental/sustainability education within the eight councils, the aim was to describe both the **nature** and range of different approaches and activities, and the **status** of such activities within the councils. Accordingly the research looked not only at the activities themselves, but also at related decision-making processes, resourcing issues, attitudes towards these activities, and their level of integration and prioritisation within council plans, organisational structures and cultures.

The research questions that were developed at the outset to guide the project were as follows:

- What kinds of education and/or community engagement for environment/sustainability are taking place in the selected councils?
- How are environmental/sustainability education programs determined?
- What staff and other resources are allocated to support community education and engagement strategies on environmental or sustainability issues?
- Is EfS/EE part of the councils’ formal program commitments?
- How do the different parts of the councils perceive EfS/EE activities?
- To what extent is EE/EfS integrated across the councils’ business? What are the drivers for integration/participation and buy-in across each council?
- What are the drivers and barriers to undertaking education and community

engagement for sustainability?

- Is there an organisational culture in these councils that supports EE/EfS?
- Do the councils' education activities take an integrated approach?

### 3. Findings

#### ***Range of activities being undertaken***

Councils are undertaking an enormous range of activities that can be characterised as fitting under the broad definition of environmental/sustainability education and engagement. Interviewees mentioned a large number of projects – many of which are noted below. Some of these focus on single issues and others on multiple issues. Taken together, the activities, projects and programs mentioned by these eight councils cover an extremely wide range of environmental/sustainability topics. It seems that over time there has been an increase in the number and variety of issues that councils are concerned with or are active on.

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#### **Snapshot of topics: Examples of sustainability 'issues', desired behaviours or themes of interest that councils are targeting through education and engagement programs**

- Water efficiency / conservation/ demand management – in homes, schools and businesses
- Waste – how to best use recycling services, organic waste, composting, waste and consumption, sustainable living, litter
- Toxics/ pollution prevention – green cleaning (in homes and preschools), stormwater pollution prevention
- Energy efficiency – in the home, in schools, in business
- Climate change – general awareness as well as how to respond
- Coastal ecosystems, estuarine ecosystems, learning, monitoring, protection
- Terrestrial ecosystems - bushland restoration and protection (eg through the Bushcare program), monitoring and appreciating local biodiversity (focus on key threatened species)
- Transport – active transport and facilities, health links
- Gardening – native gardens, community gardens, permaculture, sustainable gardening, kitchen gardens, sustainability dimensions of food production

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Within each of these 'topic areas', the kinds of activities being undertaken are very varied. The following comments of an interviewee provides a flavour of the diversity of

activities offered in relation to the single issue of coast care:

[The activities] are basically wrapped around coast care. So they might be snorkelling or talks, slideshows about animals or they might be walks along the coast with some university lecturers that have particular knowledge in coastal systems. ... There's a guy who does a lot of presentations about safe surfing and talks about the way oceans work and sand movements and all that sort of thing.

'Education' is not always planned and 'branded' as such. Environmental/sustainability education not only happens within councils' major planned education strategies, but is also an ongoing part of many officers' roles – for example, when they respond to various queries and requests from the community, as this interviewee suggests:

We have some fairly substantial core projects that are directly linked to particular issues that are happening in our area. But there's probably quite a lot of ad hoc, at call things, like attendance at festivals and providing one-off workshops or hosting events that other organisations have developed, like the Green Plumbers and things like that.... responding to queries from local teachers or children, in relation to assignment work and things like that. So just that kind of other stuff that actually happens and we want to help and support them.

Educators were conscious of the different kinds of 'education' and learning, and had obviously given considerable thought to where on the spectrum of educational approaches their various programs and activities might sit. As a generalisation most councils appear to take a flexible and pragmatic approach, believing that a variety of approaches is most likely to be appropriate, and pointing to activities that range from information provision, to experiential learning, to explicit behaviour change strategies, all of which have some kind of 'educational' intent and effect.

The list below provides a flavour of the range of projects mentioned by the various councils:

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#### **Marine/Coastal**

- *CoastCare* summer activities program (eg. talks, walks, presentations)
- whale education project

#### **Climate/energy**

- climate change education, awareness and engagement
  - school energy audits and activities focused on water use and biodiversity
  - participation in the Nature Conservation Council *Climate Consensus Project*, including community workshops
  - energy conservation covered in sustainability workshops
-

- participation in Rotary ‘sustainability expo’, with water and energy saving focus
- home energy saving workshops – both as part of the Australian Conservation Foundation’s (ACF) *Green Home* project, and independently

### **Water**

- community engagement on water demand management
- education as part of water demand management strategies, eg. encouraging people to install water efficient hardware
- water education support for high school students and teachers
- delivery of water education as part of classroom program in schools
- development of materials and programs for primary schools including a website called *Blue Planet Primary Schools*; and managing a water education program for primaries schools called *Central Coast Watertight*
- school education and water audits
- dam / water efficiency tours
- wastewater tours
- participation in Rotary ‘sustainability expo’, with water and energy saving focus
- water quality monitoring with schools
- ‘localising’ of Sydney Water rebate programs
- home water saving workshops –as part of ACF *Green Home* project
- Collaboration with the local Catchment Management Authority (CMA) on water education and resource efficiency programs

### **Biodiversity and Bushland**

- participation in the *Bushcare* program and support of *Bushcare* members e.g. by producing seasonal newsletters
- biodiversity and botany focused education programs for schools. eg the Coffs Harbour botanic garden offers curriculum linked education experiences for high school and primary school excursion groups
- bushland education through use of local wildflower garden (primarily for school children)
- education based on specific high profile species, such as talks to schools and community members on flying foxes and koalas, raising awareness of vertebrate pest species (eg foxes and Indian mynas), community education and survey work on Little Terns
- wetlands workshops
- *Parks Alive* program, community tree planting
- programs linked to local land use/natural resource issues such as the education component of Wyong’s Estuary Management Plan
- *Native Haven*, schools planting program

### **Food**

- involvement in establishing a *Local Food Futures Alliance*, which will have an action plan that will include community education
-

**Waste**

- waste and recycling focused education initiatives linked to Councils waste contract (most if not all councils mentioned this)
- educational use of a resource management centre for residential and in some cases for industry (eg. Orange City Council is planning this kind of work with *NetWaste*)
- recycling centre where old bikes are fixed and donated to charity for less privileged residents to use for transport
- waste workshops (composting, worm farming) as part of ACF *Green Home* project
- organic waste trial in cafes
- *Wastewatchers* program in schools, 'rubbish free lunch' challenge

**Transport**

- bike safety awareness, promotion of bike racks, literature on safe bike riding
  - *Bike Week* activities
  - 'Transport Challenge' encouraging year 11 school students to use public transport to get around the city
- 

***Programs for different sectors***

As well as covering a wide range of topics, and encompassing a diversity of activities, councils are also targeting a variety of different audiences, from children to adults, residents to businesses, individuals and groups. Councils mentioned a wide range of tailored programs for different sectors. For example, in the case of the City of Sydney, specialised programs range from an energy program for commercial offices, to a waste program for small business, a collaboration with Housing NSW (the state government department) on issues for low income earners and public housing tenants, a residential environmental actions strategy with a focus on residents of high density dwellings, to more 'general public' events like the annual *Live Green* event, and a series of 'City Talks'. Some of the sector-specific activities mentioned are summarised below.

**• *Schools-based***

School-based programs were a high focus for Bankstown City Council, as a result of receiving a grant and dedicating a staff position to work with and in schools. This work covered a range of activities, for example, delivering face to face education in classrooms, running the *Tree Troopers* program (combining tree planting and educational elements), schools bushcare programs, and organising school excursions.

Randwick City Council organises an annual ‘networking afternoon tea’ with the Mayor, for local primary and secondary school teachers, to enable schools to meet council staff and learn more about the wide range of council activities that they might be able to incorporate into the curriculum, and the various ways that council might be able help them.

Examples of other activities identified by participating councils included:

- General schools education support – distribution of newsletter quarterly, competitions for primary schools
- Responding to inquiries from students working on school assignments
- Green Schools Funding Program – provide up to \$500 to schools to undertake environmental education/improvement works
- School water audits
- Development of materials and programs for primary schools including *Blue Planet Primary Schools* website; and managing a water education program for primary schools called *Central Coast Watertight*
- Schools exchange – children exchange between city and country schools, to learn about each others’ different environments
- *Native Haven*, schools planting program
- Hosting tours for school students of sites demonstrating water, wastewater, resource recovery technology
- Facilitating a forum where teachers can discuss and share resources.
- *Wastewatchers* program in schools, ‘rubbish free lunch’ challenge.

• ***Early childhood sector***

Activities in this sector included:

- Links with early childhood educators – for example, a number of events for early childhood/lower primary school aged children, and a workshop for the NSW *Early Childhood Environmental Education Network*
- Preschool education programs and staff support – including regional water education program with preschool staff, professional development workshops for early childhood educators. ( The *Little Green Steps* preschool education program runs as a regional program with resources available for others to use – originally made possible with funding from the NSW Department of Education and

Training.)

- Delivery of programs for children in childcare.

- **Residential sector**

Many councils run some kind of education/engagement program for residents, focussed on home-based pro-environmental actions. These often take the form of a series of workshops on different ‘sustainable living’ topics. For example, Randwick City Council runs an extensive series of ‘sustainable urban living’ workshops in partnership with the local community college, on topics ranging from sustainable gardening, to biodiversity/bushcare and energy, water and waste issues in the home. These workshops attract between 15 and 40 people, who form connections with each other that can help to extend their learning and involvement beyond the actual course. Other examples of this type of activity include ‘non-toxic living workshops’ run by Mosman Council, Bankstown City Council’s participation in the Australian Conservation Foundation’s *Green Home* program of workshops, and Wyong Shire Council’s support of the *Vox Bandicoot Sustainability Street* program.

- **Business sector**

It appears that, at least in the past, when it comes to environmental/sustainability education and engagement, councils have had less of a focus on the business sector compared to the residential sector. However a number of examples of educational/engagement activities targeted at businesses were mentioned. These include a sustainable business workshop to promote and support the *Sustainability Advantage* program, and a *Green Leaders* program for small business. Some councils had also recognised a need to increase their engagement with the business sector in the future. For example, Orange City Council has plans for a program for business that will allow businesses to ‘adopt’ a section of creek, engage them in tree planting, and link to promotions for their business.

**Place and event based activities**

A number of education/engagement strategies can be described as place-based or as organised around a particular facility. These include public place recycling education, use of an environmental education centre for schools, or of a wildflower garden as focus for education. Another approach is to create opportunities for the community to view



some of council's various environmental activities, and to turn these into educational opportunities for people to 'learn by seeing'. Randwick City Council takes this approach, organising 'Sticky Beak Days' when various council sites are open for people to view – including the council nursery and the stormwater recycling facility. Orange City Council also conducts tours of the local wastewater treatment plant and resource recovery centre. There are also two examples of a facility having been specifically built for the purposes of environmental education and community engagement, namely the Environmental Learning Facility at Orange, and the *Watershed* in Sydney (a joint initiative between and the Council of the City of Sydney and Marrickville Council).

Many councils use local festivals or fairs as opportunities to conduct environmental/sustainability education activities. Some incorporated these activities in a regular community event – such as the incorporation of water conservation, sustainable building and waste reduction education at the Mosman Festival. However, others have found it challenging to incorporate environmental education activities into a standard event:

There was a big event on Australia Day. We do this annually every year. It's huge, 30,000 people. We don't do any environmental education at that event. We've tried it in the past. But it's just – it's too big. People aren't there for the sort of things that we would be doing, whether it be a plant giveaway or a small stall or something. But we support it in a different way, in that we funded turning it into a carbon neutral event and getting them to promote that and facilitating recycling at the event.

Other councils have created new, specifically badged events as conscious attempts to use a major public event as an educational opportunity for a large number of local residents. The two high profile examples of this are the City of Sydney's *Live Green* event, and Randwick Council's *Eco-Living Fair*. Many councils also participate in and coordinate local events and activities for annual national or state wide programs – such as *Clean Up Australia Day*, *Recycling Week*, *Water Week*, *Bike Week* and *National Tree Planting Day*.

#### **4. Conclusions**

It is difficult to neatly summarise the wide range of approaches identified by this research, or to generalise about 'the current approach' to environmental/sustainability education in NSW. Indeed, the small number of councils interviewed, while diverse and displaying a range of different characteristics, were not intended to be representative of

NSW councils in general. Nevertheless the research was able to access the views and ideas of a group of people who are significant in the field. Many of the interviewees have developed a high level of experience and significant knowledge in environmental and/or sustainability education, gained through their work over many years and in multiple councils. This recognised expertise perhaps lends some additional weight to the findings. One central observation is that it is striking that such a diverse range of activities were being undertaken across the participating councils. There were many different dimensions of this diversity, from the topic or content areas addressed by the activities, to the types of activity, the delivery methods, the target audiences and so on. Clearly, if the participating councils are anything to go by, local councils are engaged in an extremely broad range of environment/sustainability education activities, and while there are some similar programs being run in different councils, there is clearly no 'one way' for local councils to deliver this kind of education and no standard approach. The participating councils are undertaking a multiplicity of activities and while many identified individual officers or work units for whom environmental/sustainability education is a main focus, it was also common for education to occur in the activities of staff across the organisation.

This lack of a standard approach creates a high degree of flexibility for councils to develop programs that suit their community, that respond to community needs and interests and local environmental data, and that are feasible within councils' own resource constraints. This flexibility is positive, and indeed essential if councils are to develop education strategies that are context-appropriate. However, it is also possible that the lack of a prescribed or preferred 'palette' of programs and activities means that it is fairly resource intensive for each council to develop these kinds of programs 'from scratch'. One possibility worth exploring with local councils is whether there might be support for a more coordinated approach to program development. This could involve a number of councils working together to develop programs or modules that could be implemented (with local adjustment if necessary) in each of their communities. This might be an especially rewarding approach for smaller councils that could benefit from pooling resources. Some of the participants are already taking this approach – in 'piggybacking' some of their educational activities onto existing state government programs for example, or researching successful programs used in other jurisdictions and adapting them for local needs.

Another observation is that there is perhaps a lack of clarity about the appropriate scope of council environmental/sustainability education activities. Coupled with the funding and staffing constraints faced by many councils, the potentially enormous scope of such work poses ongoing challenges. A number of participants discussed this issue, including questioning their role as education providers (in schools for example), the amount of resources and staff time they should be dedicating to these activities, and 'where to draw the line' on the whole range of environmental issues that communities are interested in learning about. This challenge for councils in trying to be 'all things to all people' is only likely to grow as community awareness of and interest in environmental/sustainability issues (notably climate change) continues to increase, while at the same time many councils' operating environments remain characterised by severe financial constraints and competing priorities.

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## Further information

(All websites accessed July 2010)

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<[http://www.acfonline.org.au/default.asp?section\\_id=86](http://www.acfonline.org.au/default.asp?section_id=86)>

Blue Planet:

<<http://www.blueplanet.nsw.edu.au>>

Bushcare:

<<http://svc018.wic008tv.server-web.com/page.asp?pID=80>>

Central Coast Watertight program:

<<http://gwcwater.nsw.gov.au/index.php/education/210>>

Clean Up Australia Day:

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Coastcare:

<<http://www.coastcare.com.au>>

- Environmental Learning Facility (Orange City Council):  
<<http://www.netwaste.org.au/projects/envLearnFac.htm>>
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- Local Food Futures Alliance (Coffs Harbour City Council):  
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- NSW Bike Week:  
<<http://www.rta.nsw.gov.au/usingroads/events/bikeweek/index.html>>
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<<http://www.cityofsydney.nsw.gov.au/Environment/TheWatershed/Default.asp>>

## Building capacity for local government to perform

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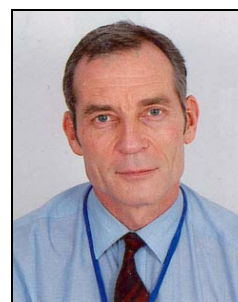
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### 1. Introduction

This paper looks at the practitioner's challenge of building capacity for local government to perform. It does so by ways of responding to some of the policy recommendations put forward at the Commonwealth Local Government Conference (CLGC) held in the Bahamas in May 2009.

It is suggested that capacity building in local government, particularly in the least developed countries (LDCs),<sup>2</sup> is riddled with rhetoric. There is no common reference point for the concept. The following text is therefore drawn from practice: that of a local government practitioner – the author – with experience in diverse countries (Scotland, England, Malawi and Tanzania), and of an organization wedded to the fundamental importance of local government to local development,<sup>3</sup> and with sound understanding of capacity building interventions – the United Nations Capital Development Fund (UNCDF).

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<sup>1</sup> The author was a senior technical adviser with the United Nations Capital Development Fund (UNCDF) in New York from 2001 to 2009. He is now the program budget adviser to Ethiopia's finance ministry.

<sup>2</sup> <http://www.un.org/esa/policy/devplan/profile/index.html>

<sup>3</sup> [http://www.uncdf.org/english/local\\_development](http://www.uncdf.org/english/local_development)

The capacity building challenge is summarized in Table 1. It is argued that the five elements of this challenge, explained below, represent the building blocks for local government's successful performance. They are the fundamental interventions to allow higher-order policy decisions to gain purchase within the local government system.

**Table 1: The challenge of building capacity**

	Main aspects of capacity building	Practical implications
1	Institutional development	The context, structure and processes to allow functions to be performed
2	Measuring performance in providing infrastructure and services	The economy, efficiency and effectiveness of delivery
3	Getting local government to deliver	Minimum capacity thresholds
4	Building blocks for building capacity	Capacity interventions
5	Integrated service delivery system	Understanding the pivotal role of local government in local development

At the CLGC, working group number 5 generated five issues and responding recommendations. At a strategic level, the group's main concern was with Millennium Development Goal (MDG) indicator number 12: "the proportion of seats held by women in national parliament". The group lamented that there was no equivalent indicator for women's political representation in local government. For the participants, this suggested a lack of understanding of and belief in local government at the very highest level of policy debate in international development. This conclusion was therefore the springboard for five policy-based recommendations:

- 1) MDG-3's indicator number 12 reads: Proportion of seats held by women in national parliament. ISSUE – there is no reference to political representation at the local government level. RECOMMENDATION: *That local government's political representation be targeted at a minimum of 30% of all seats/wards by women and by a figure exceeding that percentage, as soon as possible.* This was and is a most obvious policy intervention at the global level. It makes a modest but crucial change to the MDG indicators so that local government is given due recognition in the first place. Secondly, women would then be given the space (and domestic support) to be active members in the local development process through the political and administrative machinery of local government itself.

- 2) ISSUE – Implementation capacity is a bane of local government, especially when development funds actually become available. RECOMMENDATION: *That all local government development projects be subject to an initial assessment, to include explicit capacity-building elements, in the fundamental areas of planning, budgeting, procurement, construction management, and financial management (including accounting and auditing).* This simply reinforces the last main section of this text; the ‘binding address’ of infrastructure and service delivery. The contention is that local government should be the location’s local development agency, harnessing energy and resources from all sectors, both in formulating an integrated development plan and making spending decisions to support every ‘player’s’ part of that plan (explained further in the last section of the paper).
  
- 3) ISSUE – There is a desperate shortage of engineers in developing countries; a key to success in local development practice. RECOMMENDATION: *That national governments in developing countries increase their investment in the education of civil engineers by 50% and that scholarships be awarded to those willing to serve at least two years in a local council after graduation.* Engineers, surveyors, architects and (urban and regional) planners are the professions most closely concerned with the local development process. In addition, planners have a tradition of advocating in favour of community-based involvement in the local development process. That cluster of capacity demands is explained further below.
  
- 4) ISSUE – It is often impossible to recruit professional and other staff to councils outside the main urban centres because of a lack of incentives such as the availability of housing for staff and education for their children. RECOMMENDATION: *That national governments introduce a policy and provide supporting resources for councils classified as remote and not being able to attract staff, to provide housing and primary education, free, in these locations.* How often has it been reported that central government staff members have been posted to outlying or remote regions and that they either go reluctantly or they resign; a loss to the public service? It should be within the scope and imagination of governments committed to local development, to recognise the need to build incentives for staff members to move. Free housing and education would seem the most basic incentives that a government could provide. For example, in Sierra Leone, one of the major obstacles to progress

in decentralisation was that there was no housing and local education capacity to accommodate the envisaged staff numbers that would have to move to the UNCDF programme location of Kenema District; the focus of a decentralisation assessment, that scored a miserable 4% towards achieving the decentralisation of functions from central government to the district. Indeed, there was no formal system of planned housing plot provision, whether serviced or un-serviced. Land allocation was locked in the hands of the traditional leaders.

- 5) ISSUE – Councils often recognize potential sources of local revenue but are not permitted, in law, to raise such revenue. RECOMMENDATION: *That national governments introduce or amend local government legislation to permit councils to raise such additional revenues as they deem possible and practical, subject to the appropriate council resolution and subsequent by-laws being passed.* This is a case of attempting to remove two restrictions. One is the simple matter of unblocking the blockages to local government being able to show initiative and harness potential for additional revenue. The other is to stop central government ‘clawing back’ the identified additional local revenue by reducing its fiscal transfers by the same amount. If central government feels that strongly, it should develop a formula whereby local government retains the majority but agrees to transfer a portion of that additional revenue to the centre. Some argue that all local governments should be self-financing. This seems fanciful let alone inequitable, in that much of local government’s expenditure generates the external economies for the private sector to be able to perform: roads, sanitation, water. Some regions will always be poorer so an equalisation dimension to central government fiscal transfer systems remains legitimate.

While these five policy recommendations are laudable, perhaps even crucial in themselves, the truth is that they can only work if the fundamentals of local government capacity building introduced in Table 1 are met.



## 2. Institutional development: the macro-perspective

### **Government reform**

In government reform, the agenda for change boils down to (a) an understanding of the current and desired *functions* of government, and (b) the translation of these functions into the:

- Policy, legal and regulatory *context*
- Organisational *structures*, the deployment of personnel and their training needs
- Planning, budgeting, implementation and review *processes*, including their supporting information systems.

The shorthand for this is the *institutional development* (ID) agenda (1995a). The ID process to achieve locally understood and determined reform involves care in the facilitation of the change itself (McGill, 1999). The central point is that the ID agenda of *context, structures and processes*, to perform the *functions*, should be mutually inclusive. This optimises the potential for the economical, efficient and effective delivery of infrastructure and services. If one part of the agenda is ‘out of step’, it limits the potential for full performance from the particular institution being reformed. An example best illustrates this point.

In Malawi in 1989 to 1991, government was committed to transferring responsibility for the related *functions* of town planning and both housing development and management to the four city councils: Lilongwe, Blantyre, Mzuzu and Zomba. While part of the *context* (policy) was in place, the legal and regulatory framework was not. Legislation and supporting regulations therefore had to be drafted and approved by parliament. There was no *structure* (a department with trained personnel). This had to be created and staff recruited from scratch. While the *process* of town planning could be transferred from the Office of the President and Cabinet, there was no city-based manual to explain the development and management of housing areas, previously the responsibility of the Malawi Housing Corporation. The Municipal Development Program helped Lilongwe city council develop such a manual. In short the triumvirate of the institutional development agenda (of *context, structures and processes*) to perform the (to be) transferred *functions* had to be in place before the detailed questions of capacity could even be considered. These turned on the twin questions of local government *performance* and local government *capacity to perform*.

The lesson here was that the ‘form’ of the institution (in this case, Lilongwe city council) needed to be determined by the ‘functions’ it was attempting to perform; the adage therefore being the familiar one of *form follows function* (McGill, 1997 and 1996). Thus, once the institutional framework of context, structures and processes is in place, one can drill down to the levels of practicality; local government *performance*, its *capacity to perform*, and the organisational building blocks required *to establish that capacity*.

### 3. Performance: measuring local government delivery

The demand for infrastructure and services confronts every local government in the developing world. The weakness of local government compounds the enormity of the challenge (McGill, 1997 and 1996). The fundamental importance of access to infrastructure and services, as a means of supporting both economic development and to impact on various parts of the poverty spectrum, is now accepted in common parlance. The key point is that we are seeking to establish ‘what difference local government is making out there?’ with the money it is spending. One method for measuring such delivery is through performance budgeting (McGill, Ed, 2006 and McGill, 2001a).

Performance budgeting (PB) is founded on the principle of delivering infrastructure and services, economically, efficiently and effectively; the 3-Es. This is the notion of value for money (VFM) in government (McGill, 1984). Each 3-Es measurement criterion is explained in turn.

#### ***Economy of inputs***

Any organisation’s leader knows that if you budget X, you should spend X and that you should deliver what you promised. Variance analysis is the first technique in measuring the economy of inputs. Thus, if the item of infrastructure or the targeted service to be delivered costs 10,000, the following is already assumed:

- That the budgeted figure is technically accurate
- It is based on experience (if service delivery, dominated by personnel costs) or an engineer’s ‘bill of quantity’ (if a capital project)
- It anticipates any cost fluctuations, say, because of the prospect of cost inflation.

Thus, the first score in measuring PB performance is:

$$(1) = \text{Economy of inputs (where T = 100\%)}$$

Here, 'T' is the target of 100%. So, if the budget is 10,000 and the actual is 10,000 then we are on target; a score of 100%. If at the end of the year, only 5,000 are spent, then the score is 50% and so on. The basic intellectual principle is that of common sense.

### ***Efficiency of outputs***

Any organisation's leader knows that if you budget to deliver outputs (a road, primary health care etc), it is that for which you are most obviously accountable. This is especially so if you have told the public that 'these are the things we intend to deliver next year'. In order not to drown PB in data, only two generic criteria are advocated for measuring the delivery of outputs. So, beyond the number (the target) to be achieved, these criteria are **A** = % specification, and **B** = % time.

If the output is through capital expenditure, then there is always a technical specification of what is to be constructed (a new school, the rehabilitation of X kilometres of road etc). If there are 20 items in the technical specification (the bill of quantities or 'BoQ'), all have to be satisfied. If all are satisfied, then the specification is fully satisfied, so 100% (divided by 2 because this is only half of the output measure).

The other half is of time. If the output is to be delivered in 60 days and it takes 60 days, you are on target. If more, then you are over-budget in terms of time and the score is less, accordingly. If the output is through recurrent expenditure, then the test is different. We have to define what standard of service is to be delivered. For example, in education, how many pupils should a teacher teach in the course of the year? In health, how many people should the health clinic be able to service, comfortably? In agriculture, what should the extension service be providing through routine events and when? Putting measures for recurrent expenditure is more difficult but again, for experienced practitioners, it really is a matter of applied common sense.

To assess on-time performance, a basic timetable for any particular service can be established. A school must provide three terms of schooling in a year: has this been achieved? In a clinic: has the service been available as intended? In agricultural extension: has the service been made available in accordance with the annually agreed timetable? Experienced practitioners also know that the output being delivered as part of any program is that which is directly attributable to the program's owner. Basic

accountability is therefore assured. Thus, the second score in measuring PB performance is:

$$(2) = (A+B)/2 = \textit{Efficiency of outputs} \text{ (where } T = 100\%)$$

Here again, 'T' is the target of 100%. So, if the specification is fully satisfied and everything has been delivered according to time, then the score for each of A and B is 100%, which is then divided by two, to give the aggregate score for that deliverable. Again though, the basic intellectual principle is that of common sense.

### ***Effectiveness of impact***

Any organisation's leader knows that the economy of inputs and the efficiency of outputs, ultimately, have no practical meaning if there is no effective impact. At the annual level, there are two basic criteria to measure this impact. These are:

**C** = % occupancy rate/use of facility

**D** = % assessment of 'problem solved'

Whether delivered through capital or recurrent expenditure, the result of the asset created or the service delivered has to be in terms of a basic impact question: is the school or clinic satisfying the need? Is the new market being fully used? What is the 'bottom-line' here? Has the original problem been solved? Anyone in any community is able to define a problem to be solved. Equally, anyone is able to assess, from a user's perspective, if the problem has indeed been solved. Table 2 illustrates this issue of problem definition and suggests how to assess whether or not the problem has been addressed successfully.

**Table 2: Problem definition and ‘raw’ project proposal**

Perceived problem	Elements of the problem	Project response	Recurrent service and resourcing
No education	Nearest education 10 km away 380 school-age children need the service, hence viability of a new school	New school building	Teachers and supplies, through the education ministry
No health care	Nearest clinic 10 km away Malaria No basic preventive health care	Health post	Staff and medical supplies, co-funded by health ministry and community
Inadequate water	Nearest main source 7 km away - Shallow wells No catchment systems	Deeper wells and catchment terracing to retain the water table	Maintenance of wells and catchment locations, through community initiatives
No vehicle access in bad weather	Seasonal problem Flooding	Culverts and fords	Regular maintenance through community programmes
No market	Nearest market 10 km away	Area and basic structures	Maintenance through owner levies and community supervision
Lack of food	Available fertile locations Available underground water sources	(Relate to inadequate water proposal)	N/a

It is at the level of ‘effectiveness’ that the client – the recipients of the service – are best placed to inform the providers of the new capital asset or the delivered service. So the question: ‘has the problem been solved?’ is answered by responding to the two right-hand columns. Finally, experienced practitioners know that the output being delivered as part of any program must have a positive (i.e. a declared, desired) impact on those for whom the infrastructure or service is being delivered. This encourages public accountability. The third score in measuring PB performance is therefore:

$$(3) = (C+D)/2 = \textit{Effectiveness of impact} \text{ (where } T = 100\%)$$

Again, ‘T’ is the target of 100%. So, if the customers are satisfied with the infrastructure or the service, then the score for C is 100%. If the answer is ‘yes’ to the second question: ‘has the original problem has been solved?’, then again the score for D is 100%. The combined score is also divided by two, to give the aggregate score for that output’s impact. For fear of repetition, the basic intellectual principle is that of common sense.

### ***Total program performance measurement***

Total program performance is economy (1), efficiency (2) and effectiveness (3), divided by three, to give the final percentage score, as follows:

$$T = (1+2+3)/3 = \text{Total performance}$$

In this approach to PB performance, equal weight is given to the '3-Es'. An example again best illustrates the idea.

A donor offered the Malawi Government a new produce market for Lilongwe's capital city centre. The offer was welcomed, subject to the condition that the market was located in a land-use zone adjacent to the centre itself; the proposal being considered 'inappropriate' for the capital's new city centre! This was accepted, reluctantly. The market was built according to budget (the economy of inputs was satisfied). It was built to specification and to time (the efficiency of outputs was satisfied). However, the original problem (in truth, the opportunity) was not satisfied; the asset was not fully used. In fact, it was never more than 15% used (the effectiveness of impact was not satisfied). Performance budgeting's measurement therefore gave the 'process of delivery' credit for being economical and efficient (both capacity tests in themselves), but there was little effectiveness; the expenditure made 'very little difference out there!' In short, PB measurement is holistic in the sense that it is concerned with both the process of delivery as well as the impact of its results.

If performance budgeting is accepted as a practical basis for measuring local government performance, then the next step is to establish tests for local government to be able to perform in the first place.

#### **4. Capacity: Enabling local government to deliver**

There are certain fundamentals that every local government should have, by way of capacity, to allow it to perform. Assuming for the moment a district council, then there should be:

- A current district development plan and budget
- A functioning district council and district administration
- A functioning financial management system
- The establishment of a local development fund (i.e. capital funds) account
- Key district staff in place.

Table 3 presents not only these five minimum conditions but also their capacity targets and weighting, for scoring. The argument is that in order to deliver (to

perform), local government must have certain key prerequisites in place (and these items are, of course, an absolute minimum). One way or another, these capacity requirements cannot be achieved unless the building blocks themselves are put in place.

**Table 3: Enabling local government to deliver**

Minimum conditions	Capacity Targets	Percentage weight	Actual score %
Existence of a district development plan and budget. Max = 20	- Approved development plan, through community participation (3-5 years)	10	
	- Approved annual budget to implement that year's portion of the plan	10	
Functioning district council and district administration. Max = 20	- Full council and committee meetings timetable honoured in full	5	
	- Women's participation quota met	10	
	- Accurate 'minutes' produced within two weeks of any such meeting	5	
Functioning financial management system. Max = 20	- Daily accurate financial records by CoB.	10	
	- Monthly bank reconciliations, within two weeks of month-end	5	
	- Quarterly financial reports within two weeks of quarter end	5	
Establishment of a local development fund (i.e. capital fund) account. Max = 10	- Functional capital account	10	
Key district staff in place. Max = 30	- Administrator	5	
	- Finance officer	5	
	- Planner	5	
	- Five technical supervisors (Education; Agriculture; Health; Women; Capacity)	15	
<b>100</b>		<b>100</b>	

## 5. Organisation: The building blocks for basic capacity

It is recognised that no infrastructure and services can be delivered without people in local government. An immediate focus for intervention is therefore, to get people in place to do the work. Table 4 presents an example of a framework for assessing capacity. This happens to include measuring progress in applying gender equitable local development (GELD) principles (UNCDF 2008) in building a local authority.

**Table 4: The building blocks for basic capacity**

<b>Generic functions of a district council</b>	Number of posts <u>required</u> (% of women according to national standards). (See Note 1)	Number of posts <u>established</u> (% of women according to national standards) (See Note 2)	All established posts to perform each devolved function <u>filled</u> in the district? (See Note 3)	All established personnel fully <u>trained</u> to perform the devolved functions? (See Note 4)	<u>Facilities</u> : accommodation (gender sensitive, including hygiene arrangements), plus furniture, systems, equipment and transport <u>provided</u> ? (See Note 5)	<u>Assessment of productivity</u> : i.e. performing economically, efficiently and effectively in the performance of the function? (See Note 6)	Total score of 'capacity to perform the function' (including % of women according to national standards)? (See Note 7)
	% n/a	10%	10%	10%	30%	40%	T = 100%
<b>'Line' Functions (those that do the actual delivery)</b>							
Education, Youth, Sport and Culture							
Health, Gender, Family Promotion							
Economic Development							
Infrastructure, Land, and Planning							
<b>'Staff' Functions (those that support the people that deliver, such as finance and human resources)</b>							
Administration and Good Governance							
Financial management, Human resource development and so on							
Mayor and executive or central policy committee							
Total Score							

**Notes from Table 4:**

- 1) The question to be asked is: how many people will be required to perform the specific service in the district? This has to include the question of the quota of women (ideally, the quota comes from the appropriate legislation). The answer to the number of people should be followed by a basic understanding of the 'level' of post or posts required, including any hierarchical relationship. Once the number of posts is known, assessing the 'measurable progress' can start.
- 2) If the estimate of the number of posts is accurate, the district will ensure that the 'authorised establishment' (i.e. the approved number of posts) is altered to accommodate the extra posts. This accommodation must include the quota for women.
- 3) The recruitment process is known to all. It must be open and transparent.
- 4) Whatever the minimum requirements to fill a post, it is often (but not always) necessary to provide training so that the new personnel are able to perform. Affirmative action, through additional training, may be required to ensure that the women recruited are able to perform as well as men.
- 5) 'Facilities' is so obvious, it should not need to be defined and yet, it is so often overlooked: office space, furniture, equipment and supplies. This is where sensitivity is required to support women's specific needs. These can include adequate sanitation



facilities, personal safety, and child care where possible. Too often, people are blind to these gender-specific needs.

- 6) Performance is measured according to the principles of economy, efficiency and effectiveness.
- 7) The total score is the simple addition for each row because the weighted score can only add up to 100% maximum. The council's total score is then the addition of all rows, divided by the number of rows.

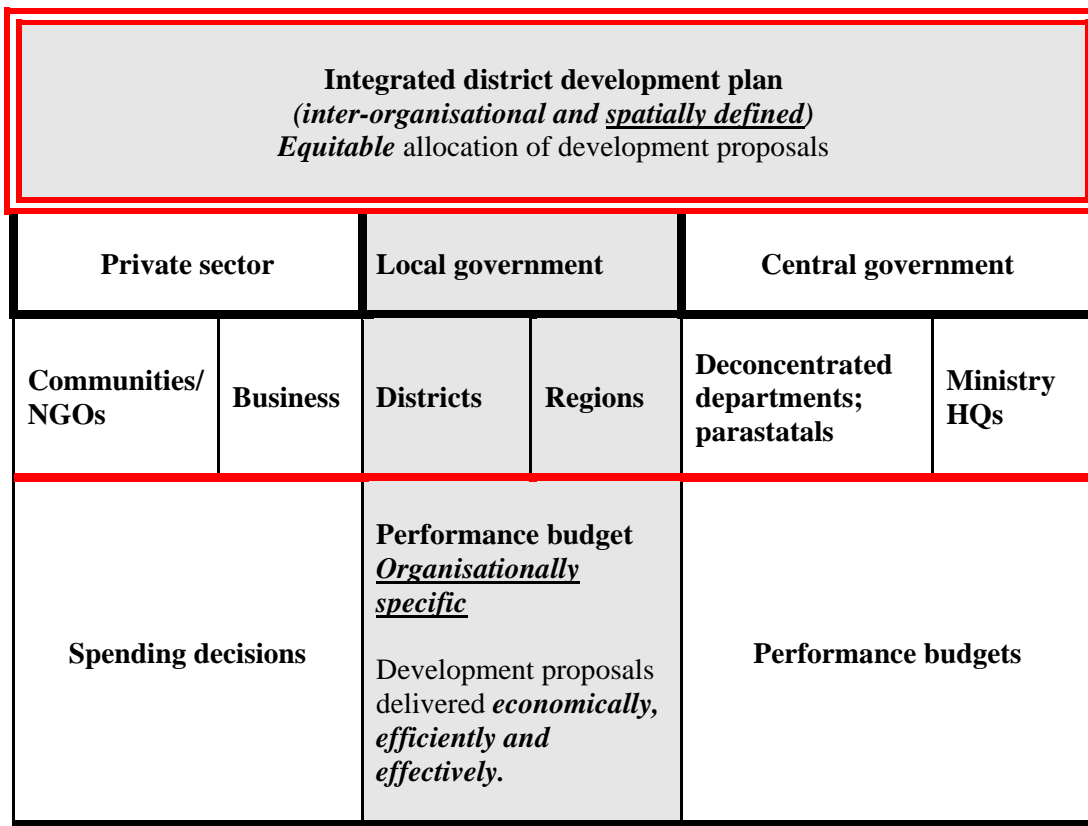
What we have here is the bottom line of capacity measurement, on the simple test of getting people in post to be able to perform. Yet, even this bottom line cannot deny the institutional development (ID) framework within which all capacity interventions will have to fit. If the ID framework is contorted or disjointed (e.g. the *structure* and *processes* are not aligned), then the capacity interventions are going to be less than efficient and effective.

## **6. The 'binding address' of infrastructure and service delivery**

Capacity-building interventions are a means to an end and not an end in themselves. That end is the 'binding address' of local government's development planning, strategy and budgeting. This is the foundation for delivering infrastructure and services; the key to successful local development. The emphasis needs to be placed on adopting a suitable process to generate that infrastructure and service delivery.

The concept of an institutionally integrated development plan means that the local government concerned is responsible for ensuring the preparation of a spatially defined plan through which all 'players' – the private, including community sector; central government, including its parastatals; and local government itself, whether single or two tier – come to an agreement as to what is best for their community. This is where development (i.e. investment *recommendations*) is – or should be – allocated *equitably*, so that poorer localities and groups get more, in order to bring them to a level of equality (at minimum) in terms of the MDGs. Each organization, including local government, then prepares its strategy and budget (its investment *decisions*) for the things it is directly responsible for implementing, to ensure the provision of infrastructure and resulting services, *economically, efficiently and effectively*. This idea can be illustrated in Figure 1.

**Figure 1: Integrated development planning and budgeting**



This diagram highlights four key points. First, is the inter-sectoral and therefore, inter-agency, spatially defined development plan. The idea is that all organizations, coordinated by local government, should contribute to both its formulation and its implementation; spending money to achieve things. Second, is the primary classification of the institutional environment; simply, the private/community sector, local government and central government. Third, this classification is broken down to one more level; in essence the spending organizations. Finally is the simple categorization of that spending; for the private sector, its individual spending decisions; for government, through budgets.

The point is to recognise where equitable allocations will be the primary concern; in development planning. Economic, efficient and effective delivery is through an organisation’s strategy and budget (its *performance budget*). That is to say, we are allocating proposals spatially (for infrastructure and services) unequally, in order to bring the more deprived localities to a point of reasonable equality; the heart of *equitable* allocations. Such equality is judged through the prism of the MDGs.

The allocated proposals are then delivered economically, efficiently and effectively through the organisationally specific performance budget. The assumption and practicality is that in any location, there are many *players* (many funders) in the local development process.

## **7. Conclusion**

This paper has presented the five main aspects of capacity building (see Table 1 above). It has argued that these must be seen as means to an end and not an end in themselves. The true goal is the ‘binding address’ of local government’s (coordinated) development planning and (individual) strategy and budgeting. These are the foundations for delivering infrastructure and services; the key to successful local development. Without local development, through the empowerment of households and communities (however defined), there will never be sustainable socio-economic progress in the developing world. The local institutional development paradigm seeks to create that empowerment. Otherwise, why decentralise?

We should also recognise that overseas development aid (ODA) is *never* going to answer fully the seemingly intractable challenges in the developing world. For that, decisions made in the private and community sectors will be the key to ultimate success. The under-rated report *Unleashing Entrepreneurship* (UNDP 2004) was an attempt to present this very argument. Local government should therefore be a key not only to that desired empowerment, but also to creating the conditions (ensuring the provision of the essential external economies, such as passable roads, electricity, schools and clinics) that will allow local economies to flourish. Thus, as Figure 1 illustrates, local government should be seen as part of a wider institutional and investment (spending) framework that supports socio-economic development.

In a public meeting with local citizen and business leaders in a Mozambique province about five years ago, this author asked: what are the two most fundamental things that UNCDF can achieve, in support of local development in this location?. The answer was simple to the point of brilliance: We need roads that are passable in the rainy seasons so that we can get our produce to market! We need funds to capitalize new and recapitalize old businesses shattered by the civil war! These were two fundamental blockages within the system that needed to be removed. Both could be within the purview of empowered local government. Building local government capacity in developing countries is thus a

perennial concern, but we need better frameworks to make capacity building effective. This paper has sought to show how those frameworks can be established.

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## Attitudinal orientation of first level managers for improvement of municipal service delivery: Experience of training intervention in Kolkata

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### 1. Introduction

This paper discusses a program of attitudinal orientation courses provided for functionaries of a large municipal corporation in India. Almost 450 Assistant Managers from the Kolkata Municipal Corporation took part in the training, which was held at the Administrative Training Institute (ATI) of the Government of West Bengal, India.

Under the 74<sup>th</sup> Constitutional Amendment Act, Indian Municipalities/Corporations (Urban Local Bodies) are empowered and entrusted to perform planning, development and governance for the city/ town and to provide services to the citizens. The change in outlook towards the local government reflected in the Act has highlighted the need for

greater awareness and a better attitude amongst municipal staff as well as elected representatives towards service delivery. Good governance can be achieved through the overall performance of officials of an organization, provided they possess the necessary knowledge, skills, attitudes and competencies. For historical reasons, knowledge, skills and attitudes amongst officials of Urban Local Bodies (ULBs) in India have been traditionally of a low standard. Willingness to perform better in the role of municipal service delivery is not common. Therein lies the need for training for improvement in service delivery, especially for organizations like large municipal corporations and municipalities.

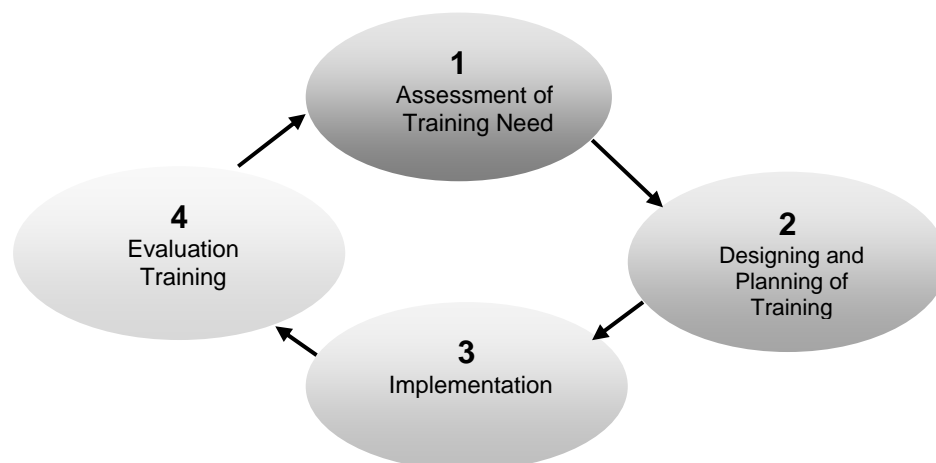
ATI is the apex-training institute of Government of West Bengal, India. It has been imparting quality training for more than two decades to various officials of West Bengal and other states. Its Urban Management Centre (UMC) provides training to a broad cross section of employees of the ULBs. Until 2004, the Government of India or the state government funded most of the courses, but from 2004-05



*Main Building – ATI, Kolkata*

major changes took in delivery of training. Now most courses are provided to meet specific demands emerging from the ULBs or their apex department (the Municipal Affairs Department of the Government of West Bengal). Courses are conducted at the institute itself as well as at the ULBs. A systematic approach to training has been adopted (taken from Ghosh, 2004), as shown below:

**Figure 1: A systematic approach to training as adopted at UMC, ATI**



## 2. Capacity Building Programme for Kolkata Municipal Corporation

Kolkata Municipal Corporation (KMC) is one of the largest municipal authorities in the country. Approximately 5 million people live in the KMC area. KMC is a large organization and has around 37,000 employees working in 141 wards and 15 borough offices. To apply the changed perspective of citizen-centric governance, the whole organization needed reform. Internal communication among functionaries and external communication with citizens have been given much emphasis in improving the service delivery and capacity of the corporation (KMC 2006).

In 2006, KMC received major funding for training and capacity building from the UK Department for International Development (DFID). It approached ATI to provide training to its Assistant Managers, who play significant roles in the service-delivery system. The Corporation also has its own training cell named the Institute of Urban Management (IUM), which trains both staff and elected members. IUM collaborated with UMC, ATI to deliver the training and capacity building programs reported in this paper.

## 3. Profile of Participants

Almost 450 Assistant Managers were identified for training. All of them had been promoted from the clerical grade. Most were in the age group of 45 to 55 years, and had graduate or higher secondary qualifications. They had experience of various functions and in different urban zones through lateral transfers at 3-4 yearly intervals between departments such as water supply, assessment-collection, building, licensing, advertising, establishment, library, accounts, general administration, pension, conservancy, electricity etc. Assistant Managers are the first-level managerial layer of KMC. They are supposed to lead a team consisting of 5-30 subordinates to execute service delivery in the various fields. They needed to be oriented in leadership, team building and communication skills to facilitate service delivery to citizens.



*A group photo of a mix group of KMC managers*



Most Assistant Managers had received previous training at IUM for short periods while at clerical grades in subjects like assessment-collection, licensing etc, but some had not received any training before. Also some, who were on the verge of retirement, were initially apathetic towards training.

#### **4. Strategy and Approach**

Identified training needs included knowledge inputs in urban planning, principles of management, municipal governance and service delivery, as well as organization development, leadership, communication and soft skills for self-development.

The following topics had been identified by KMC:

- Management of municipal bodies - an overview
- Fiscal and financial management
- Infrastructure planning and development
- Tax administration
- Contract and logistic management
- Management of human resources
- Managerial leadership and team building
- Communication and interpersonal relationships
- Citizen servicing and responsiveness
- Values and ethical issues
- Stress management
- Managerial and organization excellence-related issues

Considering the diverse group and age profile, it was decided that the course should be residential and conducted in the UMC in order to benefit from the ambience of the training institute. Further, methodologies such as group discussions and presentations, case studies and guided exercises would be used in abundance in addition to lecture mode. Emphasis was placed on promoting attitudinal change. Management experts and professionals would conduct the training.



*Participants in a typical lecture session*

The course was designed to be for one week (six days), with of a maximum of 25 participants in each group. To assess and to reinforce learning, a ‘vertical interactive’ session was proposed on the concluding day, bringing in senior representatives of KMC. After assessing the training need analysis, the training was divided into four learning units with inputs as detailed below. The second half of the course focused principally on attitudinal issues.



Participants during group exercise



Participant presenting after group exercise

**Table 1: Module of Training adopted**

Learning Unit (LU)	Subjects	Contact Hours	Method	Faculty
(I) Urban planning, management and governance	Introduction to Urbanization	Total 5 hrs	Lecture, discussion, demonstration	UMC
	History of Kolkata Municipal Corporation			KMC
	Legislative and Constitutional Framework of ULBs			UMC
	Urban planning, management and governance			
(II) Municipal service delivery	Right to Information Act and Citizens Charter	Total 7 hrs	Lecture, discussion, guided exercise	UMC
	JNNURM: Reforms and concepts			Management Expert
	Servicing the customer			
	Managing change in municipal service delivery			
(III) Organisation development,	Motivational leadership and teambuilding	Total 8 hrs	Discussion, demonstration, case study, guided	Management Expert
	Organization and personnel management			Do

leadership and management	Values in administration		exercise	UMC
	Working philosophy in public administration			KMC
(IV) Personal effectiveness	Communication skills in improving interpersonal relationship	Total 9 hrs	Discussion, guided exercise, case study	Management Expert
	Stress management			UMC
	Time management			Management Expert
	Problem solving and decision making			UMC
	Leadership competencies			UMC
(V)	Vertical interactive session and course evaluation	3-4 hrs	Open discussion and question-answer	All faculties and KMC representative
<b>Total</b>		<b>32 hrs</b>		

A total of 22 courses were conducted and 426 Assistant Managers were covered. Priority was given to good coordination between the teaching faculties to assess daily progress, and each day began with a recapitulation presentation by the participants to help consolidate learning. Some other key elements were as follows:

- Since the courses were residential, the group was offered morning yoga-cum-exercise session, for a refreshing start to the day.
- Knowledge inputs were concentrated in the first half of the day.
- Extending the afternoon session up to 5.30 pm was challenging for the 45-55 age group. A small break of tea and snacks worked nicely in the evening, and a few of the sessions on motivational and attitudinal inputs extended until 6.30 pm.
- Seating arrangements were ‘U’ shaped to ensure eye contact and unobstructed interaction amongst participants and trainers.
- It was suggested that KMC form mixed groups of male and female (13%) participants.



Panel of faculty in a typical interactive session  
(author 4 far left, author 1 far right)

## 5. Overcoming Learning Barriers

Learning barriers as identified by Bhattacharya (1983) were addressed using various methods and with good results, as shown in Table 2.

**Table 2: Method and Impacts of overcoming learning barriers**

Barriers	Example	Method Used	Impact/Status
Perceptual	Trainees can't understand citizens' perception about service delivery	Visual exercise on perception followed by group discussion on differences in interpretation	Good
Cultural	Municipal service provision perceived predominantly as 'favours' or 'gratis' not 'service', bureaucratic culture	Deliberate <ul style="list-style-type: none"> <li>• Discussion using example from individual's experiences as citizen.</li> <li>• Role play</li> <li>• Case studies on service delivery</li> </ul>	Good
Emotional	Emotional attachment with the organization	<ul style="list-style-type: none"> <li>• Lecture session on history of KMC.</li> <li>• Best practices of organizations evolved, highlighted and appreciated</li> </ul>	Good
Intellectual	Discomfort with exercises and instruments in English language	Translated and explained in vernacular language by trainers	Good. Bengali version of material is being prepared.
Expressive	Lack of participation due to: <ul style="list-style-type: none"> <li>• Apathy towards training</li> <li>• Poor communication ability</li> <li>• Poor listening</li> <li>• Low motivation</li> </ul>	<ul style="list-style-type: none"> <li>• Interactive participative session</li> <li>• Practice of presentation skill in recap session made mandatory</li> <li>• Personalised feedback by trainer on behavioural instruments data</li> </ul>	Good
Environmental	Scepticism on implementation of learning at KMC	Issue addressed throughout sessions ( but need also for non-training interventions)	Positive attitudinal change confirmed through post-training evaluation

## 6. Form and impact of 'vertical interactive' session



*A typical vertical interactive session*

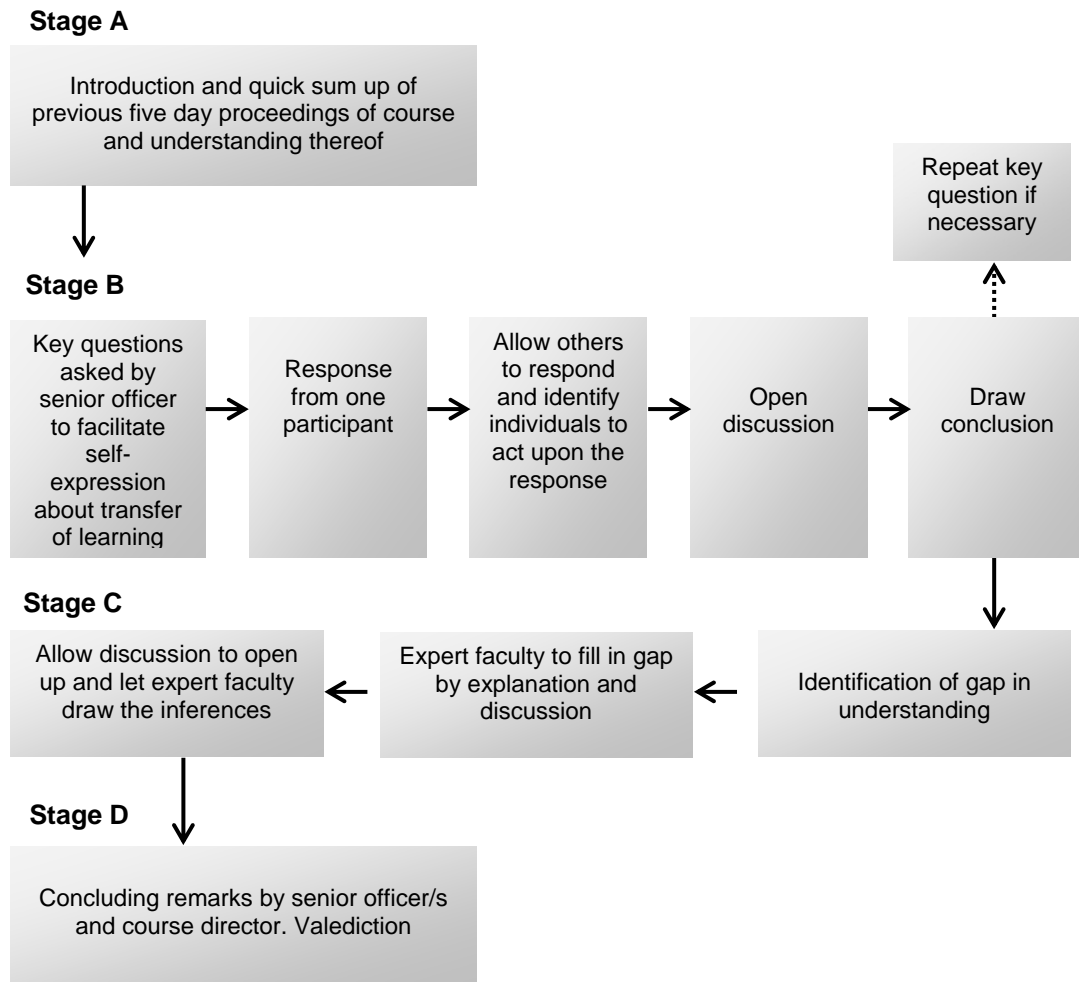
The basic form of the vertical interactive session an open unstructured discussion. Tea and snacks were provided during what was a long session. Coordination and preparedness among senior KMC officials taking part and teaching faculty members was a pre-requisite.

The course coordinator, after giving an introduction, remained almost silent and only facilitated the process. A senior officer from KMC would start the discussion by taking feedback about the course and its applicability in the job situation once participants returned to their departments. During the response from a given participant, faculty present in the session would ask questions and elaborate on issues raised to reinforce learning. Other participants were also allowed to participate in the exchange, and discussions were open-minded, transparent and candid. Figures 2 and 3 depict the process of the session and the roles of those involved.



*Faculties addressing in a vertical interactive session*

**Figure 2: Morphology of 'vertical interactive' session**



**Figure 3: Roles of those involved**

	Key role		Optional role	
Time	15 min	60 min	30 min	15 min
Activity of:	Introduction (Stage A)	Open discussion and identification of learning gaps (Stage B)	Reinforcement of learning by faculty (Stage C)	Conclusion (Stage D)
Course Director				
KMC senior officer				
Expert faculty 1				
Expert faculty 2				
Participants				

## 7. Evaluation of the course

An evaluation of the course was conducted, as is usual, by a questionnaire survey on the final day as well as by verbal interaction (see Table 3). It appears that in-service trainees awarded higher scores than those for induction courses. This may be due to their greater understanding of managerial skills required for situations faced in job situations. It also appears that behavioural subjects and faculty had greater impact than technical subjects. Most participants were of the opinion that they could have performed better at work if they had undergone this course in the early years of their career.

**Table 3: Extracts from course evaluation**

No. of courses: 22 No. of participants: 372(M)+54(F) Total 426	Average score for in-service courses (scale 1-4)	Average score for induction course (scale 1-4)
Structural organization of the course	3.46	3.37
Usefulness of the training for future jobs	3.33	3.29
Benefits from interaction between participants	3.12	2.91
Overall impression	3.37	3.20
Interaction with faculty	3.75	3.68
Evaluation of Faculty (both visiting and in-house)		
Technical topics LU I & II	3.02	2.94
Behavioural topics LU III & IV	3.20	3.19

Source: Urban Management Centre 2006-08

At the end of the week-long course, which reminded them of their own student life, participants talked about their failures, successes and frustrations in the job situation and even personal lives. Many environmental constraints surfaced which needed to be addressed by organisational interventions other than training. This made it a challenge to reorient them to a positive attitude towards service delivery.

Subsequent feedback from KMC was that after the course participants were very eager to do better in their new leadership role, and that their performance was much improved, but organisational constraints remained a hindrance to capacity building.

## 8. Validation of Training



*Participants during group exercise*

Post-training self assessments as well as peer group assessments were sought after one and six months. Post-training evaluation cum transfer-of-learning questionnaires were given to participants, who were asked to submit the completed forms at IUM after two months. Supervising officers were asked separately about the performance of Assistant

Managers later on. Primary findings of these assessments are as follows.

- 55% of participants specifically indicated that they could improve their work efficiency in managerial roles after the training.
- 44% mentioned that the training helped them in the work.
- 62% stated that after the training they could form a good team at their workplace.
- Almost all noted that their interface with citizens was improved and 58% were emphatic that the training improved their outlook towards citizens and helped a lot in interaction with citizens at large, resulting in good service delivery.
- All identified improvements in time management, and 31% specifically mentioned this element.
- Participants indicated that all subjects included in the training had helped them to improve their efficiency. However, subjects like team building, communication and interpersonal relationships, values in administration, stress management, the Right to Information Act and Citizens' Charter were seen as most effective.
- Supervising officers identified a significant improvement in participants' approach towards service delivery. It was reported that the Assistant Managers expressed much eagerness for better performance on the part of departmental heads.

One to two years after this program, a series of follow-up and review workshops is proposed to be conducted by KMC.



## **9. Discussion and conclusion**

For effective service delivery, a sound combination of working knowledge, skills and appropriate attitudes towards customer service is essential for functionaries of all municipalities/corporations and other public utility providers. Both training and non-training interventions can facilitate improved performance. This study has identified the following pre-requisites for training intervention to bring about attitudinal change.

1. The client authority must be convinced of the need for attitudinal change to achieve organizational excellence.
2. The authority must identification the right group of staff, the right training needs and the right institute to deliver the training intervention. In addition, there must be a committed senior-level coordinating officer, who will steer the whole process in a systematic manner and establish good relations with other departments and staff.
3. Committed and accountable service from the training institute is essential. There must be a dedicated staff member who can understand the training need, suggest suitable modules in a consultative way, monitor the implementation of those modules and make changes if necessary.
4. Effective teaching faculty are required, who can deal with adult psychology well. Faculty who are effective in human relationships and possess excellent communication skills as well as in depth knowledge in the relevant subjects can do wonders. The success of learning sessions depends on the situational understanding of a particular group and their entry behaviour, and fine-tuning of teaching accordingly. Use of appropriate adult training methodologies and trainee-based experiential learning is necessary.
5. Close coordination and strong relations between the client authority, training provider institute, and faculty (internal and visiting) is very important. To bring about attitudinal change this has to go beyond a normal client-consultant relationship.
6. Logistics such as residential accommodation, meal service etc. must be of good quality to provide a catalytic input for training interventions to improve service delivery – learning by seeing and experiencing.
7. Periodic and appropriate follow-up action combined with complementary non-training interventions must be in place, and post-training assessment and validation is strongly suggested for this type of program.

The basic learning as well as experience from this series of courses is that attitudinal change is possible for existing functionaries of an organization, provided the proper ambience for training is created; expert faculty, committed and accountable, are engaged; and the positive support as well as involvement of the senior management of the client organisation is ensured.



*Prof. Som of UMC, ATI giving the certificates*

### **Acknowledgement:**

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## Is Decentralisation in Ghana pro-poor?

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#### 1. Introduction

There is a popular belief among decentralists that if local governments have the power to generate and spend revenue, without relying on central government funding, their expenditure will be pro-poor and will improve the lives of local people. Such views have influenced recent calls for greater decentralisation in developing countries in general and Africa in particular. However, evidence from Ghana casts some doubts on this view. A brief comparison of the expenditure and revenue patterns of the poorest and richest local governments there suggests that local governments are *not* inherently pro-poor and that locally generated funds might be used in ways that *do not* reflect the needs of the locality as a whole. Thus the fiscal devolution view of decentralisation appears to be out of kilter with reality. To discuss this issue, the three sections in this paper summarise the assumptions and perceived benefits of decentralisation, describe decentralisation in Ghana, and analyse the revenue and expenditure patterns of the Kumasi Metropolitan Authority and the Kasena Nankana District Assembly.

#### 2. Decentralisation and local governance

Decentralisation involves the transfer of power, whether *political*, *administrative* or *fiscal* in one of four forms: *Deconcentration* (the handing over of administrative or managerial responsibility to sub-national governments); *Delegation* (establishing public enterprises and other semi-autonomous bodies to manage sectors like utilities); *Devolution* (the transfer of decision-making authority); and *Privatisation* (the transfer of

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hitherto state-managed corporations to the private sector) (Martinussen 1997:210-211).

The underlying assumptions of decentralisation are:

- Sub-national governments are closer to the people;
- Sub-national governments know what their people want;
- Sub-national governments have local information about resources, the incomes of their citizens, and local business conditions in their areas of jurisdiction;
- Sub-national governments can be influenced in their decisions/actions by local stakeholders; and
- Sub-national governments are accountable to their communities.

Based on these assumptions, proponents believe that decentralisation leads to the following beneficial outcomes (See Smoke 2003; World Bank 2003 for detailed discussion):

- Improved 'allocative efficiency' - what will best suit local people at least cost;
- Improved service monitoring by both sub-national governments and local people;
- Improved participatory governance;
- Improved redistribution of income ;
- Improved resource mobilisation;
- Improved service provision and infrastructure; and
- Improved local economic development and poverty reduction.

Given the enormous support decentralisation and local governance enjoys among development planners, there is the need to periodically evaluate its impacts. One of the key propositions *for* decentralization (and recurrent desire among development planners) is its claimed ability to enhance revenue generation at the local level and, thus, to ensure that local governments are adequately resourced. With enough resources, decentralists believe, local governments can provide the necessary infrastructure and services to ensure rapid poverty reduction (see, for example, UN-Habitat 2001; Bird 1995). However, several evaluations have concluded that in the Third World, especially in Africa, little revenue is generated at the local level. Annually, sub-Saharan African cities generate only US\$14 per capita compared to US\$2,906 in the highly industrialised countries and US\$153 in Asia (UN-Habitat 2001). As such, there is a current flurry of interest in how to increase local revenue mobilisation in Africa. What is often taken for

granted is *how* existing revenue is used and whether the expenditure and revenue patterns of local governments are pro-poor. The prevailing assumption is that local revenue is used in ways that lead to the reduction of poverty levels. Efficiency requires that the validity of this assumption be ascertained before rushing to generate more revenue. Ghana provides a good ‘laboratory’ to conduct this ‘experiment’ because it has a long history of decentralisation.

### 3. Decentralisation in Ghana

As part of the economic reforms that were implemented in Ghana in the 1980s, a new system of local governance was adopted. There are currently 170 local governments charged with the responsibility of promoting local economic development. Based on population size, these local governments may be regarded as *metropolitan* (settlements of over 250,000 people), *municipal* (settlements of over 95,000 people), or *district assemblies* (settlements of over 75,000 people). There are 6 metropolitan authorities, 39 municipal authorities and 125 district assemblies (Obeng-Odoom 2009). These local governments face several problems, including the lack of requisite technocrats, especially planners; logistical constraints; and, the lack of autonomy from central government (Lentz, 2006; Mensah 2005). Of all these problems, revenue generation is the most challenging, prompting many decentralists and planners (e.g. Mensah, 2005) to suggest possible ways of attaining more revenues for the assemblies. But, again, how effectively the little revenue generated has been put to use remains an unanswered question.

#### ***Financial trends: Two local governments compared***

The revenue and expenditure patterns of one of the richest local governments in Ghana – the Kumasi Metropolitan Authority – was analysed alongside one of the poorest, the Kasena Nankana District Assembly. In the Kasena Nankana District Assembly, capital expenditure has decreased over time, from 83% in 2003 to 12.5% in 2006, while recurrent expenditure (internal costs of running the council) has increased from 17% to over 87% over the same period, as shown in table 1:

**Table 1: Capital and Recurrent Expenditure in Kasena Nankana District Assembly**

Year	Capital expenditure as a share of Internally Generated Funds (IGF)	Recurrent expenditure as a share of IGF
2003	83.0%	17.0%
2004	94.7%	5.3%

2005	90.0%	10.0%
2006	12.5%	87.5%

Source: Kasena Nankana District Assembly, 2007

A similar trend can be observed in the revenue and expenditure patterns of the relatively rich local governments in Ghana. These trends are the same in the richest local government too. At the Kumasi Metropolitan Authority, there is insufficient effort to spend municipal funds in a way to ensure that the poor might benefit. The revenue and expenditure statement for the year 2008 shows that total recurrent expenditure (49.4%) was *almost the same* as total capital expenditure (50.6%). Such expenditure patterns evidently suggest that local governments are paying more attention to administrative issues like printing, photocopying and furnishing local government offices than direct capital investment in development projects that would ensure improving the living conditions of local people.

Central government grants to local governments are also far from being spent in a pro-poor manner. Table 2 shows that until 2006, the Kasena Nankana District Assembly spent the bulk of its revenue on 'good governance', which, from the reports of the assembly, seems to be defined as the administration of local government offices.

**Table 2: Distribution of expenditure from government grant in Kasena Nankana**

Year	Education	Health	Good Governance
2003	15.8%	2.7%	81.5%
2004	10.4%	24.0%	65.6%
2005	22.3%	11.5%	66.2%
2006	17.1%	64.3%	18.6%

Source: Kasena Nankana District Assembly, 2007

Interestingly, there was a significant decline in the share of central government grant that is used for 'good governance' in 2006. It is not immediately clear what might have caused this decline. A possible explanation is that some items of expenditure had been incorrectly classified prior to 2006 and this error was corrected in 2006. It may be asked whether that explanation represents the end of the evidence about the lack of pro-poor local governance?

Related concerns exist. One other aspect of the nexus between local finance and poverty reduction that gives cause for concern is the nature of revenue collection. One key area where government can influence the distribution of income in the local economy is through taxation. Land taxation, for example, can serve as a vehicle for the redistribution of wealth because it falls on assets that are (disproportionately) owned by more wealthy citizens. Revenue from land taxes could be invested in the provision of healthcare, agriculture and education to drive the local economy in ways in which the poor can benefit. However, though local governments in Ghana have the power to levy property rates, little is actually collected.

Tables 3 and 4 show the sources of funds to the Kasena Nankana District Assembly and the Kumasi Metropolitan Authority respectively. In both cases, a government grant is the biggest source of revenue, accounting for an average of over 90% of revenue in Kasena and over 65% in Kumasi. Other important sources of funds are fees from sources like lorry parks and street parking, and fines imposed by the law courts. Licenses extended to people, such as those who hawk their wares or display them in kiosks, also bring some income to the local governments. Rates are very low in Kasena, accounting for less than 1% of revenue from 2003 to 2006.

**Table 3: Sources of Funds to the Kasena Nankana District Assembly**

Source	2003	2004	2005	2006
Grant	89.7%	95.3%	95.4%	94.4%
Fees and Fines	8.1%	3.8%	3.3%	0.3%
Miscellaneous	0.5%	0.0%	0.2%	0.6%
Licenses	0.9%	0.3%	0.6%	0.8%
Rent	0.5%	0.2%	0.3%	0.5%
Investment Income	0.3%	0.3%	0.2%	3.0%
Lands	0.0%	0.0%	0.0%	0.1%
Rate	0.0%	0.0%	0.0%	0.3%

Source: Kasena Nankana District Assembly, 2007

**Table 4: Sources of Funds to the Kumasi Metropolitan Authority**

Source	2006	2007	2008 <sup>2</sup>
Grants	75.9%	75.9%	44.6%
Fees/Fines	9.3%	9.3%	17.5%
Licenses	5.8%	5.8%	15.4%
Rates	5.6%	5.6%	16.7%
Rent	1.7%	1.7%	2.4%
Lands	1.1%	1.1%	2.9%
Miscellaneous	0.4%	0.4%	0.4%
Investment	0.2%	0.2%	0.1%

Source: Kumasi Metropolitan Authority, 2009

<sup>2</sup> These are projections.

The implication is that the gap between rich and poor may be widening because the rich and owners of property are not paying as much in taxes as by law they should. This situation has negative implications for the distribution of income in the country as a whole. Some recent surveys, conducted in 1998, 1999 and 2009, show that the income of the poorest 10% of the people in Ghana has reduced from 2.4% to 2.0% (UNDP 2009:197; UNDP 2001:184). Simultaneously, the share of the income of the richest 10% of the population has increased from 29.5% in 1998 to 30.1% in 1999 and 32.8% in 2009 (UNDP 2001; 2002; 2009). International evidence shows that such inequality has adverse effects for economic growth, happiness and poverty reduction (Fosu 2008; Birdsall *et al.* 1994; Stilwell and Jordan 2007).

#### 4. Conclusion

So is decentralisation in Ghana pro-poor? The evidence considered thus far cannot be said to be conclusive. Nevertheless, it suggests that there are not sufficient compelling reasons to believe that the practice of decentralisation is propitious as far as equity and local economic development are concerned. Clearly, the problem with local government finance in Ghana is not only increasing the amount of locally generated revenue but also ensuring that the existing 'stock' of local revenue is expended in ways to ensure a reduction in income inequality and poverty levels at the local level.

To meet this aspiration, some lessons can be learnt from the participatory budgeting process in Porto Alegre, Brazil. There, ordinary citizens lead the process of determining their local needs. This system, according to informed observers (e.g. Social Development Family 2003), has radically changed a techno-bureaucratic budgeting procedure to a 'techno-democratic' process in which common people play a significant role in determining ways of generating resources and how resources already generated should be utilized to shape their future.

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## Local government financial autonomy in Nigeria: The State Joint Local Government Account

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This paper addresses the statutory financial relations and financial autonomy of local government in Nigeria, and the freedom of local government to generate revenue from its assigned sources without external interference. It focuses particularly on a financial instrument called the State Joint Local Government Account (SJLGA) and how its operations have positively or negatively affected the financial autonomy of local government councils and the inter-relations between state and local government in Nigeria.<sup>1</sup>

### Intergovernmental relations in Nigeria

Local government in Nigeria is a product of decentralization and is established by law. As a federal state, Nigeria has three tiers of government (federal, state and local) whose intergovernmental relations (which include political, financial, judicial and administrative) are mainly established by the constitution. Each tier is required to operate within its area of jurisdiction, and any action to the contrary is null and void to the extent of its inconsistency with the law. This is meant to guarantee the autonomy of each tier. Intergovernmental relations may be defined as “the complex pattern of interactions, co-operations and inter-dependence between two or more levels of government” (Ogunna

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<sup>1</sup> For further information about local government in Nigeria see:  
<http://www.clgf.org.uk/index.cfm/pageid/112/Nigeria> and  
<http://www.thecommonwealth.org/YearbookHomeInternal/138917>

1996: 350). According to Adamolekun (2002:60), intergovernmental relations “is the term commonly used to describe the interactions between the different levels of government within the state.” It can also be seen as “important interactions occurring between governmental institutions of all types and in all spheres” (Anderson 1960:3). It exists in all types of state but is more pronounced, complex, controversial and contentious in federal states. The level of development in a given state tends to be determined by the quality of its intergovernmental relations.

### **The State Joint Local Government Account**

Under the Constitution of Nigeria, the SJLGA is a special account maintained by each state government “into which shall be paid allocations to the local government councils of the state from the Federation Account and from the Government of the State” (Section 162 [6], 1999 Constitution of Nigeria). The Account is meant to be a mechanism that can implement the notion of ‘fiscal federalism’ at the local government level in Nigeria. Section 162 of the Constitution also provides for how public revenue shall be collected and distributed among the three tiers of government in the country. The following extract outlines the key elements of section 162:

- 
- (1) The Federation shall maintain a special account to be called “the Federation Account” into which shall be paid all revenues collected by the Government of the Federation, ...”
  - (2) The President, upon the receipt of advice from the Revenue Mobilisation Allocation and Fiscal Commission, shall table before the National Assembly proposals from the Federation Account, and in determining the formula, the National Assembly shall take into account, the allocation principles especially those of population, equality of states, internal revenue generation, land mass, terrain as well as population density. Provided that the principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen percent of the revenue accruing to the Federation Account directly from any natural resources.
  - (3) Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly.
  - (4) Any amount standing to the credit of the states in the Federation Account shall be distributed among the states on such terms and in such manner as may be prescribed by the National Assembly.
  - (5) The amount standing to the credit of local government councils in the Federation Account shall also be allocated to the States for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly.
  - (6) Each State shall maintain a special account to be called “State Joint Local Government Account” into which shall be paid all allocations to the local government councils of the state from the Federation Account and from the Government of the state.
  - (7) Each state shall pay to local government councils in its area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly.
  - (8) The amount standing to the credit of local government councils of a state shall be distributed among the local government councils of that state on such terms and in such manner as may be prescribed by the House of Assembly of the state.
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Section 162, 1999 Constitution of Nigeria [extract]

### **Local Government Financial Autonomy**

Local government autonomy can be defined as “the freedom of the local government to recruit and manage its own staff, raise and manage its own finances, make by-laws and policies, and discharge its functions as provided by law without interference from the higher governments” (Ogunna 1996: 350). This includes political, financial and administrative autonomy. Financial autonomy of local government is the “freedom to impose local taxation, generate revenue within its assigned sources, allocate its financial and material resources, determine and authorize its annual budget without external interference. It must be noted that local government autonomy is not absolute; the third tier of government retains functional and fiscal relations with the higher tiers of government, however, the relationship must function within the relevant law.

### **Transfer of Revenue Resources**

There are reasons why transfers of revenue resources from higher to lower levels of government occur in a federation. Firstly, this relates to the *nature of the functions and revenue resources* of the three tiers of government. These may be determined either traditionally, constitutionally or administratively, and may exhibit an imbalance between responsibility and revenue which requires the higher tier of government to ‘make good’ such imbalance by executing transfers of financial resources. These are referred to as ‘deficiency’ transfers (Okafor 2001:49). Secondly, lower levels of government may have variations in revenue raising capacities. Due to the fact that it is desirable for every state or locality to attain given levels of service delivery, states or localities whose revenue raising capacities are low need to impose a heavier tax burden than those with higher revenue-raising capacities. In order to eliminate this burden in the former, the latter (more well-resourced states or localities) make transfers of resources to them. This type of transfer is called an ‘equalization’ transfer (Graham 1964: 8). These two types of resource transfers are commonly referred to as ‘unconditional intergovernmental grants-in-aid’. We can now turn to the processes of statutory funding of local government in Nigeria.

### **Statutory Funding of Local Government in Nigeria**

For local government to serve as a powerful instrument for rapid community and rural development it must possess a solid and sound financial base. To ensure that local government performs the numerous functions assigned to it (Section 7, Schedule 4, 1999 Constitution of Nigeria), the Constitution makes provision for statutory funding of local

government. Specifically, Section 7(1) mandates the government of every state to make provisions for the financing of local government councils in the state. Key provisions of this section are:

- (a) The National Assembly shall make provisions for statutory allocation of public revenue to local government councils in the Federation; and
- (b) The House of Assembly of a state shall make provisions for statutory allocation of public revenue to local government councils within the state.

In addition, section 162 states that:

- (3) Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly.
- (5) The amount standing to the credit of local government councils in the Federation Account shall also be allocated to the states for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly.
- (7) Each state shall pay to local government councils in its area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly.

To give effect to the above provisions for statutory funding of local governments, 20% of the amount standing in the Federation Account is paid to them on a monthly basis, while 10% of each state's internally generated revenue is also paid to the local government councils in the state. It must be noted that the percentage allocations to local government councils are not quantitatively certain. They depend at any given time on the amount standing in the Federation Account and the amount internally generated by each state respectively.

The bulk of the revenues of most local government councils in Nigeria comes from the federal government. In some cases, especially in rural local governments, the grant constitutes as much as 80% of their revenue (Obi, 2001:89). The state statutory allocation to local government councils is usually small and in most cases unreliable.

### **Operation of the State Joint Local Government Account**

To distribute the amount standing in the SJLGA to the local government councils in each state, section 162 (8) of the Constitution directs that:

The amount standing to the credit of local government councils of a state shall be distributed among the local government councils of that state on such terms and in such manner as may be prescribed by the House of Assembly of the state.

State Houses of Assembly have passed SJLGA laws to give effect to the above constitutional provisions, however, evidence has shown that such laws are usually tend to further compound the already distressed financial position of local government councils. This results from various forms of deductions and diversions of funds intended for local government. State governments that are constitutionally required to fund local government councils have instead used the SJLGA mechanism (or Account) to hold local governments hostage and make them appendages of the state. In practice, the operation of the SJLGA has denied local government councils their financial autonomy.

It should be noted that the state government is not intended to be a *beneficiary* of the SJLGA, rather, it is a *trustee* of the Account. It is required to *maintain* the Account for the benefit of the local governments by ensuring that the amount allocated for this third tier of government is equitably and fairly shared among the councils, adhering strictly to constitutionally stipulated criteria. However, reports across the country indicate that most state governments are using SJLGA laws contrary to this intention.

Dlakwa (2004:119-122) has outlined this problem in the case of Borno State. He states that under the Borno SJLGA Distribution and Fiscal Committee Law 2002, a committee was set up to administer the Account. It comprised:

- the Commissioner of the Ministry of Local Government and Chieftaincy Affairs (Chairman)
- Permanent Secretary, Ministry of Local Government and Chieftaincy Affairs
- Accountant-General of the State
- all Local Government Councils' Chairmen in the State
- a representative of the Borno State Primary Education Board
- a representative of the Board of Internal Revenue, and
- the Director of Local Government and Chieftaincy Affairs (Secretary).

It should be observed that the key officers of the committee are state government officials and, in the view of this author, the committee was structured from the outset to disadvantage the Local Government Councils (LGCs). Moreover, the Borno SJLGA Law

2002 empowers the committee to effect the following deductions before distributing funds from the Account to LGCs:

1. 3% of the fund of each council due to the emirate councils
2. 15% of the total personnel emolument of those retired in each council
3. 1% as a training fund
4. 5% of the total allocation of each council as a stabilization account
5. 2% of the total allocation of each council as an administrative charge
6. 1.5% of the allocation of each council to the department of local government
7. 0.5% of the allocation to the local government audit department.

Thus the Borno state government effectively deducted and diverted funds meant for development of local areas, contributing significantly to the abysmal performance of local governments in providing good governance for the community. According to Dlakwa (2004:121), between March 2002 and March 2003 a total of N13.3bn<sup>2</sup> was available for councils in Borno State. Out of this amount the state government deducted almost half (see Table 1).

Aggrieved by this incessant interference in local government's financial autonomy, 26 LGC Chairmen (with the exception of Maiduguri Metropolitan Council) sued the Borno state government for passage of the SJLGA Law 2002, challenging the right of the state government to deduct local government funds at source. The High Court held that the state government had power to pass the law under section 162(8) of the Constitution, but declared unconstitutional the specific provisions that empower the committee to deduct funds at source. This judgment was delivered in June 2002. However, as indicated in Table 1 the deductions continued. The Borno example is a reflection of the situation affecting other local government councils across Nigeria.

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<sup>2</sup> The Nigerian dollar is the *Naira*.

**Table 1: Deductions at source from LGC funds by Borno State Government (March 2002 – March 2003) in Nigerian dollars (millions)**

<b>LGC</b>	<b>Gross Allocation</b>	<b>Total Deduction (source)</b>	<b>Net Allocation</b>
Abadam	437.1	165 (37.7%)	272.1
Askira/Uba	504	325 (64.5%)	179
Bama	627	300 (47.8%)	327.2
Bayo	390	156 (40.0%)	234
Biu	558.0	303.4 (54.4%)	252
Chibok	361	185.4 (51.4%)	175.4
Damboa	632	293 (46.3%)	339
Dikwa	444	207.2 (46.7%)	236.4
Gubio	410	143.1 (35.0%)	266.3
Guzamala	420	161.2 (35.0%)	259
Gwoza	540	314 (58.1%)	226.3
Hawul	500	356 (71.2%)	144.2
Jere	753.2	339.4 (45.1%)	414
Kaga	431.2	213.4 (49.5%)	218
Kala Balge	343.1	167.3 (48.8%)	176
Konduga	646.1	293 (45.3%)	353.1
Kukawa	501	207.3 (41.4%)	294
Kwaya Kusar	364	198 (54.4%)	166
Mafa	419	183 (43.6%)	236.3
Magumeri	487.1	192.4 (39.5%)	295
MMC	993	599.3 (65.0%)	323.4
Marte	457	209 (45.7%)	248
Mobbar	450.3	171 (37.9%)	280
Monguno	441	207 (47.0%)	234
Ngala	473	212.2 (44.9%)	261
Nganzai	385	150 (38.9%)	235.1
Shani	421	189.1 (44.9%)	232
<b>TOTAL</b>	<b>13388.1</b>	<b>6440.7 (48.4%)</b>	<b>6876.8</b>

(Dlakwa 2004: 121)

## Conclusion

Intergovernmental relations are supposed to play a 'bridge building' role to bring a degree of coordination and cooperation to divided powers (Okafor 2007:16). Following from this, the operation of the SJLGA as provided for in the constitution should contribute to cooperative administration, accountability and transparency in local governance within the principle of separation of powers and the rule of law. However, the reality in Nigerian local government indicates the opposite. As evident from the



Borno example, state governments interfere with the financial autonomy of local governments through the instrument of the SJLGA. This has greatly hampered the developmental efforts of local government councils. As a remedy to this most unsatisfactory situation, Sections 162(6) and (8) should be expunged from the 1999 Constitution of Nigeria.

It is also suggested that, via a constitutional amendment, the sub-sections on SJLGA should be replaced with (a) direct allocations to local government councils and (b) the establishment of an independent audit agency comprising federal, state, local government and private representatives. These members must have a proven track record of financial management to supervise, inspect and audit the use of statutory allocations by local government councils. This would provide 'checks and balances' on local government officials' administration of finance matters to ensure accountability and transparency in the use of local government funds.

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## Improving institutional and service delivery capacity in conflict affected areas: The experience of Honiara City Council, Solomon Islands

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### 1. Introduction

Solomon Islands is a chain of 922 islands in the South Pacific, spread over 1,450kms from Bougainville (Papua New Guinea) in the north to Vanuatu in the south, and covering an area of 27,450 kms<sup>2</sup>. The country is home to some 520,000 people, with 74 different languages and dialects. It is divided into nine provinces, each centred on a main island. Effectively, there are nine different peoples with strong allegiance to family, village and province, but little common national identity upon which to effectively build a state.

Honiara, located on the island of Guadalcanal and surrounded by the province of the same name, is the national capital, seat of government, centre of administration and commerce, and the nation's window to the world. The city has a population of 79,000, including an estimated 20,000 or so inhabiting informal settlements in the urban and peri-urban areas. Honiara has one of the highest urban growth rates in the Pacific region, estimated at 4% per year<sup>2</sup>. Made up of indigenous peoples from all provinces (Malaitans being particularly numerous), expatriates and a large Chinese community, the city is a

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<sup>1</sup> Formerly Regional Adviser, Commonwealth Local Government Forum Pacific Project.

<sup>2</sup> Secretariat of the Pacific Community, 2007.

melting pot of the diverse ethnic groups that are the Solomon Islands. In practical terms, however, Honiara is a somewhat artificial social construct. There is no genuine local identity or ownership of the place; although people may reside in Honiara, and may have for all their lives, their roots remain in their home village or province.

Honiara City Council is the governing local authority<sup>3</sup> for the capital. The council comprises 20 members (12 elected, 8 appointed) and is mandated to deliver the typical range of standard municipal infrastructure and social services, with added responsibilities for primary health care (including 9 clinics) and education (14 schools). It employs over 400 staff in its service delivery operations.

This paper is based largely on a presentation made by the Lord Mayor of Honiara and the author to a technical seminar entitled *Local Government and Basic Service Delivery in Conflict Affected Areas*, held jointly by UNDP and UNESCAP in Bangkok, Thailand in June 2009.<sup>4</sup> It will focus on the complex role and place of the Honiara City Council in improving its institutional legitimacy and service delivery capacity following a period of national instability, and the partnership with the Commonwealth Local Government Forum (CLGF) Pacific Project which has supported the Solomon Islands Government and the council in these endeavours. It will draw the important linkage between delivery of equitable basic services and the potential for prevention of conflict.

## 2. The Conflict

Known locally as ‘the tensions’, the conflict situation that has most notably impacted on Solomon Islands society began in 1998 when militant youths from the island of Guadalcanal attacked settlements of islanders from other provinces, mainly from the neighbouring island of Malaita, close to Honiara. Issues of land linked with indigenous rights, and the failure of authorities to address articulated concerns, provided the motivation. The conflict has been seen by some analysts as a spill-over from the crisis in Bougainville, given the socio-cultural similarities.

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<sup>3</sup> Although classed as a local government, the City Council operates effectively as a province.

<sup>4</sup> Refer [http://www.unescap.org/pdd/calendar/ESCAP\\_UNDP\\_governance/index.asp](http://www.unescap.org/pdd/calendar/ESCAP_UNDP_governance/index.asp) The author gratefully acknowledges the contributions to this paper by Lord Mayor Andrew Mua, an outstanding local leader who inspires faith in the future of local government in the region, along with background material provided by the former City Clerk, Wayne Hart.

The action of the Guadalcanal militants resulted in the displacement of over 30,000 people. The conflict escalated in early 2000 when a resistance group claiming to represent the interests of displaced Malaitans, armed themselves and took control of Honiara. This resulted in a breakdown of law and order, instability and collapse of the institutions of government.

Peace was eventually restored through several initiatives, some more successful than others. The Townsville Peace Accord in October 2000, followed by the intervention of the Regional Assistance Mission to Solomon Islands (RAMSI) in 2003 under the auspices of the Pacific Islands Forum, achieved some degree of restoration of peace and normality. A Local Peace Monitoring Council and International Peace Monitoring Team supported these efforts. A proactive policy of national reconciliation and rebuilding reinforced the peace building initiatives. A constitutional review process and the establishment of a Truth and Reconciliation Commission followed more recently.

The role of women in the peace building initiatives, both during and after the tension warrants special mention. Organised women's groups took a proactive stance against the violence, which plainly was perpetrated by men, and mobilised support for children and other vulnerable groups, particularly during the worst of the conflict. This was an example of where women are not simply victims of conflict situations but can in fact contribute to reducing fragility and strengthening social cohesion.

The fragility of the peace was, however, revealed in April 2006 when riots broke out in Honiara after the election of a new Prime Minister, who was perceived by the rioters to be in the pocket of certain sectoral interests. This resulted in the targeted burning of businesses in the Chinatown district. Again, the root causes of the riots were attributed by a Commission of Inquiry to amongst others, inequitable access to land, failure of government to deliver development to settlements in Honiara and bad governance.<sup>5</sup> Significantly for this paper, the Commission established a linkage between inadequate service delivery and the more recent conflict.

The 18th April 2006 civil unrest and riot in Honiara took place against a backdrop of infrastructure weakness and non-delivery of the essential government services to the people from all over the country, who by accident or desire, have made Honiara their home. In search of a better prospect in education, health and employment, these people have settled in

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<sup>5</sup> Report of the Commission of Inquiry into the April 2006 Civil Unrest in Honiara, 2009, p2.

distinctive original provincial or island ethnic settlements in and around Honiara in near squalor conditions because government services were not reaching them.

High hopes and expectations of a better life from the rural areas from where they had migrated into Honiara had not materialised as many cannot find employment. The poor access roads into the settlements, the lack of proper sewerage, water supply and electricity, high costs of school fees, lack of adequate health facilities and the high incidence of drunkenness are some of the daily woes settlement dwellers had to deal with, often with no government support.

It is in the context of this daily hardship that settlement dwellers are highly vulnerable to exploitation and manipulation, and the national elections for a new Solomon Islands Parliament in early April 2006 became the catalyst for them to let out their anger and frustration against the government in particular, and society in general.<sup>6</sup>



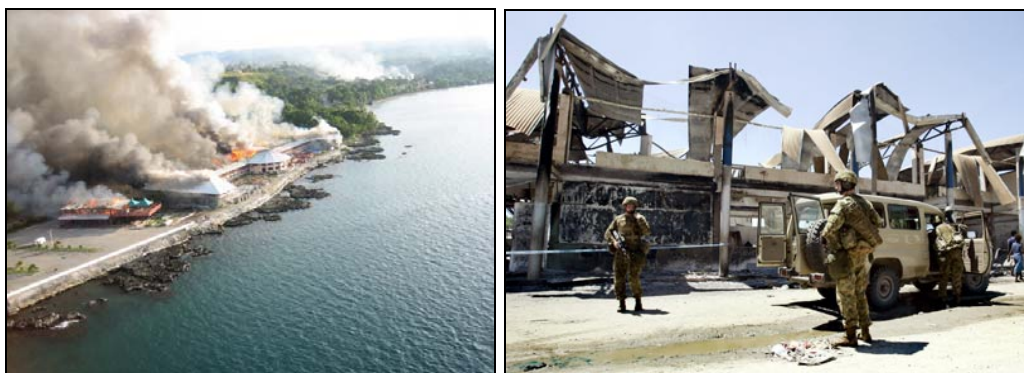
A vehicle set fire in the commercial district of Honiara during the April 2006 riots



Crowds in the main commercial district of Honiara during the April 2006 riots

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<sup>6</sup> ibid p8.



The Pacific Casino Hotel on fire after the April 2006 riots. This hotel was one of the commercial buildings targeted by the rioters. Right, Commercial building in the main street of Honiara after the April riots.

### 3. Honiara City Council and the Tensions

Honiara City Council itself was certainly not immune from breakdown of the institutions of governance as a result of the tensions. The violence and destruction was most intense in Honiara, given its diverse ethnic mix. The results were a disintegrated and divided community; destruction of physical and social infrastructure; openly corrupt practices; political leaders opportunistically capitalising on people's ignorance for personal gain; huge debts; and a dysfunctional Council, which was dissolved by the responsible Minister in 2004 and replaced by an appointed authority pending fresh elections. Technically the authority had the same powers as the council, but its limited mandate reduced its effectiveness. Thus, after the tensions of the early 2000s the Honiara City Council had lost its institutional integrity, legitimacy and much of its service delivery capacity. The Commission of Inquiry later concluded that "there had been major failings within the Honiara City Council to coordinate, organise and deliver development in the Honiara settlements,"<sup>7</sup> and even went so far as recommending permanent replacement of an elected council with a statutory commission.

A newly elected council had taken the place of the appointed authority in August 2006. This new council faced several challenges, in addition to those attributed to the tensions and the aftermath of the April riots. Issues that impacted on service delivery in such an environment included:

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<sup>7</sup> *ibid* p43.

- Urban drift and growth in informal and peri-urban settlements, resulting in increased demand for services, revenue gaps, cultural segregation, youth unemployment etc
- Cultural obligations and expectations, particularly the renewed influence of the ‘wantok’ system,<sup>8</sup> and the need to maintain neutrality and equity in decision making and operations
- Absence of common national and local identity, a precondition for inclusive community building
- Inadequate revenue relative to high service delivery expectations
- The emerging challenge of the effect of the global economic downturn on Solomon Islands and the likely severe impact on the urban poor and informal settlements.

#### **4. Honiara City Council Institutional Capacity Building Project**

As early as 2003, in the immediate aftermath of the tensions, the government of the Solomon Islands recognised the need for an operational Honiara City Council as an essential component of the reconciliation and rebuilding process. However, the government also acknowledged that assistance would be needed. A request was subsequently made to the Commonwealth Secretariat for technical assistance to help rebuild the Honiara City Council institutions.

This task was passed to the Commonwealth Local Government Forum (CLGF), as the Designated Commonwealth Organisation for local government, through its Pacific Regional Project based in Suva, Fiji Islands. CLGF Pacific Project works with local government and other stakeholders in the region to strengthen local democracy, institutions and service delivery capacity of sub-national governments in nine Pacific Island Commonwealth countries, including Solomon Islands. This is done through several inter-related projects founded on Commonwealth principles of local democracy and good governance.

The request by the Solomon Islands Government and a subsequent investigation and preparatory process by CLGF and several of its partners,<sup>9</sup> Honiara City Council and the

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<sup>8</sup> Literally ‘*one talk*’, loosely defined as those speaking the same language or from the same family or clan, and can be expanded to include provincial areas. Essentially a social contract of obligation to assist each other in times of need. The system has been compared to nepotism and favoritism, however can also provide an essential safety net in the absence of other social security options.

Ministry of Home Affairs, resulted in the *Honiara City Council Institutional Capacity Building Project*. This is a five year (2006 to 2011), broad-based technical partnership aimed at supporting the council and its stakeholders to improve institutional and basic service delivery capacity. It is targeted towards achieving the council's vision of an inclusive and well serviced capital city in order to support sustainable urban development and the maintenance of peace and stability.

The project recognises that the council operates in a changing and complex environment, facing the challenges of increasing urbanisation, and high expectations versus inadequate resources. Priority issues such as informal settlements, urban security and stability underpin the project design which aims to strengthen the council's capacity to respond effectively to these challenges and to deliver adequate local government services.

The goal of the Project is *to bring about substantial improvements in quality of life for all citizens of the City of Honiara through sound city management, improved local services, planned urban development and good governance*. Key objectives and a wide range of project activities support attainment of this goal, grouped under four themes:

- Strengthened council management capacity and processes
- Improved quality and delivery of essential services
- Coordinated and well-planned urban development
- Good governance and local democracy

Funding, as well as guidance and moral support for the project is provided by the New Zealand Agency for International Development (NZAID), which as a development partner genuinely understands the important role local government can play in social development and nation building. This belief by NZAID, and maintaining faith during challenging times, was a crucial element in rolling out the project. NZAID agreed to fund the project to the extent of some NZ\$5.4 million over the five year period. Support for the project was also provided by the Commonwealth Fund for Technical Cooperation through funding the CLGF Regional Adviser position.

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<sup>9</sup> Including UTS Centre for Local Government, Sydney; Local Government New Zealand; Local Government Managers Australia; Papua New Guinea Urban Local level Government Association; Kapiti Coast District Council (New Zealand); Maryborough City Council (now Fraser Coast District Council, Australia); UN Habitat and INGENIUM New Zealand.



A mix of approaches and activities is being applied to effect the required capacity development. These include direct support for external in-line senior staff appointments, with local counterparts; financial assistance for materials and equipment to enhance service delivery; technical support from the CLGF Pacific Project and partners; technical staff exchanges with New Zealand and Australian councils; and direct technical assistance for specific assignments.

The project is founded on partnerships at several levels, with local government authorities and professional colleagues sharing knowledge and experience. Conflict sensitivity underpins strategic decisions as the project proceeds. It is a complex, complicated and evolving project, having experienced several challenges and setbacks along the way. Even when they are made, gains can be fragile given the operating environment and could be lost or undermined if the factors contributing to progress are reversed. However the risks associated with a project such as this are the very reasons why it is so necessary.

## **5. Improving Service Delivery in a Post-Conflict Environment**

In view of the range of challenges inherent in delivering quality local government services to all citizens of Honiara, the council and its project partners understood and accepted the realities and accordingly factored in socio-cultural dimensions, inclusiveness and conflict sensitive strategies into its governance and service delivery policies and practices. In particular the council's strategy encompassed:

- Genuine recognition of informal and squatter settlements – they are all Solomon Islanders and ‘our people’, having rights to equal access to services irrespective of ethnicity, socio-economic status, location or political persuasion
- Neutrality in professional operations by accepting expatriates as senior advisers and in-line managers and later choosing to appoint an expatriate as City Clerk/Chief Executive Officer, with local counterparts and succession plans
- A formal and real commitment to openness, transparency, fairness and inclusiveness in decision making and service delivery
- Consultative and representative processes for all citizens – through public consultations and Ward Advisory Committees, participatory community events such as clean up campaigns, community outreach programs etc
- Establishment of a Council of Chiefs for Honiara as a forum to address ethnic issues and potential conflicts, and to recognise and bring on board the influence of traditional leaders as partners in the City Council's initiatives

- Involving unemployed youth as a valuable source of social capital through community based works projects
- A better trained, led and informed elected body
- Developing a roadmap for the future development of Honiara – the *City Vision*.

However, this strategic approach required a significant paradigm shift, time, and substantial support to realise the changes sought.

Some noteworthy achievements have resulted so far. The council's own source revenues (principally local taxes, property rates and service charges) have increased more than six-fold, management systems have been enhanced and service delivery capacity improved, particularly in the areas of solid waste management, roading, markets and health clinics. Now that the council has greater capacity to deliver better services and improved governance, working relationships with central government agencies have improved and cooperation as not seen before on key strategic issues such as land, decentralisation, urbanisation, security and conflict prevention is happening. Leadership development programmes have been carried out, with a focus on the complexities of conflict and fragile situations, and local economic development initiatives, focussing on the lower socio-economic groups and the 'parallel' economy, which is more immune from the global economic slowdown, are in place. Community engagement strategies are being implemented and progress, albeit slow, is being made on developing working relationships with the informal settlements which in the past have been openly hostile to the council.

The CLGF project is now in the final stages of the current phase. Dialogue is underway with NZAID and other key stakeholders on the next stage, given that there is an undeniable need for continuation of support to Honiara City Council in the foreseeable future and the project model is beginning to show evidence that with solid input an organisation can be lifted. There is much work still to be done, particularly on the various dimensions of community development.

## **6. Lessons Learned**

An external review of the project was carried out in August/September 2009, which concluded:

The Project was and remains highly relevant to the needs of Honiara, to development strategies for the Solomon Islands, and to related programs of donors including NZAID, AusAID and RAMSI. It is also contributing significantly to addressing key cross-cutting issues.

After a slow start, over the past year the Project has made excellent progress. This reflects in particular the work of the new Mayor and City Clerk. HCC has made great strides, including repaying debts and greatly enhancing service delivery. The dramatic increase in its own-source revenues is an outstanding Project achievement, and is now being augmented by the council's own efforts. Overall, it is fair to say that directly and indirectly the Project has restored HCC's institutional legitimacy and integrity, and has demonstrated that effective city government is achievable, albeit that much remains to be done.<sup>10</sup>

This review, together with a recent project re-design exercise undertaken by NZAID, will inform the decision making processes in respect to future support to Honiara City Council. As stated earlier, the project is broad based, covering a variety of policy, strategic, implementation and review phases. At its inception, the project did not specifically target conflict prevention and peace building, but as it progressed, the importance of Honiara City Council and service delivery to community reconciliation, consensus building and nation rebuilding became increasingly apparent. It is clearly a cross-cutting issue that required focus.

It is realistically too early to assess if the initiatives of the council and the project have resulted in any specific benefits in terms of conflict prevention. In particular there has not been any monitoring as yet of the response of householders to improved services, particularly in the 'hot spots'. However the external review noted that there is widespread recognition of the importance of providing basic services as a way to reduce the likelihood of conflict,<sup>11</sup> and several key messages that can be drawn from Honiara City Council's and CLGF's efforts thus far.

- There is a clear link between effective and equitable municipal service delivery, physical and social, particularly to informal settlements, and conflict prevention. The understanding and acceptance of the lack of a common national and local 'identity' in Solomon Islands makes this variable even more important. In particular, mainstreaming conflict prevention strategies into service delivery plans is critical. In this context, perceptions of the diverse 'communities' in Honiara as

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<sup>10</sup> Sansom, G. and Whitaker, K. 2009 *Honiara City Council Institutional Capacity Building Project Mid Term Review*, Commonwealth Local Government Forum Pacific Project and New Zealand Agency for International Development, p3.

<sup>11</sup> *ibid* p17.

to the parity of service delivery are equally important as the actual delivery itself. Accordingly, it is incumbent on the council to ensure not only that services are in fact being fairly distributed across the city, but also that the community is made aware of this equitable delivery. The same can apply to regulatory responsibilities.

- It was important to achieve visible ‘quick wins’ at the beginning of the development process to strengthen ties among stakeholders and build support for the council’s rebuilding initiatives. This particularly applied to communities previously excluded from equitable service provision. The legitimacy of the institution is strengthened through evidence of actual delivery of services. Citizens once they are better empowered to exercise their rights, recognise and appreciate action, not just rhetoric.
- Sound financial management, governance and accountability are critical. For example, the substantial increase in property rates revenue has afforded additional capacity for service delivery and inclusiveness. Prudent application of the additional resources has resulted in significant improvements.
- Delays were experienced when the complexity and depth of the problems at Honiara City Council were properly revealed after the project funded personnel began work – the ‘unknown unknowns’ of development work. The post-conflict operating environment did not assist. This meant that significantly more time was needed to effect any meaningful change than was first anticipated.
- Community empowerment through wide-ranging consultation and engagement of both formal and informal settlements, youth and women, traditional and church leaders is critical for ‘ownership’, sustainability, community cohesion and building the legitimacy of the City Council.
- Honiara as the national capital needs to be better embraced by the Solomon Islands government, with urban management and local governance reflected higher on the policy agenda given the realities and impacts of urban growth.
- Stability of government and administration at both national and local level is conducive to quality service delivery. Political instability experienced at national level in 2006/07 and at local level up until the tenure of the current Lord Mayor, presented a major diversion to effective governance at all levels. Similarly, several changes in Honiara City Clerks since the intervention began had a

destabilising effect until the expatriate appointed in 2008 came to grips with the position.

- Working in partnership with community, national government, civil society and development agencies, and delivering through those partnerships will help win back credibility and institutional respect.
- It is not easy and there is a long way to go, but much can be achieved with political will and commitment.

CLGF has also learned much in delivering its support project. Working in conflict affected environments reveals a special role for a development partner. Sustainability of gains in such an environment can be fragile. The dilemma often faced is in adapting accepted social development principles, such as local ownership of the process, in a dysfunctional environment. In such situations there is a tendency for a development partner to apply a leveraging style in order to get the job done. In the case of this project, the concept of ‘power sharing’ was agreed by all partners, where project direction and day to day implementation decisions are made collaboratively within the framework of the intervention, and based on collective responsibility. This has proven to work well, with growing engagement by project partners and a gradually increasing rate of progress.

During this process the question as to the most appropriate governance system for Honiara has been raised. The dynamics of the city and the conflict experiences have led to some reflection as to whether the existing ‘western style’ local government structure in Honiara is the way to go, or whether a more indigenous system that may take account of the socio-cultural construct of the city, particularly informality and ethnicity, would be better. The current national constitutional review is actively examining this issue of the place of Honiara, particularly in the context of a federal system that is being considered. However, given the volatility of the Solomon Islands political system and for the purposes of this piece, it may be better to reserve this debate for another day.

## **7. Conclusion**

Across the Commonwealth, the role of effective local government in helping to strengthen the state as a whole is being more widely recognised. Local government provides many of the basic services that are essential to reducing poverty and improving the livelihoods and quality of life of citizens. The Honiara City Council scenario affords

evidence of the importance of providing equitable basic services to the prevention of conflict. In order to improve institutional and service delivery capacity at local level in conflict affected areas local governments need to factor socio-cultural and conflict sensitive strategies into governance and service delivery policies and practices. Local governments are well placed to promote community reconciliation, and as such proactive community engagement post conflict is critical. The key role of women in this process should not be ignored.

The importance of strong local leadership underpins all these efforts. Helping build and maintain good local government leaders should be a focus of any technical support program. However, at the end of the day, the individuals involved need to have the right personal motivation – as the participants in the recent UNDP/UNESCAP Technical Seminar noted, there are many examples in conflict affected areas where the heroes of today can be the tyrants of tomorrow.

Although some meaningful progress has been made by the City Council with the support of the CLGF project, in implementing the agreed strategic approach, there is some way to go and the overall situation in the city remains fluid. The circumstances are best summed up by the 2009 review that concluded:

....although the general situation in the Solomon Islands is currently calm, many of the underlying factors that brought about the ‘tensions’ and the more recent civil unrest in Chinatown are still present. For example, squatter communities are still growing as more people move into Honiara City. This calls for not only ongoing improvements in the City Council’s own performance – and people’s perceptions of that performance – but also a closer and more productive working relationship with Solomon Islands Government agencies and Guadalcanal Province on the underlying strategic issues.<sup>12</sup>

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<sup>12</sup> ibid p14.

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## Enhancing aid effectiveness: The Case for stronger local government involvement in development

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### Federation of Canadian Municipalities

In 2008-2009, the Federation of Canadian Municipalities and the Capacity and Institution Building Working Group (CIB) of United Cities and Local Governments (UCLG) led the development of a UCLG Position Paper on Aid Effectiveness and Local Government.<sup>1</sup> The position paper was adopted unanimously by UCLG World Council members at their annual meeting in Guangzhou, China in November 2009. It seeks to give voice to the local government perspective in the continuing deliberations on aid effectiveness. The paper also provides specific policy recommendations for the international donor community, national governments and local governments themselves geared towards better incorporating local governments into the design and delivery of development programs and processes.

### The issue: Local governments are agents of development

As politically legitimate and accountable community leaders, local governments play a valuable convening role that brings together development stakeholders (civil society, community groups, policy-makers) to help shape and implement development policies and programs.<sup>2</sup> Given their responsibility to ensure equitable delivery of essential services, including in many cases social services around health, welfare, and housing, combined with their ability to replicate successes for community-wide benefit, local

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<sup>1</sup> Local government refers to a governing institution which has authority over a sub-national territorially defined area; in federal systems, a sub-state territorially defined area. These include towns, cities, counties, districts and regions governed in most cases by locally elected officials. Local governments' jurisdictional and administrative authority varies depending on the degree of decentralization and the national governance structure in a given country.



governments occupy an important niche and must be recognized as valued partners by the development community.<sup>3</sup>

Furthermore, local governments, through decentralized cooperation,<sup>4</sup> are playing an important role in the delivery of aid through peer-to-peer cooperation. Local governments and their associations mobilize community assets and significant resources that complement the financial contributions from donors. The delivery of these resources through programs and projects that are co-managed by 'southern' and 'northern' partners promote mutual accountability and enhance local capacity to plan, manage, implement and report on results.

Awareness about the role of local governments in development cooperation is gradually increasing. The Accra Agenda for Action (AAA), which was the result of the mid-term 3rd High Level Forum on Aid Effectiveness in Accra, Ghana (2-4 September 2008), includes specific timelines and recognizes the importance of democracy, improvement of governance, social progress and environmental challenges as prime engines of development. The role of local governments has explicitly been recognized in the development of national development policies. The AAA also recognizes the need to support capacity building initiatives of local authorities and emphasizes the importance of local resources in the provision of technical cooperation.

### **Why invest in local governments?**

Approximately half the world's population currently lives in urban areas and it is estimated that this will grow to as much as 60% by 2015. Virtually all of this growth will occur in the developing world, resulting in severe social and economic inequities and escalating rates of poverty. This extraordinary rate of urban growth is transpiring alongside widespread rural exodus, placing an enormous burden upon both rural and urban local governments, as they struggle to put in place responses to deal with the effects of these unprecedented demographic shifts. In this context, local and regional authorities will become both key development actors and the target of development cooperation. In addition, fast growing urbanization is giving rise to a major and pressing

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<sup>3</sup> UN Millennium Development Goal 8 calls for a global partnership that brings together the private sector, non-governmental organizations, civil society and foundations to help leverage resources for the implementation of pro-poor urban and rural development strategies. Local governments should play a central role as partners in development.

<sup>4</sup> Decentralized cooperation is used here to describe the publicly and privately funded aid provided by and through local authorities, local government associations, networks and other local actors.

need for future infrastructure projects that are expected to cost some USD 200 billion per year over the next 25 years. However, these infrastructure needs are currently being unmet. Failure to invest in infrastructure has already impacted severely upon the daily lives of millions of citizens in developing countries. The achievement of the main international development commitments such as the Millennium Development Goals<sup>5</sup> and the global fight against climate change and its impacts will be won or lost in the urban areas of the planet, and particularly in the slums where one out of five persons will live by 2020.

### **Policy recommendations**

Donors, multilateral and bilateral financial institutions, central governments and international organizations are called on to:

1. Formally recognize local governments as development actors in future development compacts and promote their participation in a systematic way in all stages of the development process.
2. Support the recognition of local governments and their associations (LGAs) as legitimate development partners in the 2008 Accra Agenda for Action, and welcome the recognition of the World Organization of United Cities and Local Governments to become members of the OECD/DAC Working Party on Aid Effectiveness and the Advisory Board of the UN Development Cooperation Forum. This recognition should be expanded to all national and donor led consultations.
3. Attach a fundamental importance to decentralization as an important building block for good governance and effective development assistance at the local level.
4. Given its relevance as an indicator of a country's development performance, governance<sup>6</sup> should be a cross-cutting theme for central governments and donors in the same manner as gender equality, human rights and environmental sustainability so that it receives greater consideration during policy and program development.
5. Adopt a more integrated approach to strengthening local governance that combines working locally, nationally, regionally and globally. This approach will facilitate the scaling-up of successful practices and enable local community leaders to engage in

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<sup>5</sup> The Millennium Development Goals (MDGs) adopted by the United Nations in 2000 are eight time-bound targets to end extreme poverty by 2015.

<sup>6</sup> Governance refers to the process or approach for managing political, economic and administrative authority. The system of governance will determine how governments are selected or changed and the process through which citizens and groups define their interests and interact with institutions of authority, as well as with each other. Good governance accomplishes this in a manner that is essentially free of abuse and corruption and with due regard for the rule of law.

- dialogue at the national level to positively influence public policies that will lead to transformative change and sustainable development at the local level.
6. Put in place formal consultation mechanisms to strengthen coordination between local and national governments and donors, particularly with respect to policy formulation, planning, implementation, monitoring and evaluation of national development strategies.
  7. Offer a balance of aid delivery mechanisms (e.g. projects, program based approaches, budget support and technical assistance) to support governance and decentralization that will ensure that local authorities have the mechanisms to respond with sufficient flexibility in different contexts. Aid channeled through budgetary support and sector-wide approaches (SWAps) must be designed in a manner that recognizes and reinforces the legitimate role of local authorities as credible public institutions and agents of development.
  8. In the context of decentralized cooperation, put in place mechanisms that allow local governments and/or local government associations to directly manage international cooperation programs that focus on: strengthening the capacity of the local government sector; promoting democracy at the local level, and; supporting decentralization.<sup>7</sup>
  9. Strengthen the capacity and strategic partnering role of local governments to engage in multi-stakeholder dialogue on national development strategies and in policy discussions with the OECD Working Party on Aid Effectiveness and the United Nations Development Cooperation Forum.
  10. Strengthen the resources accessible to local authorities. It is proposed that 20% of international aid (currently provided in the form of budgetary support and sector wide approaches) be earmarked to support decentralization processes and the capacity building of local government.<sup>8</sup>
  11. Improve the transparency of aid management, such that resource flows to various sectors, including local government, can be monitored.

Local governments and local government associations are called on to:

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<sup>7</sup> Consultation with local government can help ensure closer alignment of central government and donors' plans and programs with community needs, particularly where local governments are involved in participatory municipal planning and budgetary processes.

<sup>8</sup> UCLG proposes that at least 20% of public development aid (about USD 20 billion) be allocated directly to local governments or through decentralized cooperation. UCLG Policy Paper on Local Finances, UCLG (2008:13)

12. Engage in a dialogue with donors and central governments to ensure that the needs and concerns of local governments are clearly understood and supported by relevant policies and programs.
13. Ensure that the voices of the full diversity of the community are heard by promoting participatory processes further applying this principle to decentralized co-operation which should be based on strong demand from the beneficiary.
14. Ensure that decentralized cooperation approaches, such as municipal international cooperation (MIC) and association capacity building (ACB), are well coordinated and developed within the framework of southern-driven agendas that take into account the local cultural context, country processes and governance reform programs, concretized in country strategies for municipal sector development.
15. Strengthen the voice of national and regional associations, as well as the World Organization of United Cities and Local Governments, to advocate local governments' interests internationally.
16. Develop a community of practice that will facilitate the sharing of knowledge, tools and lessons learned in the areas of MIC and ACB, which builds on the experience of the existing Committees and Working Groups of UCLG, particularly the CIB (Capacity and Institution Building Working Group).
17. Promote long-term partnerships between local governments and partner countries, international organizations, bilateral and multilateral donors, in addition to other key stakeholders such as parliamentarians and civil society.

### **Future Work**

UCLG's continued work in this area, through its Capacity and Institution Building Working Group, will:

- assist local governments and local government associations in taking forward the approved position;
- maintain its dialogue with multilateral institutions in preparation for the 4th High Level Forum on Aid Effectiveness in Seoul, Korea in 2011; and
- continue to provide a platform for strengthening program coordination and aid effectiveness among local governments and local government associations active in decentralized cooperation.

For a more detailed overview of how the local government sector contributes to each of the Paris Declaration principles, see the support paper that accompanies the UCLG Position Paper on Aid Effectiveness and Local Government. The paper also includes several case studies that demonstrate how local governments are contributing to the effective delivery of aid.<sup>9</sup>

*This Commentary first appeared in March 2010 as an FCM Issue Briefing paper on that organization's website: < [http://www.cities-localgovernments.org/upload/doc\\_publications/9243688416\\_\(EN\)\\_uclgpositionpaperen.pdf](http://www.cities-localgovernments.org/upload/doc_publications/9243688416_(EN)_uclgpositionpaperen.pdf) > (696KB)*

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<sup>9</sup> Available online on the UCLG website: [www.cities-localgovernments.org](http://www.cities-localgovernments.org)

## Book Review: Local Government and Metropolitan Regions in Federal Systems

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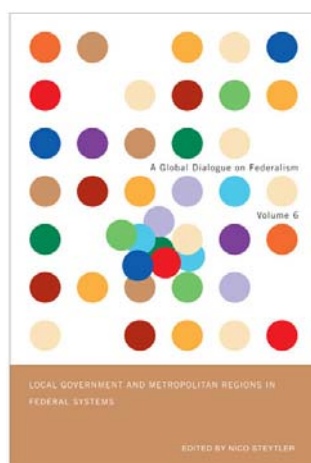
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### BOOK REVIEW: Local Government and Metropolitan Regions in Federal Systems

Edited by Nico Steytler (McGill-Queen's University Press, 2009)

This is the sixth volume in an impressive series published as *A Global Dialogue on Federalism*. The series is published on behalf of the Forum of Federations ([forumfed.org](http://forumfed.org)) and the International Association of Centers for Federal Studies ([iacfs.org](http://iacfs.org)). This is the first volume in the series to explore the role and position of local and regional governments in federal systems. The volume consists of a dozen case studies plus introductory and concluding chapters by the editor.

That this series turned its attention to regional and local governments is itself noteworthy. Most people understand federations (or confederations) as constitutional

schemes for dividing, sharing and limiting powers between national and sub-national states. This is called dual or dyadic federalism, and examining power allocation with local governments has traditionally been considered scarcely relevant. But with growing appreciation for the complexity of 21<sup>st</sup> century governance, it is refreshing that this volume views the division, sharing and limitation of power as it actually presents itself: through the national and sub-national institutions that are the ordinary focus of studies in federalism and thence more deeply into the maze of regional and local governments that citizens engage on a daily basis.

This particular volume contains an interesting mixture of case studies, from north and south of the equator. There is a group of Commonwealth countries (Australia, Canada, India, Nigeria, South Africa), a group of European countries (Austria, Germany, Spain, Switzerland), and a group of North and South American countries (Brazil, Mexico, United States). This selection covers half of the recognized federal political systems world-wide. Some are large in population and/or area; others much smaller by both measures. Included are some of the richest countries in the world, measured by per capita GDP; others are vastly less wealthy. All are highly urbanized or rapidly urbanizing.

The individual articles are the outcome of an elaborate process that forms part of the *Global Dialogue* program. As for other books in the series, a theme coordinator was chosen (in this case, Nico Steytler of the University of the Western Cape in South Africa) whose main responsibility was to create a theme template for each contributor to follow. The various contributors convened a roundtable with practitioners and scholars in their country – impressively, about 275 individuals are named as participants in the dialogue preceding this volume – to discuss the issues raised in the theme template. The twelve contributors then came together in a global roundtable to discuss their findings and to learn from one another. The result is a collection of articles that are densely packed with information and insights, of uniform arrangement of topics, and of very high quality.

For example, in Ribeiro and Garson Braule Pinto's case study of Brazil, we learn that despite being a federation since 1889, the movement toward decentralization is a recent phenomenon linked to the fiscal crisis for the national government and the democratization wave of the 1980s. Brazil has a population of 184 million and is comprised of 26 states, including the city-state of Brasilia, and well over 5500 municipalities (as of 2005). The 1988 constitution entrenched local government

autonomy as a characteristic of the Brazilian federation. The constitution divided some powers along clear lines while others are considered to be the shared jurisdiction of all three orders of government (e.g. education and health). Innovations in municipal governance include the development of participatory budgeting and local councils that combine citizens and civil society. Some of the issues that local governments are currently struggling with include the constraint on creativity and autonomy imposed by fiscal supervision by the federal government and the need for coordinating action across local boundaries. In regard to coordination, there is an extended discussion of some 28 urban agglomerations in Brazil legally (but not constitutionally) formed as metropolitan regions. Despite their economic and social importance, the authors conclude that there is a notable gap between deep social needs in the metropolises and the institutional capacity of metropolitan regions.

Considering the case studies as a whole, a handful of observations became apparent to us as Canadian practitioners in the field of local government. One observation is that the population represented by a local government varies significantly from one jurisdiction to the next. To take just three examples, in South Africa, approximately 250 lower-tier municipal units represent an average of 200,000 people each. In Australia, about 560 local government areas represent an average of about 35,000 people each. Meanwhile, about 2350 Austrian municipalities represent an average of only 3500 people each. Comparing South Africa to Austria reveals a near 60:1 gap in average municipal population. One suspects there is a world of difference in the capacity of the median municipality in the systems being compared.

Few will be surprised to find that in most of the local government systems profiled, small remains beautiful – large numbers of tiny municipal units are a key characteristic of at least nine of the case studies. Half of Swiss municipalities are under 1000 in population, for example, while three-quarters of Austrian municipalities have populations of less than 2500. This factor is shown to create systemic stresses. On the one hand, smaller municipalities struggle with their capacity limitations and with financial sustainability. On the other hand, large cities tend to struggle with a quite different set of concerns, including demands for increased autonomy and resources, national and sub-national state mandates, and the pressure to improve horizontal connectivity. This leads to major internal questions of symmetry and asymmetry within individual systems of local government. Different federations have come up with different responses, from Austria's



insistence on structural uniformity (with the exception of Vienna) to evidence of high degrees of experimentation with local institutions, especially at the regional level, in Canada, Germany and the US. Readers can expect to learn a great deal about how different states have responded to widely varying needs of their municipal sector – but should not expect to find a single perfect solution.

The high degree of variation in the organization of sub-national territory is also evident in the functional division of constitutional authorities. For example, the constitutional division of authority with respect to health and education is different from one country to the next – and often from one sub-national state to the next. What does this tell us about federations and the role of local governments within them? One interpretation is that the lack of consistency regarding which order of government is best positioned to respond to a particular issue points to the multi-scalar and complex nature of many policy spheres today. For example, while it may be feasible to divide healthcare responsibility between the national (e.g. standards, codes of practice), sub-national (e.g. infrastructure provision, training of healthcare workers) and local (e.g. managing healthcare delivery, place-based innovations) orders of government – there is nothing to say that an alternative allocation of power/responsibility would not be equally sound. Although one might expect federations to be adept at allocating power, the book shows that most are still grappling with the challenge of managing issues at an appropriate scale. Following the Canadian scholar, Thomas Courchene, one wonders if the practice of federalism isn't in the end more about 'process' than 'structure'.

This volume, however, tends to maintain a strong focus on structures. In this regard, when we begin to broaden our understanding of federalism to include local government, other actors also begin to enter the equation. In the German context, Burgi notes that the supra-national European Union can also impact local government by implementing policies that restrict municipal autonomy or stimulate cross-border regionalism and cooperation. Pagano notes the rise of a variety of 'public authorities' in the United States, the most famous being the Port Authority of New York. While these other actors may not be expressly recognized constitutionally, they nevertheless play an important role in understanding place-based circumstances and in customizing policies across national, sub-national and regional space.

Overwhelmingly, none of these federal states – which contain some of the world’s largest conurbations (Lagos, Mexico City, Mumbai, New York, São Paulo) – have a strong or clear sense of how to encourage cooperation across metropolitan regions. German states have been consolidating smaller municipalities; Brazilian metropolises have been forming ‘consortia’ to deal with individual services; some Canadian provinces have pursued consolidation while others maintain a two-tiered approach; and special purpose bodies have been on the rise in the United States to help provide leverage on cross-cutting issues. Additionally, experimentation with customized regional institutions seems prevalent in such countries as Brazil, Germany and the US.

Steytler provides an extremely useful summary of the governance challenges facing metropolises in his concluding chapter to this volume (his summary deftly corrects for the fact that some of the chapters appear to treat metropolitan-scale organization of local government as something of an afterthought – perhaps because they are not expressly recognized in federal constitutions). Steytler identifies three broad approaches to the struggle for good metropolitan governance:

- Formation of large metropolitan governments either through coordinating structures or outright consolidation or merger (at different times, Toronto illustrates both forms)
- Less ambitious schemes for achieving scale economies over selected services or through agreements for interlocal cooperation (many US examples of special districts and regional councils of government)
- Bypassing local governments altogether in favour of locating metropolitan governance in the hands of the sub-national state (for example, Australia).

Clearly, this is an extremely broad range of responses to the challenges of governing the world’s biggest cities, and many readers will be intrigued to examine the comparative outcomes. They will also come away convinced there is much more work to be done in this particular policy arena.

Bottom line? That this is a volume of praiseworthy density means it is not a volume for a casual reader. However, for specialists either in academia or in governmental practice, this is an important volume that fills a gap in the literature on federalism – exploring the strategies and challenges in what may be termed ‘deep federalism’ or how power is

divided, shared and limited across the *whole spectrum* of governance institutions. This extends the appeal of the book since readers in unitary states will find value in learning how selected federal states have tackled their particular regional, metropolitan and civic challenges; all states face those challenges. Overall, the chapters are near uniform in quality and are organized to invite inter-jurisdictional comparison. Importantly, the findings are synthesized in an exceptionally thorough concluding chapter by the editor, Nico Steytler. We recommend *Local Government and Metropolitan Regions in Federal Systems* for a specialized audience.

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## On The Study of Federal Capitals: A Review Article

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### Finance and Governance of Capital Cities in Federal Systems

Edited by Enid Slack & Rupak Chattopadhyay  
(McGill-Queen's University Press, 2009).

It is fitting that Canada, as one of the world's leading federations, should play host to important ventures in the study of federal capitals, and in the analysis of how these capitals are governed and financed. A generation ago it was Canadian professor of political science Donald Rowat who produced the first anthology of these capitals. His edited book, with 17 case studies contributed by leading scholars of the time, provided excellent coverage of its subject and has remained the major text in the field for over 30 years. But there have been important developments in the field since Rowat's book was published by University of Toronto Press (Rowat 1973), and we can be thankful that another Canada-based team has produced a sequel volume that brings the story up-to-date and extends it in significant ways (Slack & Chattopadhyay 2009).

The new book is a product of the Ottawa-based Forum of Federations, which has a range of relevant conference, publishing, educational and consulting activities. It has previously comprehensively explored the subject of local government and metropolitan regions in federal countries, leading to a range of conferences and publications. The Canadian enterprise in this general area is further demonstrated in the hosting of a broader study of capital cities – not just federal capitals – with an important book published in 1993 (Taylor et al 1993).

Rowat's 17 federal capitals were Belgrade, Bern, Bonn, Brasilia, Buenos Aires, Canberra, Caracas, Delhi, Islamabad, Kuala Lumpur, Lagos, Mexico City, Moscow, Ottawa, Vienna, Washington and Yaoundé (Cameroon). But political changes over the 30-year period have eliminated at least one federation (Yugoslavia) and seen others relocate their capitals in major metropolises (Bonn to Berlin) or away from them (Lagos to Abuja). The new anthology focuses on just eleven, making these adjustments and as well replacing Yaoundé with Addis Ababa (Ethiopia), adding Cape Town and Pretoria (which share the capital function in South Africa), and dropping the two South Americans and Moscow as well. Does that mean that their countries have ceased to be federations?

There can be no absolute answer to that question, because federal status is not always a black-and-white matter. Certainly the Soviet Union has gone, but Russia still calls itself a federal republic. Through the 1970s and '80s we were often told that Spain was decentralising so substantially that it was turning itself into a federation, but it is Belgium that gets the nod as a new European federation, not Spain. And what about the United Arab Emirates? They look more like a federation than a union, but they do not appear in any of the collections under consideration here.

Donald Rowat visited Canberra several times, and in an exercise commemorating the first anniversary of self-government in the Australian Capital Territory he repeated his original list with one change: Cameroon, he said, had turned itself into a unitary state, so the number now stood at 16 (Rowat 1991: 28).<sup>1</sup> He was a committed scholar in the best sense, and I cannot resist intruding a personal note into this review. I found myself sitting next to him at a congress of the International Institute of Administrative Sciences in Mexico City in 1974. Federation was under discussion, and an Italian professor made

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<sup>1</sup> In the 1993 capital cities study noted above, he contributed a chapter on federal capitals, now featuring Washington, Canberra, Delhi and Ottawa as his case studies (Rowat 1993).

this remarkable declaration: "Everyone knows that federalism is dead and buried." As a good Canadian federalist, Donald was incensed, and as a good Australian federalist I was not far behind. However we were both upstaged, for our Mexican hosts protested even more vehemently than we could have done. We may previously have entertained some doubts about the strength of Mexican federalism, but this experience prompted serious reconsideration!

This review is mainly about the new book, but it too acknowledges Rowat's pioneering work in the field. His opening paragraph in the 1973 book, quoted in the Introduction to the new book, provides the necessary clothes-hanger for all subsequent work in the field: the federal government, '...wants to control and develop the capital in the interests of the nation as a whole, while the people of the capital naturally wish to govern themselves to the greatest extent possible', (Rowat 1973: xi; quoted in Slack & Chattopadhyay 2009: 4).

So, as the editors of the new book point out, federal governments have experimented with a variety of governance structures all reflecting the desire to treat the federal capital in a manner different from that used for the governance of other cities within the country. The relationship between the federal government and the capital city government becomes a hugely significant issue: while the interests of the local inhabitants are important, they need to be weighed against the interests of states and major cities in the federation, against the special symbolic value to the nation of its lead city, and against the need to ensure the smooth running of the federal government itself. There will be costs arising from the very fact of being the federal capital that will not be experienced by other cities, and dealing with them will present delicate policy problems. Questions that emerge from all this (from Slack & Chattopadhyay 2009: 4-5) include:

- Who is responsible for making decisions?
- Is the capital city responsible to a provincial or state government or directly to the federal government?
- Who is responsible for providing which services?
- How are these services financed?
- Does the federal government compensate the capital city for the costs associated with being the capital?

Questions such as these are surveyed comprehensively in the case studies in the Slack/Chattopadhyay volume, as they were in the Rowat volume 30 years ago. Where cities covered by Rowat get fresh attention, there is much updating in the new work; and of course there are (as indicated above) several newcomers receiving this attention for the first time. Though they were far from neglected by Rowat and his colleagues, arguably the financial issues receive fuller treatment in Slack/Chattopadhyay. And each case study in Slack/Chattopadhyay concludes very usefully with a discussion of 'emerging issues' for that capital.

The case studies in Slack/Chattopadhyay are arranged alphabetically according to country rather than city names, and so the Australia-Canberra study by University of Technology Sydney (UTS) academic Graham Sansom takes pride of place. The chapter (Sansom 2009) opens with a historical overview, followed by major sections on governance structure, the distribution of roles and responsibilities between the federal government and the city government (which in this case is of course that of the Australian Capital Territory, or ACT),<sup>2</sup> and financing, all leading up to the 'emerging issues' conclusion. This sequence is repeated in the other case studies (with minor adaptations), facilitating comparisons among the eleven cities.

Sansom traces the origins of Canberra in the Australian federal compact of 1901, the critical provision for present purposes requiring that the city be situated between Melbourne and Sydney, not closer than 100 miles to Sydney *and* in a special federal territory to be excised from the surrounding state and placed under federal administration.<sup>3</sup> Some significant statements of the early period – through to the laying of a foundation stone and the naming of the city in 1913 – are quoted, demonstrating the high symbolism quotient built into the early planning initiatives.<sup>4</sup> The slow early

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<sup>2</sup> For non-Australian readers, it should be explained that the federal territory, now the Australian Capital Territory, consists of the City of Canberra, a small agricultural area, and a much larger mountainous rump arranged as a national park.

<sup>3</sup> The story of the selection of the site for the federal capital, the slow development of federal territory thereafter under what amounted to a form of colonial administration, and the eventual move to self-government (in 1989) is told in detail in Grundy et al 1996. From an administrative point of view, the site had to be virtually virgin territory: New South Wales would not join the federation if Melbourne became the capital, Victoria would not join if Sydney became the capital, and the other four prospective states would not join if either Sydney or Melbourne became the capital.

<sup>4</sup> It is likely that flamboyant minister King O'Malley trumped those quoted, when he declared (1903): "*this is the first opportunity we have had of establishing a great city of our own ... I hope that ... the children of our children will see an Australian federal city that will rival London in population, Paris in beauty, Athens in culture, and Chicago in enterprise*". However others like Prime Minister Alfred Deakin had a much more frugal view: see Chapter 3 of Grundy et al 1996 ("Creating a National Place").

development and the post-World War II speed-up are covered, along with all the planning challenges that speed-up brought about. Any semblance of conventional local government disappeared when New South Wales transferred the territory to the Commonwealth, and the governmental structure remained comparatively uncomplicated (though not trouble-free!) after the conferring of self-government in 1989, with a single ACT government performing both state-type and municipal functions and relating closely to the Commonwealth government, co-located in the same city as the ACT government. The chapter includes an excellent survey of the financial aspects of Canberra governance, the discussion noting *inter alia* transfer problems resulting from the myriad cross-border connections between the ACT and surrounding areas of New South Wales and the heavy dependence on Commonwealth financial support.<sup>5</sup>

Across the eleven federal capitals surveyed in the Slack/Chattopadhyay book, there are many similarities and many points of difference, and at least half-a-dozen ways of attempting to sort them emerge. Were they long-standing administrative centres which simply assumed federal-capital duties at some stage during their evolution, or were they established from the start as federal capitals, at some distance from other administrative centres? Are they big or small in relation to other cities in the country concerned? Are their communities mono-lingual or bi/multi-lingual, and mono-cultural or bi/multi-cultural? In governance terms, do they remain part of the surrounding province or state or are they constituted as a special federal district. If the latter, do they have their own separate governing institutions or are they governed as a part of the federal administration? And if they do have their own institutions, how are powers and responsibilities distributed between them and the federal institutions? Within them, is there or is there not a subordinate tier of local governments? And, in finance terms, are they capable of raising most of their own revenues or, if not, how are the dependencies on federal payments arranged? In particular, to what extent are the federal payments aimed at compensating them for the additional costs they occur in functioning as federal capitals?

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<sup>5</sup> Among the 'emerging issues', the chapter observes that a "more important question for the ACT is how it will fare in the evolution of Australia's federal system as a whole" (Sansom 2009: 31). Amen to that! But what it does not do is to note a view first expressed around the time that the Northern Territory was gaining self-government and the ACT slowly evolving towards it: that the two internal territories could provide a model for a possible reconstruction of the whole edifice of Australian government, involving elimination of the states and their replacement by a set of (say 100) regional governments with significant governmental power in their own right but lacking the sovereignty of the foundation states and all that went with that (see eg Power & Wettenhall 1976: 124-125; Wettenhall 2009: 59).



The eleven case studies provide a wealth of information on such issues, and only a few highlights emphasising some points of comparison are noted here. Thus Addis Ababa, Brussels, Berlin and Mexico City are the largest cities and major economic centres in their respective countries. New Delhi is also a large metropolis, but not the largest in India. In contrast, Canberra, Bern, Ottawa and Washington are relatively small within their national contexts, their character largely determined by their federal capital role. Brasilia would be in this group too, but it is strangely omitted from this collection. Brussels and Ottawa are notable as multi-lingual, multi-cultural cities, and Brussels is fairly distinctive (with Addis Ababa, not often noted in federalism studies) as a host to many international institutions.

Brussels figures again with what is probably the most highly complex governing structure, with separate but overlapping region and community governments and a subsidiary network of 19 municipalities – described rather softly as a "somewhat cumbersome governance arrangement" (van Wynsberghe 2009: 48). Mexico City, New Delhi and some others either have a smaller number of internal local governing units or a single local government structure separate from the capital territory structure and sharing powers with it. At the other end of this spectrum, Berlin, Canberra and Washington have no internal local government structure separate from the territorial government system – though Donald Rowat several times urged that the Canberra "solution" was defective for this reason (Rowat 1990: 483; 1991: 42-43; 1993: 157; 1997: 549-550). Ottawa and Bern present another pattern: they are established local government units within one of the regular provinces of the federation. But in the matter of federal capitals, nothing can ever be quite so simple: on the one hand, Ottawa is a conurbation that extends effectively into a neighbouring province with separate municipal arrangements, and it shares with others the strong interest and supervision of a national government development or planning commission.

In the matter of federal-capital city financial arrangements, Brussels is again fairly distinctive, with a "cooperation agreement" providing for federal funding to promote its international role and its performance of capital city functions (van Wynsberghe 2009: 42-43). The pattern may not be as clear for some of the other capitals, but there is usually some sort of compensatory arrangement (for comparisons, see Table 22.6 in

Slack & Chattopadhyay 2009: 316-317).<sup>6</sup> Here Washington is distinctive and possibly more heavily controlled: after a spell of notably unsound fiscal practices leading to the insolvency of the District of Columbia in 1995, the federal government took over the district's finances and established a position of Chief Financial Officer independent of the DC government (Gandhi et al 2009: 264).

A final classification offered by the editors is that which distinguishes between federal districts, city-states, and "cities in a state" (Slack & Chattopadhyay 2009: 297-304). Ottawa, Bern and the South African twins are fairly obvious examples of the last. Washington and some of the others are also fairly obviously federal districts, while Brussels and Berlin qualify under their countries' constitutions as states – hence it is appropriate to regard them as city-states. Where does this leave Canberra? The editors see it also as a federal district, but in the view of this reviewer (Wettenhall 1998a, 1998b; Halligan & Wettenhall 2002 – noted and I think largely accepted by the contributor of the Canberra case study, Sansom 2009: 16), it deserves to be classified as a city-state (or at least a quasi-state). Its governance arrangements bring it, and for this purpose the companion Northern Territory, close in most respects to an Australian constitutional state. But this is a minor quibble.

There is all this and much more in the Slack-Chattopadhyay book. It is a mine of information and insights about the governance and financing of federal capitals, and so a worthy successor to Rowat's path-breaking book written and published almost 40 years ago. But Rowat's book is still important, and it should be retained, valued, and shelved alongside Slack & Chattopadhyay in any serious library.

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<sup>6</sup> As the editors point out, compensations come in other ways apart from the federal transfer payments, including greater availability of high-quality jobs, higher city prestige, usually better provision of infrastructure and cultural facilities, and the increased tourism flowing from the above (Slack & Chattopadhyay 2009: 296).

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