

Managerial capacity as a prerequisite for fiscal decentralisation

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ABSTRACT

Section 152 (1) of South Africa's Constitution states that one of the aims of local government is to ensure sustainable service provision to communities. Section 152 (2) states that municipalities must strive, within their financial and administrative capacity, to achieve the objects in subsection (1). In reality, municipalities struggle to provide services because of substantial infrastructure backlogs, high levels of indigence and a limited revenue base. Section 214 requires revenue to be equitably divided among the national, provincial and local spheres of government, as determined annually by a Division of Revenue Act that depends on consultation with the Finance and Fiscal Commission, organised local government and the provincial governments. This article investigates whether South African local government has the capacity to fulfil its constitutional mandate and how current fiscal arrangements among the different spheres of government affect its ability to perform its duties. The capacity of the South African government is contrasted with the model adopted by the Rwandan government, where central government transfers funding directly to local government. Consequently local government is directly accountable to central government for performing its mandate. In particular, the capacity challenges at the local government level are analysed and discussed.

INTRODUCTION

The impetus for this article came from the content of a media briefing held by the Deputy

Minister of Cooperative Governance and Traditional Affairs in South Africa, Mr Yunus Carrim. The Deputy Minister's comments on matters dealing with administrative and managerial capacity in South African local government were revealing. In reply to a question about whether local government had sufficient capacity, he commented: "*We need to unpack the term capacity some time, I think. For now, I understand it to refer to the political, managerial, technical and financial ability of a municipality to fulfil its functions*" (Carrim 2011:n.p.). He then admitted that "*municipalities, unfortunately, don't have adequate capacity*" (Carrim 2011:n.p.). This point of view, according to the Deputy Minister, was supported by the Department of Cooperative Governance and Traditional Affairs' 2009 *State of Local Government in South Africa Report*, which revealed that in many municipalities even senior managers do not have the necessary skills. Thus, the capacity of municipalities is limited by a lack of both adequate funds and financial management skills (Carrim 2011:n.p.).

The lack of skills in the South African context, according to Momoniat (1998), should be regarded as municipalities' biggest challenge, given their task, namely that of modernising organisational structures, which currently do not run on a commercial basis. The lack of skills results in poor management systems and great inefficiencies. This is not solely a South African phenomenon – Elhiraika (2007:1) identifies the lack of the necessary administrative capacity on the part of local government in general as a determining factor in ineffective service delivery. Ndegwa (2002:8) in his assessment of decentralisation activities in Africa, argues that

the degree of fiscal decentralisation across the continent is best revealed by the fact that in 19 of the 30 countries analysed local governments control less than 5% of the national public expenditure... only one country was assessed to have a very high degree of fiscal decentralisation (South Africa).

He adds that decentralisation is also limited by a lack of capacity at the local level (Ndegwa 2002:25).

What funding and skills do municipalities require to ensure effective service delivery? Much research has focused on determining the relationship between sub-national governments and central government, with regard to the division of revenues from the executive and from the political powers, but thus far, little attention has been paid to ensuring that municipalities have the necessary managerial capacity to execute their powers and ensure sufficiently effective and efficient administration to implement any fiscal powers that the municipalities may have been allocated. Fiscal decentralisation is a topic that forms part of a larger discussion worldwide regarding the devolution of powers to lower levels (in South Africa called spheres) of government with the intention of improving the performance of the public sector. Moreover, most of the research on the subject has focused on national tax systems and it has usually been commissioned by the International Monetary Fund or the World Bank (Smoke 2001:1).

FISCAL DECENTRALISATION

The study of fiscal decentralisation focuses on changes in the fiscal responsibilities (taxation in its broader sense and government spending) at different levels of government. "In fiscally



decentralised systems, sub-national governments play a significant role in the process of tax assignment and collection, public service provision, and program financing” (Escobar-Lemmon 2001:24). The underlying principle of fiscal decentralisation is that the provision of services should be undertaken at the lowest level of government, provided that the benefits and costs associated with the devolution are in equilibrium. The premise is that, because local governments (In South Africa the constituent units of the sphere of local government are called municipalities) are physically closer to the people, they should be more responsive to the particular preferences of their constituencies and should be able to find new and better ways to provide services to these constituents. In essence, the “basic issue is one of aligning responsibilities and fiscal instruments with the proper levels of government” (Oates 1999:1120).

There has been a substantial increase in interest in the area of fiscal decentralisation and fiscal federalism since the 1950s, in part because of the failure of central planning to bring about sustained growth in various economies. However, competing forces have resulted in a centralisation of government activities, as can be seen in the establishment of the European Union.

According to Ozo-Eson (2005), the initial research on fiscal decentralisation can be attributed to Paul Samuelson, who published two papers in 1954 and 1955 on the nature of public goods. This was followed by important work by Musgrave and Arrow on public finance. However, it was the work of Oates in his *Decentralisation Theorem*, published in 1972, which brought the subject to prominence – it was the so-called first generation theory of fiscal decentralisation. This theory deals with a setting in which governments at different levels provide efficient levels of outputs of public goods for those goods whose spatial patterns of benefits are encompassed by the geographical scope of their jurisdiction. This is also known as *perfect mapping* or *fiscal equivalence* (Oates 2005:351).

Decentralisation is a term that is often misapplied to other forms of power distribution between sub-national and central governments. It is important to distinguish between devolution (which implies the meaningful transfer of power and resources from the central to sub-national governments), de-concentration (the redistribution of agents of the central government from a centralised location to more regionalised locations) and delegation (where a particular portion of decision-making is provided to more regionalised representatives, subject to approval and the limitations placed on it by the central government). In this article, the term decentralisation is used specifically to refer to a devolution of powers that reflects real decentralisation of power from central (In South Africa: National) government to sub-national governments (Dickovick 2005:184-185).

The study of fiscal decentralisation is important because of the need to assess the accompanying transfer of political responsibility that determines the autonomy and viability of sub-national governments.

As a subfield of public finance, fiscal federalism addresses the vertical structure of the public sector. It explores in normative and positive terms, the roles of the different levels of government and the ways in which they relate to one another through such instruments as intergovernmental grants (Oates 1999:1120).

Fiscal decentralisation can be fiscally and politically costly. Its success depends on a number of factors. According to Ahmad, Devarajan, Khemani and Shah (2005:6), four important components determine the dimensions of decentralisation:

- the allocation of expenditure responsibilities by central and local tiers of government;
- the assignment of taxes between the different tiers of government;
- the design of an intergovernmental grant system; and
- the budgeting and monitoring of fiscal flows between the different tiers of government.

In the South African context, political decentralisation is enshrined in the *Constitution of the Republic of South Africa, 1996*. Section 151 states:

(3) A municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation, as provided for in the Constitution,

(4) The national or a provincial government may not compromise or impede a municipality's ability or right to exercise its powers or perform its functions.

Section 152 sets out the objects of local government, but contains a *caveat*, in that subsection 2 states that a “municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)” (South Africa 1996).

This indicates an acknowledgment that not all municipalities have the same capacity to fulfil the duties assigned to them. The section can also be construed to imply that the parties drafting the Constitution were cognisant of the fact that the demands that would be placed on municipalities would to some extent exceed their ability to meet the challenges brought about by the Apartheid administration. According to section 153, to achieve its objectives, a municipality has to “structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community” (South Africa 1996). The Constitution does not only place obligations on municipalities, but also confers on them the fiscal power to raise revenue. Section 229 states that, subject to some limitations, a municipality may impose rates on property and surcharges on fees for services provided by or on behalf of the municipality (South Africa, 1996).

The burden placed on local government by the Constitution far exceeds its financial resources as provided for in section 229. For this reason, section 227 provides for additional funding to provincial and local government. It states that local government

(1)(a) is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it; and

(b) may receive other allocations from national government revenue, either conditionally or unconditionally.

(2) Additional revenue raised by provinces or municipalities may not be deducted from their share of revenue raised nationally, or from other allocations made to them out of national government revenue. (South Africa 1996)

The second portion of section 227 (2) states that “there is no obligation on the national government to compensate provinces or municipalities that do not raise revenue commensurate with their fiscal capacity and tax base” (South Africa 1996). From the afore-going it is clear that substantial responsibility is vested in sub-national governments’



management to manage their fiscal affairs and administrations properly, because national government is not required to bail out poorly managed sub-national governments.

The Constitution is particularly vague about the assignment of duties and responsibilities in several functional areas. However, in practice, the actual devolution of powers depends on matters of practicability, such as the administrative capacity of sub-national governments to handle their respective constitutionally assigned functions and powers (Dollery 1998:130).

The experience of fiscal decentralisation in the remainder of Africa is particularly poor. There appears to be a shift towards democratisation, as evidenced by a level of decentralised local government, but fiscal decentralisation is lagging in almost all African countries. Ndegwa (2002) studied decentralisation on the continent, concluding that “the level of fiscal decentralisation is particularly dismal considering that in more than half of the countries analysed local authorities control less than 5% of the overall public expenditure” (Ndegwa 2002:22-23). The reason for this finding is that “the central bureaucracy remains controlling or at least tutelary with regard to local authorities” (Ndegwa 2002:22).

MANAGERIAL CAPACITY

In a public administration context, the following managerial functions emerge:

- *Policy-making* – this covers identifying constituents’ needs, preparing legislation, regulations, procedures and instructions and being able to implement them, as well as analysing existing policies.
- *Organising* – this activity consists of devising and improving structures to implement policy, and arranging personnel, finance and resources to achieve the implementation strategy.
- *Staffing* – this requires recruiting, leading, motivating, training, developing and retaining suitable personnel to carry out the plans.
- *Financing* – this involves devising financial systems, budgeting (aligning resources to the plans devised), accounting for the spending of public funds and reporting to senior management on the achievement of budgetary objectives.
- *Work methods and procedures* – this entails preparing and implementing manuals and work procedures and developing productivity improvement measures.
- *Controlling* – this requires developing and applying systems to manage standards, checking on quality and implementing internal auditing (Cloete 1994:58-59).

In a fiscal decentralisation context, managerial capacity refers to the ability of sub-national government to develop and implement effective and efficient systems of revenue collection and expenditure management, and manage the provision of services in line with the expectations of the public being served. However, this is not simple – “one of the most commonly and frequently cited problems experienced in fiscal decentralisation is the lack of capacity at sub-national levels of government, particularly with regard to their ability to exercise responsibility for public services” (Ahmad *et al.* 2005:2). Similarly, Schoeman (2006:111) comments on the process of fiscal decentralisation in South Africa, claiming that many municipalities lack capacity in the area of skills and finances.

The Auditor-General of South Africa (AGSA 2011:2), in the *Consolidated Report on the Audit Outcomes 2009/10*, reports a number of shortcomings in municipal management: “The level of non-compliance with laws and regulations applicable to municipalities and municipal entities is an area of concern. The financial year under review saw an increase in the number of municipalities found to have contravened laws and legislation. The findings include non-adherence to supply chain management prescripts (SCM), material errors and omissions in financial statements submitted for audit, while mayors, municipal managers and senior municipal officers neglected their legislated duties.” The Auditor-General also points out that the “skills level and experience of staff appointed to finance departments, especially in relation to the compilation of financial statements that comply with Generally Recognised Accounting Practice (GRAP), are not adequate” (AGSA 2011:21). The most damning finding was the following:

Senior managers/officials of the municipality/municipal entity exercising financial management responsibilities did not take reasonable steps within their areas of responsibility to ensure that:

- The system of financial management and internal control established for the municipality is followed diligently.
- The financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently.
- All revenue due to the municipality is collected.
- The assets and liabilities of the municipality are managed effectively and that the assets are safeguarded and maintained to the extent necessary.
- All information required by the accounting officer for compliance with the provisions of the MFMA (Municipal Finance Management Act) is submitted timeously to the accounting officer.
- The provisions of the MFMA, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.

It is clear from the general findings and introductory comments by the Auditor-General that South African municipalities in general lack the administrative and managerial capacity to fulfil their constitutional obligations. This raises serious concerns about the effectiveness and efficiency of the spending of public funds and about whether municipalities are prepared for devolution of fiscal responsibilities as envisaged in the Constitution.

PREREQUISITES FOR FISCAL DECENTRALISATION

Smoke (2001:30) identifies three important *prerequisites* to maximise the potential long-term benefits of fiscal decentralisation, namely, firstly, a viable local political mechanism to hold municipalities accountable to constituents, secondly, access to sufficient financial resources to meet responsibilities and, finally, and most significant for this article, “local government must have the institutional, technical and managerial capacity to deliver the services demanded by [its] constituents”.

A key issue facing sub-national governments is access to competent human resources. The ability to deliver decentralised services is considerably reduced if institutional capacity



and appropriate skills are lacking. Generally speaking, administrative decentralisation attracts less attention than political and fiscal considerations with “decentralisation proceeding without explicit staffing strategies or public administration reform” (Ahmad *et al.* 2005:10).

From a process perspective, fiscal decentralisation has sometimes occurred without the necessary financial management and skills in the local government sphere. This creates a dilemma for central/national governments that need to ensure that administrative devolution takes place, while local capacity is simultaneously developed. The question is one of sequence, as a decision has to be made about whether the capacity of local government has to be developed prior to decentralisation, or whether to let local autonomy precede the building of such capacity.

The World Bank’s research indicates that there should be a platform for enabling administrative and institutional structures on which the decentralisation can be built. This could include the existence of an orderly budget process and fiscal rules, as well as a de-concentration of central government services to the regions: “De-concentration can speed up the process of decentralisation because there is already a local experience with managing local service delivery. However, it does not fall into the category of absolute requirements for commencing with a decentralisation programme (Bahl & Martinez-Vazquez 2005:3). Successful de-concentration of central/national government service delivery could potentially serve as a basis for implementing decentralisation, because it provides an experienced and informed personnel corps at the point of delivery within geographical regions.

This platform might include a cadre of central (or state) officers involved in service delivery in the regions. When the decentralisation policy is eventually crafted, the local civil service will be more ready to take on the responsibilities assigned to the sub-national level, and the risks of extreme disruption of service delivery will be less (Bahl & Martinez-Vazquez 2006:5).

THE RWANDAN EXPERIENCE

During the colonial and post-colonial periods, Rwanda was characterised by a highly centralised state whose structures were put in place by the Belgians. In terms of these structures, decision-making authority and resources were controlled by central government, enabling government to exercise power over political, social and economic life. Public servants were accountable to their superiors, but there was little or no accountability to citizens and communities. “This system of governance caused significant inefficiencies in service delivery and created a passive attitude regarding civic responsibilities among citizens” (Rwanda. Ministry of Local Government, Good Governance, Community Development and Social Affairs 2005:5).

The Constitution of the Republic of Rwanda makes provision, in Article 167, for a decentralisation of public administration to local government (World Bank 2010:13). To counteract the inefficiencies of a centralised administration, the Rwandan government adopted the National Decentralisation Policy (NDP) in May 2000, with the general purpose of achieving good governance, pro-poor service delivery and sustainable development. In the NDP, the government identified five main objectives:

- “(i) Enabling and reactivating local people’s participation in initiating, making, implementing and monitoring decisions and plans that concern them taking into consideration their local needs, priorities, capacities and resources from central to local government and lower levels.
- (ii) Strengthening accountability and transparency in Rwanda by making local leaders directly accountable to the communities they serve and by establishing clear linkages between the taxes people pay and the services that are financed by these taxes.
- (iii) Enhancing the sensitivity and responsiveness of public administration to the local environment by placing the planning, financing, management and control of service delivery at the point where services are provided, and by enabling local leadership to develop organisational structures and capabilities that are tailored and appropriate to the unique local environment and needs.
- (iv) Developing sustainable economic planning and management capacity at local levels that would serve as the engine for planning, people and resource mobilisation, and implementation of social, political and economic development to alleviate poverty.
- (v) Enhancing effectiveness and efficiency in the planning, monitoring and delivery of services by devolving the responsibilities from central government which is far from the service delivery points to lower levels where needs are actually felt and service delivered.”
- (Rwanda. Ministry of Local Government, Good Governance, Community Development and Social Affairs 2008:8)

The decentralisation implementation programme accepted by the government required three phases. The goal of the first phase (2000-2003) was establishing community development and democratic structures. This required legal, institutional and policy reforms. In particular, the focus was on clarifying the roles among the levels of government, the financing of services and accountability mechanisms. The second phase (2004-2008) was seen as a period of expanding the decentralisation process through district development plans and greater community participation. The final phase (2009-2013) is to be a continuous process to embed and sustain the gains achieved in the preceding two phases (Rwanda. Ministry of Local Government, Good Governance, Community Development and Social Affairs 2006:2).

The restructuring of Rwanda’s public administration has resulted in a five-tier structure:

- *Central government.* The central government departments are responsible for policy and programme development, sourcing and allocating local and external resources, developing institutional capacity and monitoring and evaluating the performance of government.
- *Provincial administration.* There are currently four provinces, excluding the City of Kigali, which is treated as a provincial administration. The provinces are simply a de-concentrated level of government and provide technical support to districts. The intention is that the provincial governments will fall away when the districts can function without assistance.
- *Districts.* These are the local government structures (currently there are 30). They are separate legal entities and are responsible for development planning and implementation of decentralisation.
- *Sectors (Imirenge).* This is the de-concentrated level of local government (there are 416 sectors). It is at sector level that district development plans are drafted and where a substantial amount of administrative services take place.

- *Cells (Akagari)*. This is the lowest level of local government (at last count, they totalled 2 148). The purpose of the cell is community mobilisation. (Rwanda. Ministry of Local Government, Good Governance, Community Development and Social Affairs 2006:27-28)

The Rwandan government has also adopted a Fiscal and Financial Decentralisation Policy. Its objectives are the following:

- (a) To develop an efficient and sustainable resource mobilisation base for local communities
- (b) To provide the resources for a balanced and equitable local development
- (c) To strengthen planning and management capacity the local level using a participative approach.” (Rwanda. Ministry of Finance and Economic Planning 2011:6)

The Rwandan Government implemented the decentralisation programme and simultaneously attempted to provide capacity building support to the districts through the provincial governments. The focus of the capacity building process was to strengthen local capacity in budget planning, financial management and financial control at all levels (Rwanda. Ministry of Finance and Economic Planning 2011:9). The development of the policy was due to an analysis of the capacity at local government level. However, a study conducted by the Ministry in 2000 found that “LG planning and management capacity is weak”, that there was “[l]imited experienced human resources, rapid movement and turnover of staff and the lack of institutional knowledge capture... [and] limited fiscal resources” (Rwanda. Ministry of Finance and Economic Planning 2011:5-7). The findings of the study did not delay the decentralisation process.

In September 2003, the Rwandan government once again undertook an appraisal of the decentralisation process and identified a number of constraints and challenges:

- limited human resources and low capacity amongst those that exist;
- limited managerial capacity and shortcomings in the implementation of procedures systems and rules;
- weak institutional horizontal co-ordination at local level and lack of a strategic approach to local government;
- inadequate infrastructures including office equipment, transport and communication facilities. (UNDP 2005:5)

In 2007, the Rwandan government adopted the Rwanda Decentralisation Strategic Framework (RDSF) with the intention of overcoming the implementation challenges faced to date. Five key improvements were identified:

- strengthen efficiency and efficacy in co-ordination and management of the decentralisation process;
- strengthen the participation of non-government actors in the decentralisation process and reinforce mechanisms for an accountable and transparent public sector;
- develop Local Governments’ and other stakeholders’ capacities to effectively assume their defined rights, roles, and responsibilities;
- simultaneously and comprehensively implement national policy defining fiscal and financial decentralisation processes;

- reinforce mechanisms for monitoring and evaluation of the decentralisation process and strengthen systems for co-ordinated management of information.” (Rwanda. Ministry of Local Government, Good Governance, Community Development and Social Affairs 2007:3)

To achieve the fiscal and financial decentralisation (the fourth objective indicated above) envisaged, the RDSF required the *simultaneous* implementation of the following activities and measures:

- strengthen the planning and budgeting cycle for local authorities;
- harmonise financial management mechanisms and tools to support service delivery and implementation of District Development Plans (DDPs) and District Capacity Building Plans (DCBPs);
- reinforce LG capacity for revenue mobilisation and estimation, tax collection, absorption, compliance, financial management, and financial control;
- diversify local administrations’ sources of revenue (e.g. taxes, fees, licenses, gifts, bequests, investments, endowments, borrowing) and reduce LGs dependence on donor financing in order for them to move towards financial independence;
- reinforce the intergovernmental fiscal transfer system;
- provide a more equitable and balanced distribution of the resources allocated to local administrations.” (Rwanda. Ministry of Local Government, Good Governance, Community Development and Social Affairs 2007:18)

Despite the efforts by the Rwandan government to achieve its goals of effective decentralisation, success has been mixed. A number of concerns have been raised by the Ministry of Local Government, Community Development and Social Affairs (MINALOC). These include the finding that the roles and responsibilities of the local government leaders and personnel in financial management are not being internalised and appreciated and inadequate financial management and accounting capacities in local governments (Rwanda. Ministry of Local Government, Good Governance, Community Development and Social Affairs 2004:18).

One of the areas identified as still problematic by the development partners funding the decentralisation process with the Rwandan government is fiscal decentralisation, where these partners called for more capacity at the district level (local government) to ensure that financial allocations are actually used for their intended purposes (Rwanda Focus 2010). The Rwandan government attempted to simultaneously decentralise fiscal powers and financial administration, whilst creating capacity through the support of provincial administrations and training provided by development partners and its own capacity building institutions. The process did not meet the *prerequisite* postulated by Smoke “that local government must have the institutional, technical and managerial capacity to deliver the services demanded by their constituents” (Smoke 2001:30).

During 2010, research was contracted by the National Decentralisation Implementation Secretariat (NDIS), a permanent Secretariat set up as an agency under MINALOC, to assess the capacity building requirements in Rwanda’s local government. A report on the findings was provided to MINALOC on 20 September 2010. The assessment was based on interviews with ministerial, provincial, district and developmental partner representatives. From

the interviews conducted, the following conclusions were reached regarding managerial capacity requirements in the decentralisation process and progress made with capacity building activities:

- Capacity building initiatives were undertaken by several entities, such as the Rwandese Association of Local Government Authorities (RALGA), development partners, the Rwanda Institute for Administration and Management (RIAM) and the Public Sector Capacity Building Secretariat (PSCBS). From interviews conducted by the author it appeared that clear mandates for the different capacity building entities did not exist for the various role-players, other than the PSCBS.
- Training interventions at the district level remain uncoordinated, *ad hoc* and unrecorded. Little or no proactive training was undertaken. Development partners primarily focused on training in their area of operation and there was no communication between development partners regarding the standardisation of training and capacity building material.
- It appeared that capacity building took place in a policy framework vacuum. No standard indicated what staff capacity at the various levels of local government was required to achieve the stated objectives. There was also no validation of the effectiveness or the content of training courses presented and no monitoring and evaluation of the effectiveness or the outcomes of training interventions.
- Managerial capacity shortcomings were more acute for rural local government. Staff who were more ambitious or had a better education tended to remain in the urban areas and did not want to accept rural appointments.
- In an interview conducted with the Governor of the Southern Province on 13 September 2010, he explained that the rapid changes brought about by decentralisation, structural adjustments and a reduction in posts, numerous reform initiatives and a lack of stability during the process had resulted in high staff turnover, insecurity and de-motivation. In particular, he noted that more technical assistance was required for the development of District Development Plans, due to the loss of executive staff in remote districts.
- Executive mayors were elected without the necessary experience or knowledge to perform their duties. No induction courses or manuals were available to assist newly elected representatives.
- In an interview on 13 September 2010, Mr Eugene Barikana, the Permanent Secretary of MINALOC, indicated that one of the challenges experienced with the decentralisation of fiscal powers to districts was a substantial lack of skill in the areas of project management, contract management, planning and budgeting. A substantial gap between what was planned and what eventually was delivered was experienced. This resulted in delays, losses and poor service to beneficiaries.
- In an interview on 15 September 2010, the Mayor of the Kayonza District admitted that the lack of capable and experienced middle management and experienced councillors posed a serious challenge to effective service delivery. This sentiment was similar to that of the Mayor of the Kicukiro District, interviewed on 13 September 2010, who identified lack of skill in middle management in the fields of revenue collection, technical matters and monitoring and evaluation as challenges to service delivery.

- No analysis had been done around what competency was required for local government staff to manage their functions effectively. This proved to be the most critical shortcoming of capacity-building activities in local government, because training was provided without a thorough assessment of what an incumbent needs to acquire in terms of behaviour, knowledge and skills (Whittle 2010).

It was clear from the capacity assessment undertaken that there were considerable gaps in respect of the provision of a framework for consolidated and co-ordinated capacity building and that activities in Rwanda had focused on training. The report stated that organisational capacity (hierarchical structure of a municipality, reporting lines, allocation of responsibilities, accountability and reporting to the national departments) was in fact lacking, and the question could indeed be asked whether the organisational structure supported the achievement of the decentralisation objectives or whether it was merely a hindrance. It was further recommended that the human resource competency should be reassessed to ascertain what behavioural attributes, knowledge and skills were required to achieve the objectives.

It was suggested that requisite behavioural attributes included self-discipline, honesty and application. Knowledge factors included an understanding of the legislation applicable to local government, financial management, human resource management and other management content. Skills required could include, for example, the ability to run effective meetings, assess developmental needs, work in a team context and correspond with stakeholders (Whittle 2010).

Assessing the Rwandan experience provides important lessons regarding the implementation of fiscal decentralisation, particularly with regard to managerial capacity. It is necessary for central government to have a clear picture of what is to be achieved, what structure would be required to achieve it and to ensure that capacity building occurs prior to the implementation of decentralisation activities. The reality is that Rwanda finds itself in a position where it has progressed far down the line in terms of its decentralisation programme, but now has to retroactively attempt to create the capacity to manage the districts to achieve the objectives it intended to achieve.

Rwanda is not alone in learning these lessons. South Africa too finds itself in a position where the rapid decentralisation of fiscal capacity to local government has failed to deliver the desired results in terms of service delivery. A *one size fits all* approach to local government fiscal powers and responsibilities has created challenges. The Deputy Minister concurs, indicating that there “has to be a better correlation between a specific municipality’s capacity and the powers and functions it exercises. A major review of the local government model is underway. It is likely to result in a differentiated model of local government in which powers and functions are linked to capacity” (Carrim 2011:n.p.). In addition, the Deputy Minister concedes that there is a critical need to deal with managerial capacity to ensure successful administration of municipalities, and he expresses the hope that the recently passed amendments to the Municipal Systems Act, 2000 will help in this regard. Among other things, the amendments seek to:

- *provide for regulations to be passed on the minimum qualifications for senior managers.*
- *provide for more effective regulations to be passed on local government human resource management.*



- *prohibit political party office-bearers from serving as senior municipal managers.*

These amendments are only part of other policy and legislative amendments that are pending to strengthen the role of municipal administrations. (Carrim 2011:n.p.)

CONCLUSION

From the South African and Rwandan examples discussed above, it can be clearly demonstrated that, when managerial capacity at local government level is not treated as a prerequisite for fiscal decentralisation, the objectives of improved service delivery, better and relevant decision-making and local accountability will not be achieved. To ensure successful implementation of decentralisation it is necessary for central/national government to define clearly what services should be delivered at local government level/sphere, and what structures and human resources are required to ensure effective delivery, and then provide a structured approach to ensuring the necessary administrative and managerial platform is in place before transferring fiscal powers to local government. This may require a process of de-concentration to be followed to ensure the successful implementation of an administration capable of dealing with the decentralised powers.

Finally, it should be noted that managerial capacity extends far beyond training. It also requires that competency be based on knowledge, skill and behaviour or attitude. A clear assessment of the specific post requirements against the actual outputs of those posts is important before filling the posts.

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