

**THE UTILITY OF FISCAL DECENTRALISATION IN  
LOCAL GOVERNANCE: THE CASE OF CHITUNGWIZA  
MUNICIPALITY**

**BY**

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## **DEDICATIONS**

I dedicate this dissertation to my mother and father.

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## **ABSTRACT**

There is a shared sentiment among scholars and public policy makers that fiscal decentralisation is the most suitable panacea for the problems associated with centralised provision of public services. Fiscal decentralisation essentially involves a deliberate shift of fiscal powers and resources from the central government to local authorities. This study endeavours to interrogate the practicality of fiscal decentralisation using Chitungwiza City Council as a case study. Fiscal decentralisation can either be a panacea or a plague, that is, it has its own virtues and vices. The problem central to this study is how one can strike a balance between the virtues and vices of fiscal decentralisation so that the practice becomes feasible. There is a need to achieve a sustainable balance between expanding local authorities' fiscal autonomy and the reduction of central government's powers and control of local authorities. This study seeks to examine the legal and policy framework for fiscal management in Zimbabwean local authorities. It also attempts to describe Chitungwiza Town Council's fiscal performance and also identify the necessary conditions for fiscal decentralisation to take place. This research also seeks to describe how fiscal decentralisation can either positively or negatively affect local authority service delivery. This study also investigates the relationship that exists between the central government and local authority in as far as fiscal management is concerned. The research also proposes sustainable mechanisms for improving fiscal performance in local authorities.

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## **LIST OF ABBREVIATIONS**

CTC	Chitungwiza Town Council
MLGPWNH	Ministry of Local Government Public Works and National Housing
UNICEF	United Nations International Children Emergence Fund
POLAD	Political Science and Administrative Studies
PSIP	Public Sector Investment Programme
CHRRA	Chitungwiza Residents and Ratepayers Association
UCA	Urban Councils' Act
POLAD	Political Science and Administrative Studies

## **1.0 CHAPTER ONE: INTRODUCTION**

### **1.1 Background to the study**

At independence, the Zimbabwean government inherited an institutional framework that used local governments for administrative and control purposes rather than to promote self-determination, democratization and economic development. Most of the development strategies were based on central planning, large-scale technology transfer, industrialization and spatial centralization to capture economies of scale and promote growth. Thus, development responsibilities were concentrated at the centre, and local authorities were largely neglected. Various problems arose due to centralized government approach and these include red tape, unequal allocation of resources, and macroeconomic instability among others. Like many developing countries, Zimbabwe is moving towards fiscal decentralization as a possible way of escaping from the traps of ineffective and inefficient governance, macroeconomic instability, and inadequate economic growth. Fiscal decentralisation is therefore driven by three factors: that is, the need to improve efficiency in local governance, the need to move government closer to the people and the need to respect constitutional provisions.

After attaining independence, Zimbabwe adopted various structural changes which favoured decentralised development. The promulgation of the Prime Minister's Directive in 1984 set the framework for decentralisation in Zimbabwe. The concept of decentralisation is enshrined in the Zimbabwean Constitution. Section 264(1) of the Constitution provides for the devolution of power to local authorities and metro councils where possible. Section 264(2) (e) outlines one of the objectives of decentralisation as to ensure the equitable sharing of local and national resources. Section 264(2) (f) states that another objective of transferring responsibility and resources from national governments to local level is to establish a sound financial base for each provincial and metropolitan council.

Chitungwiza Municipality is a decentralised local authority which is led by elected local leaders. Since independence up to the 1990s, the performance of the local authority was good given the

enormous financial support that the authority got from the central government. With the passage of time, the town grew rapidly and the demand for services also increased. In the 1990s there was the introduction of economic structural adjustment programmes which called for significant cuts in central government's expenditure. This negatively affected the performance of the local authority since state assistance in the form of grants and subsidies was significantly minimised. From the year 2000 to 2008, the Movement for Democratic Change (MDC) was voted into power and took control of the Chitungwiza local authority. There were great expectations that the MDC-led management would turn around the fortunes of the local authority. Paradoxically, the authority's performance actually deteriorated to unprecedented levels from the year 2000 to 2008. This is mainly because the country went on an economic downturn. Sound financial management was therefore not a stroll in the park due to the hyperinflationary environment that prevailed. This situation resulted in poor service delivery by the authority. There are also other factors that have been suggested to have contributed to the sharp decline of the authority's service delivery. It is often argued that when the MDC took charge of the local authority, the central government tightened its control of the local authority in a bid to minimise the MDC's dominance. In addition, there were also allegations of underhand dealings in the allocation of residential stands by some MDC councillors and mismanagement of funds whereby the town clerk pegged salaries that were viewed as unsustainable. From the year 2008 to 2013, there emerged a new political dispensation in the form of the Government of National Unit (GNU). During this era, the economy stabilised significantly and frantic efforts were made to improve the authority's performance. These efforts resulted in some improvements in service delivery. However, the authority's fiscal problems have persisted up to the present moment.

## **1.2 Statement of the problem**

There exists a problem that both the central government and the local authority do not have the necessary financial capacity to effectively discharge their mandates. This is due to the economic downturn that faced the country in the last decade. With most manufacturing industries closing and unemployment levels rising, the central government has been left with very little fiscal space. Revenue mobilisation is therefore not an easy task for the central government. International financial aid has also dwindled due to the sour relations between Zimbabwe and the

international lending institutions. Currently, the nation is grappling with public debt which constitutes a very huge proportion of the national budget. The central government is in a financial quagmire such that it is very difficult to finance local authority spending in the form of grants or for the local authority to borrow from central government.

Local authorities are therefore left incapacitated and with very limited fiscal space to manoeuvre. Despite the powers granted to local authorities, they still heavily rely on the central government for funding because the locally generated revenues are not enough to cover all the expenditures. This is a problem in the sense that local spending does not match available resources hence it becomes an additional strain on central government resources.

There are perceived benefits likely to be realised from the practice of fiscal decentralisation. These benefits include among others improved economic efficiency, increased public participation, increased accountability and improved resource mobilisation. However, fiscal decentralisation is not without pitfalls. In situations where national budgets rarely reflect local preferences and the institutional capacity of local governments is very, low fiscal decentralisation may result in increased costs, decreased efficiency in service delivery, greater inequity and macroeconomic instability. There arise two issues which need to be addressed in this instance. The challenge is how to strike a balance between the merits and demerits of fiscal decentralisation so that the practice becomes feasible. The expected benefits of fiscal decentralisation need to be properly weighed against the risks involved in the devolution of taxing and spending powers to national governments. Firstly, how far can the central government as well as local citizens trust the City Fathers (councillors) to effectively discharge their mandates without central authority oversight? Secondly, should the central government retain most of the powers and still be in a position to effectively provide services to the public. There is a predicament here. From this perspective the daunting challenge is how a sustainable balance can be struck between the need for central government oversight and the need for local authority fiscal discretion. That is where the problem lies and that is why this researcher needed to carry out this research using Chitungwiza City Council as a case study.

### **1.3 Justification for the study**

Fiscal performance management of local authorities is a hot and tightly contested topic among scholars and public policy makers. This is so because money is a very scarce resource which provides a major source of power that drives any administrative machinery. Money is needed to finance the provision of goods and services by local authorities. How local the authorities mobilise and spend money is a very important issue as it directly affects how well they perform towards fulfilling their mandates. Therefore, the fiscal performance management aspect of local authorities is a critical issue worthy studying.

There have been considerable studies done on decentralisation before. However, most of these researches mainly focused on the political aspect of decentralisation thereby paying less attention to the fiscal aspect of decentralisation. There is therefore need to pay more attention towards exploring the practicability of fiscal decentralisation so as to get a more comprehensive understanding of decentralisation.

This researcher only focused on the post 2000 period. The post 2000 period has been characterised by political turmoil and severe economic crisis which saw inflation rising to alarming levels. Prudent financial management became a nightmare for both the public and private sectors of the economy. Consequently, the provision of public goods and services across all sectors sharply declined due to these financial constraints. This phenomenon had never been experienced in post independent Zimbabwe. Therefore, the post 2000 period constitutes a unique era which cannot therefore be clearly understood basing on the earlier researches on decentralisation. Furthermore, there have been few researches on local governance covering the post 2000 period which presents gaps in the discipline. It is against this background that this study focused on the post 2000 era in order to fill these existing gaps. To add to that the research also sought to expand on the existing literature on fiscal decentralisation hence making a contribution to the discipline.

### **1.4 Hypothesis**

Fiscal decentralisation promotes effective service delivery in local authorities.

### **1.5 Objectives of the study**

This study sought to:

1. Examine the legal and policy framework for fiscal management in Zimbabwean local authorities.
2. Describe current fiscal performance of Chitungwiza Municipality.
3. Identify the necessary conditions for fiscal decentralisation.
4. Describe the positive and negative effects of fiscal decentralisation on local authority service delivery.
5. Investigate the intergovernmental relationship between the Chitungwiza City Council and the central government in fiscal management.
6. Propose sustainable interventions of enhancing fiscal performance in local authorities.

### **1.6 Limitations**

The research faced resistance from public officials who were not willing to disclose information citing the existence of the Official Secrecy Act and the political sensitivity of the research. The researcher countered this challenge by clearly explaining to the officials that the research was purely for academic purposes. The local authority is a public organisation which is characterised by bureaucratic red tapism and some officials in the municipality were not always readily available for interviews due to their busy schedules. The researcher solved this problem by arranging appointments to meet the officials when they were free. In conducting survey questionnaire, the researcher distributed questionnaires and gave residents enough time to complete the questionnaires during their spare time.

### **1.7 Delimitations**

The study examined the concept of fiscal decentralisation and focused on the Chitungwiza municipality. No other local authority was studied. The study looked into the financial problems

that are being faced by the local authority. The research focused on the period between the year 2000 and 2013. It is during this era that Zimbabwe experienced a hyperinflationary environment and public service delivery system deteriorated to unprecedented levels. During this period, the nation faced political instability and economic meltdown. The period between the year 2000 and 2013 is the most turbulent episode in Zimbabwe's development trajectory. This period therefore constitutes a unique era worthy focusing on. The study used documentary search, survey questionnaires and key informant interviews as methods of gathering data.

## **1.8 Structure of the study**

### **II. Chapter One – Introduction**

This chapter explored the background to the study, the statement of the problem, the research hypothesis and objectives of the study. Limitations as challenges encountered and delimitations as the scope of the study were presented in this chapter.

### **III. Chapter Two – Literature Review and Theoretical Framework**

This chapter presented a critical review of other authorities' work on the concept of fiscal decentralisation. Various ideas from different researches done in the past were explored and analysed in this chapter. The chapter also presented the theoretical framework or the model guiding the study.

### **IV. Chapter – Methodology**

This chapter explored the various techniques and procedures used to collect and analyse information in relation to the objectives of the study.

### **V. Chapter Four – Major Findings**

This is where the findings of the data gathered by the researcher were presented.

### **VI. Chapter Five - Conclusions and Recommendations**

In this chapter, the researcher presented conclusions obtained after analysing the major findings. Recommendations to make improvements in local governance were also suggested.

## **2.0: CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

### **2.1 Introduction**

This chapter is a critical review of other authorities' work on the concept of fiscal decentralisation. The endeavour is to establish the meaning of fiscal decentralisation and its fundamental components. Fiscal decentralisation can be viewed either as a panacea or a plague, that is, it has both advantages and disadvantages. In this vein, the researcher will outline and analyse some of the perceived merits and demerits of fiscal decentralisation. Other countries' experiences in implementing fiscal decentralisation will also be presented in the form of case studies. The resource dependency theory will be adopted as the guiding theoretical framework.

### **2.2 Literature Review**

#### **2.2.1 The Concept of Fiscal Decentralisation**

According to De Mello and Fukasaku (1999: 9), fiscal decentralisation refers to the devolution of taxing and spending powers to lower levels of government. De Mello (2000:365) defines fiscal decentralisation as the transfer of authority and responsibility for public finance management functions from the central government to subordinate or quasi-independent organisations or the private sector. Most fiscal decentralisation reforms shift financial resources from the national to the local government level. However, there is also a need to decentralise the discretion to manage those resources. This perspective implies that fiscal decentralisation requires more than just "pushing down" of financial resources to lower tiers of the government, but there is also need for local authorities to be empowered to control these financial resources.

There are a number of reasons why fiscal decentralisation is being undertaken in many countries today. According to Kee (2003:3), the drive towards fiscal decentralisation came after a realisation that central governments are finding it increasingly difficult for them to meet all competing needs of their various constituencies and are attempting to build local capacity through devolving some of their functions to local governments. Fiscal decentralisation is therefore viewed as part of the reform agenda of many nations to strengthen regional and local governments to meet the challenges of 21st century. Maksimovska (2007:1) postulates that fiscal

decentralisation is pushed by economic reasons (the need to achieve efficiency in local governance and higher quality of public services), administrative reasons (the need to move governance towards levels closer to individuals and facilitating the work of the government) legal reasons (respect for constitutional provisions and making use of ratified international agreements) and purely political reasons (the need to resolve different ethnical tensions in fragmented societies). This point of view is also supported by Bird and Vaillancourt (1998:1) who state that for many developing countries the adoption of fiscal decentralisation is viewed as “a possible escape from the traps of ineffective and inefficient governance, macroeconomic instability and unequal economic growth”. Jin and Zou (2002:270) also argue that fiscal decentralisation is seen as a mechanism to control the growth of the public sector and improve public services. For Marumahoko (2010:1), fiscal decentralisation reforms in most urban areas is a response to the varied challenges brought about by the ever increasing rate of urbanisation which local authorities often fail to absorb and effectively deal with. In view of the above, it can be gleaned that fiscal decentralisation has been adopted for various motives and it constitutes an essential element of public sector reforms in many less developed countries.

According to Jin and Zou (2002:276), there are three variables used to proxy the level of fiscal decentralisation and these variables are expenditure decentralisation, which is measured as the ratio of sub national to total government expenditure; revenue decentralisation which is measured as the ratio of sub national own source revenue to total government revenue; and vertical imbalance, which is measured as the percentage of expenditure at sub national level financed by central transfers. Smoke (2001:19) postulates that fiscal decentralisation is usually divided into four elements: (1) revenue assignments and local revenue administration, (2) the assignment of responsibilities for expenditure (3) intergovernmental fiscal transfers and (4) sub national borrowing and debt. The following section will briefly delve into these four aspects of fiscal decentralisation.

#### Revenue assignments

According to the UNDP (2010:4), this aspect addresses the question of who should tax, where and what. Fiscal decentralisation maintains that local authorities should be given discretion to

raise their own revenues and to administer these revenues. Local authorities should also be allowed to explore other new sources of revenue outside the traditional sources like fees and user charges. In simple terms, this element deals with how mobilisation of revenues is assigned to local authorities (Ibid.17) However, it should be observed that granting of these powers alone is not enough on its own. An analysis should therefore be done to assess whether the taxes assigned to local governments are productive or not. Marumahoko (2010:12) laments that in most cases low yielding sources of revenue are often assigned to local authorities, for example, user charges and local taxes, leaving high yielding revenue sources like income taxes to central government. Moreover, the setting up of upper limits on tax rates works against the virtues of good fiscal decentralisation. One can therefore argue that this division of revenue sources implies that local governments are likely to end up with greater expenditure responsibilities than they can finance from their own revenues.

#### Expenditure assignments

According to UNDP (2010:05), this element addresses how local authorities are empowered, how much authority and how much control that they have in the use and management of their devolved financial resources without central government interference. Marumahoko (2010:20) argues that expenditure discretion is considered a key aspect of fiscal decentralisation. The absence of legal and institutional frameworks which regulate local governments' expenditure symbolises fiscal autonomy. However, in reality most central governments put in place various mechanisms that limit local authorities' discretion in expenditure management. These include central government approval of municipal expenditure plans and programmes, use of conditional grants, post-budget controls and audits. According to the UNDP (2010:5), government regulations on expenditure militate against the virtues of fiscal decentralisation.

#### Borrowing

According to UNDP (2010:5), borrowing powers refer to the ability of local authorities to finalise loan arrangements with a willing financier with minimal central government interference. Proponents of fiscal decentralisation argue that the absence of norms, thresholds and central government approval for borrowing constitutes a move towards local fiscal

autonomy. It refers to the extent to which local authorities have the power to borrow with minimum central government intervention. However, borrowing powers are almost always subject to national government regulations, for instance, section 290(1) of the Urban Councils' Act of 1996 prohibits borrowing for recurrent expenditure. One can argue that it is logical for local authorities' borrowing powers to be regulated since excessive borrowing may lead to the accumulation of unmanageable deficits.

#### Intergovernmental transfers

Intergovernmental transfers constitute budgetary support from the central government. According to UNDP (2010:5), it is justified from the realisation that there exists an imbalance between assigned tasks and the available resources for local authorities, the need to fund specific national programmes and the need to counter externalities. Intergovernmental fiscal transfers usually come in the form of grants to local authorities. These grants can either be blocked or tied grants. Blocked grants are unconditional. On the other hand, tied grants are conditional funds received for specific projects, specifying what has to be done and the results that are expected thereof.

#### 2.2.2 Merits of Fiscal Decentralisation

According to Oates (2005:349), fiscal decentralisation leads to more accountability on the part of government officials because they are on the hook for service delivery to the local residents that elected them. This view is also supported by Jin and Zhou (2001:271) who argue that since local population has strong incentives to discipline local public officials and can monitor local authorities closely, to the extent that local services are financed by the jurisdiction's own revenue, decentralisation can lead to higher civic participation, and improved control over the actions of public officials. This is because people have more power to control at local than at a national level. Porcelli (2009:4) also argues that an increased control over politicians will stimulate more electoral accountability that finally translates into more efficient government activity.

According to Oates (2006:2), local governments have the ability to adapt outputs of public services to the preferences and particular circumstances of their constituencies as compared to the central government which presumes a one size fits all approach. This implies that local preferences and needs are believed to be best met by local, rather than national, governments. Tiebout (1956), as cited in Oates also adds that fiscal decentralisation allows individuals to seek out jurisdictions that provide outputs well suited to their tastes (Ibid). De Mello (2000:367) argues that information on these local preferences and needs can be extracted more cheaply and accurately by local governments, which are "closer" to the people and hence more identified with local causes. In this respect, accountability and transparency in government actions can also be enhanced by bringing expenditure assignments closer to revenue sources.

Jin and Zou (2002:270) also argue that fiscal decentralisation leads to improved efficiency and a leaner government. Brennan and Buchanan's model (1980) provides the most dramatised theoretical case on how fiscal decentralisation can reduce government size. The model suggests that government is a monolithic entity that systematically seeks to maximise fiscal revenues. According to Porcelli (2009:2), Brennan and Buchanan hypothesis suggests that fiscal decentralisation is a mechanism for constraining the expansionary tendencies of governments and stem its inefficient behaviours. Moreover, when mobile citizens seeking maximum fiscal benefits "vote through their feet" it creates competition among jurisdictions. This competition encourages cost-efficient production and supply of services hence increased efficiency.

Oates (2005:349) argues that fiscal decentralisation stimulates innovation in the sense that it allows local authorities to initiate and experiment policies which can improve the service delivery system. Oates (2006:2) also supports this assumption arguing that experimentation and innovation is possible as each local authority is free to adopt new approaches to policy (for instance taxation policies) thereby providing valuable "laboratory" for fiscal experiments which may be later adopted and implemented at macro level. Porcelli (2009:6) also adds that fiscal decentralisation allows citizens to compare tax policies and levels of public services offered in other regions with those offered in their own jurisdiction. Bordignon et al (2004) and Basely and Smart (2007) as cited in Porceli (2009:6) notably agree that the possibility of policy comparison

requires positively correlated costs across regions. However, one can argue that the possibility of competition among jurisdictions may not enhance the overall performance of the government.

According to Maksmovska (2007:3) fiscal decentralisation constitutes the most adequate “weapon” for providing national unity ( the case of South Africa and Uganda); potential political solution for preventing civil wars ( the case of Sudan and Sri Lanka); preventing secessionist tendencies ( the case of Bosnia and Herzegovina and to some degree Ethiopia); enough power and competencies for preventing different aspirations of different republics ( the case in the Russian Federation) and the effect of “grassroot” democracy as a support of the central government ( the case of Columbia). From the above, one can argue that fiscal decentralisation can help to bring about political stability in volatile political systems. It can therefore be noted that fiscal decentralisation may not necessarily lead to economic development, better quality of services delivered, efficiency and improved responsibility but it can also reap political benefits.

### 2.2.3 Demerits of Fiscal Decentralisation

De Mello (2000:373) asserts that fiscal decentralisation poses the danger of driving a wedge between expenditure and revenues. This occurs due to the “common pool” problems, “flypaper effect” and “soft budget constraints”. Fiscal decentralisation can also lead to “soft budgetary constraints”. Porcelli (2009:9) defines “budgetary constraints” as a phenomenon which arise from the fact that central government cannot rule out the possibility of bailing out local authorities when they would have defaulted. This view is also supported by Jin and Zou (2002: 273) who state that if the national government is always ready to bail out indebted local governments, they may expand their programmes beyond their means with less concern about their ability to meet the costs. According to Oates (2006:18), in a situation where local authorities expect fiscal bailout from the central government, they need not to put their fiscal houses in order. This therefore enables local authorities to engage in pervasive fiscal behaviour which undermines the positive effects of fiscal decentralisation on efficiency.

According to Jin and Zou (2002:273), fiscal decentralisation is likely to face ‘common pool problem’. This is a scenario which arises from a disconnection between beneficiaries of public

services and those who pay for them. Porcelli (2009:9) observes that this problem occurs when local governments shift some of their costs of service provision from the local to the central government account. If local authorities' spending is from revenue sharing, they may under utilise their own tax bases at the expense of the national sharable revenues (Ibid). Therefore, in most situations where there is no predetermined transfer formula discretionary transfers tend to be allocated to those sub national governments that are in financial trouble (Ibid). As a result, local authorities will overspend or inflate their budgets in order to ask for more or additional funding from the central government.

Rodden et al (2003:443) propound that fiscal transfers may sometimes run counter to fiscal discipline, for instance, the German formula for equalisation states that smaller and poorer states will get increased fiscal transfers. This can be an obvious recipe for undermining fiscal discipline. Thus, "common pool" funding leads to free riding which in turn induces competition among local governments to secure a larger portion of the sharable funds in the form of grants and transfers from the central government (De Mello 2000:373). Jin and Zou (2002:273) note that fiscal decentralisation can lead to the "flypaper effect", that is, a scenario in which fiscal imbalances bridged with intergovernmental grants can significantly stimulate expenditures by the receiving local governments. Oates (1989) as quoted by Jin and Zou (2002:273) concludes that local authorities have a tendency to spend transferred funds more than they spend their own local tax revenues (Ibid). Oates (2006:21) also argues that this can lead to a "transfer dependency" whereby the heavy reliance on transfers creates an incentive to expand rather than increasing taxes in one's own jurisdiction. This can therefore lead to a growth in government expenditures.

Wildasin (2004) as cited by Oates (2006:21) notes that fiscal decentralisation can lead to a growth in government expenditures. He further argues that there exists an intimate relationship between intergovernmental transfers and public debt. An increase in transfers from the centre may often be financed by an increase in the centre's deficit so that the central borrowing may effectively substitute for borrowing at the decentralised levels of government. Rodden et al (2003:443) share the same argument by reasoning that fiscal decentralisation may lead to a smaller or larger government depending on how it is funded. If it is largely funded by grants, it

leads to a big government (Leviathan does not hold water), therefore decentralising expenditure without fiscal revenues might lead to a big government. Jin and Zou (2002:273) note that the fact that fiscal decentralisation serve demands from diversified preferences only holds if the supply is always efficient. If the supply of services involves substantial economies of scale, fiscal decentralisation may result in a larger government. Porcelli (2009:9) also observes that in relation to the Leviathan hypothesis, tax competition among jurisdictions can reduce social welfare if the assumption of rent seeking does not hold water. As remarked by Oates (2005), fiscal competition among jurisdictions can produce distortionary effects that can distort the functioning of a market economy as well as the redistributive purpose of fiscal policy (Ibid.). From the above, one can comment that whilst there is a general agreement that smaller is better according to the Leviathan hypothesis it, is very difficult to assess efficiency of government using this model.

Oates (2005:17) argues that fiscal decentralisation compromises macroeconomic management. It limits the central government's ability to quickly respond to changes in the economy, for instance, when it intends to increase taxes or to reduce expenditure to deal with a financial problem like a deficit. To add to that, fiscal decentralisation may cause unequal development as compared to fiscal centralisation which has greater potential for equalisation through central government's distributive functions.

Prud'home (1995) and Brueckner (2000) as cited in Jin and Zou (2002:73) argue that corruption is more prevalent at subnational levels than at national level. Opportunities for corruption are more likely because politicians and bureaucrats are more accessible and susceptible to pressing demands from local citizens on issues like taxation or authorisations. Local officials usually have more discretion than national decision makers. Moreover, Tanzi (1996) also reasons that corruption is usually stimulated by contiguity, that is, the fact officials and citizens live and work close together in local communities (Ibid). When this happens, the public interest often takes a back seat, and decisions that favour particular individuals or groups are made. Thus, fiscal decentralisation may increase the overall level of corruption.

De Mello (2000:373) postulates that fiscal decentralisation tends to increase the distance between the centre and the decentralised agencies to which fiscal responsibilities are devolved. This is so because when important tax bases are devolved to local governments the central government may not be able to monitor the efficiency with which local governments utilise their revenue sources. On the expenditure side, the central government may not be able to monitor how well the local authorities spend their finances in the provision of goods and services (Ibid). An example can be drawn from a report in the *Newsday* dated 20 December 2013 in which the CTC is alleged to have sold 11 00 nonexistent residential stands to 15 000 desperate Nyatsime home seekers and later reduced the stand sizes to accommodate the extra 4 000 buyers. The report says that the CTC then demanded top-up fees ranging between \$900 and \$2 800 from prospective home owners and then used the money for the payment of salaries and the purchase of luxury vehicles for the top officials. In another case, the *Sunday Mail* of 04 February 2012 carried a report in which the CTC's top management awarded themselves hefty salaries and personal loans of up to US\$90 000 to buy luxury vehicles at a time when the authority was cash strapped. The above illustrations show that in the absence of close monitoring, fiscal decentralisation can create opportunities for local authorities to abuse their devolved powers.

## 2.2.4 Experiences from other countries

### 2.2.4.1 South Africa

According to Bird and Vaillancourt (1998:251), apartheid policies left a legacy of severe economic and social disparities in South Africa. Under apartheid, South Africa was a highly centralised country. However, the centralisation masked the duality that existed at subnational levels. Overwhelming fiscal dependency in black areas coexisted with considerable self-sufficiency and autonomy in white areas. Ahmad (1998:240) notes that about 80% of the revenues in white municipalities originated from own sources whilst the dependency of Black Local Authorities (BLAs) on the centre was high with fiscal transfers from the centre accounting for over 70% of the total revenue. Thus, white local authorities were allowed sufficient fiscal and regulatory autonomy to act independently. Prior to 1994, the government consisted of 3 levels,

that is, the centre, the regions and local authorities. The regional tier included provinces, the Self Governing Territories (STGs) and the TBVC (Transkei, Bophutatswana, Vendas and Ciskei group). Local authorities consisted of Regional Services Councils (RSCs), Black Local Authorities (BLAs) and White Local Authorities (WLAs). The black communities were divided into ten homelands which were artificial jurisdictions containing the most desolate territory in the country. The weak economic conditions caused weak fiscal capacities in the racially segregated regions (Ibid). The central government provided large fiscal transfers to ensure a modicum of public services. The coming of political independence opened up possibilities for fiscal decentralisation.

According to (Yemek 2005:22), the major goal for fiscal decentralisation in South Africa is to achieve broad-based, sustainable improvements in the standard welfare of all citizens. In 1996, South Africa adopted a Constitution that established three separate, independent and interrelated spheres of government, that is, nine provincial governments and 284 local governments. Each sphere is assigned its own powers, functions and responsibilities. Schedule 4 of the Constitution lists expenditure assignments among the three tiers of government. How the central authority is to intervene in the decisions of local authorities is defined and limited by the constitution. The manner in which intergovernmental fiscal relations are dealt with is enshrined in the constitution (Ibid). There is the Division of Revenues Act which annually allocates national revenues to each of the three tiers of government. Furthermore, the Constitution provides that a non partisan Financial Fiscal Commission (FFC) should advise parliament and subnational governments on various issues of intergovernmental fiscal relations.

Within the fiscal decentralisation framework, all three spheres of government are responsible for poverty alleviation. Subnational governments are especially bound to play a vital role in South African growth and development strategies and the delivery of basic services. Fiscal decentralisation brought some positive changes in South Africa's development strategies. According to Yemek (2005:11), social spending on health, education, welfare and other social services increased. It now nearly accounts for 60% of consolidated non-interest expenditure, up from 52% a decade ago (Ibid). This increased spending is necessary particularly for most

vulnerable South Africans. However, one should not lose sight of the fact that increased public expenditure is not sufficient on its own. Expenditure programmes must prioritise equal accessibility particularly for poor people, communities and regions.

Yemek (2005:22) concludes that an exploration of fiscal decentralisation in South Africa reveals three fundamental features. Firstly, the national government has a specific responsibility for spearheading action and creating a positive framework, while sub national governments have a vital role to play in meeting the needs of residents through the delivery of basic social services such as health, education, water, sanitation and housing. Secondly, the allocation of revenue-raising capacity among subnational governments is uneven, which necessitates compensation between levels of government (vertical) or among the subnational governments themselves (horizontal). Thirdly, the success of public service delivery is still limited, suggesting a need for a strong social policy environment based on equity and socioeconomic justice. The author further observes that there are challenges that are still being faced in the fiscal decentralisation process in South Africa. These include the delegation of responsibilities without adequate funding (unfunded mandates) and lack of universal quality standard of service provision which makes the measurement of pro-poor impact difficult (Ibid). Furthermore, a considerable number of South African municipalities still lack institutional capacity to deliver even the most basic services.

#### 2.2.4.2 India

According to Rao (200:17), before 1992 the Indian federalism had two tiers, that is, the Union and the States. Nevertheless, local government units existed in both urban and rural areas which basically acted as agents of the state governments. Historically, there existed the Panchayats Raj Institutions (PRIs) in the rural areas and these units provided basic services and administered justice. Statutory recognition to local governments was accorded with the 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendment in 1992 (Ibid). The 73<sup>rd</sup> constitutional amendment act was a landmark development with an objective to provide constitutional legitimacy to the Panchayats Raj Institutions (PRIs). The reforms also stipulated that Panchayats had to hold elections within

stipulated times. An illustrative list of functions and sources of finance for both rural and urban local authorities was also set in the amendments. Each state was required to appoint a State Finance Commission to assign taxes and fees to local governments. At the same time each state legislated separate Municipal Acts assigning the civic function and sources of revenue for urban local authorities. This initiative formed the impetus to local governments in India by devolving requisite powers and functions.

According to Rao (2000:17) local governments in India do not raise significant revenues and have to depend on higher level government. Since state governments are themselves faced with resource constraints, the revenue accruals to the local bodies are not enough to enable them to effectively deliver the required services. Central transfers to the states are usually done by the Finance Commission with the Planning Commission being the major dispenser of funds. However, the efficiency and equity implication of the Indian fiscal transfer system is a subject of considerable scrutiny. The transfer system from the centre to the states has inherent problems. Due to the multiplicity of agencies making transfers, it becomes difficult to meet the objectives of the transfers.

In spite of the constitutional recognition of the third tier of government, the local governments seem to play a very limited role in the revenue and expenditure management. Their role has been reduced to mere implementers of government programmes. The failure of States to devolve desired fiscal powers to the local level governments gradually turned PRIs as an extended wing of State governments. This then gave birth to fiscal dependency. There lacks a mechanism to assess the potential sources of revenue for PRIs (Ibid). To add to that, no mandatory targets have been set in this regard and this constitutes another policy gap. Unlike in South Africa where fiscal powers of the constitution are encoded in the constitution of 1996, Indian urban local authorities do not boast of own revenues as revenue powers are assigned at the discretion of the States (Marumahoko 2010:9). To add to that, revenue sources under urban councils are non-buoyant and inelastic

#### 2.2.4.3 Philippines

According to the UNHABITAT (2011:25), fiscal decentralisation in the Philippines was strengthened with the passage of the 1991 Local Government Code. The Code is the landmark legislation that gave rise to a major change in local governance in the country. Since 1991, the central government has devolved significant spending, taxing and borrowing powers to local authorities. The Local Government Code empowers local government units with fiscal autonomy and accountability to local citizens, which constitutes a major departure from firm direction and control from the central authority (Ibid). According to Section 129 of the Local Government Code, local government units have the autonomy in deciding on local spending, taxing and borrowing funds in order to meet local development objectives. The code also increased the fiscal transfer through the Intergovernmental Revenue Allotment (IRA) to 40%. To add to that, the Code also encourages local authorities to explore other alternative sources of revenue by exercising their corporate powers in partnership with the private sector.

UNHABITAT (2011:25) states that fiscal decentralisation in the Philippines is based on the Local Government Code, Republic Act 7160 enacted in 1991. The code empowers local governments units to borrow from the financial markets in order to raise revenues to finance local development programmes. It further empowers local government units to administer their own fiscal resources. However, Article X, Section 5, 1987 of the Constitution does not provide absolute powers because it mandates the central government to set guidelines and limits in taxing powers (Ibid). Despite the powers granted by the Code, local governments still heavily depend on the central government for funding since locally mobilised revenues are not enough to cover local expenditures. Due to this weak fiscal capacity most local governments heavily depend on IRAs for funding (Ibid).

According to the UNHABITAT (2011:36), from the year 2000 to 2006 IRA has been the biggest source of revenue for local authorities, on average contributing 63% of the total revenue. Apart from the control imposed by the central government to local government units, the former also retains control over major sources of revenue. The tax assignment scores low on the fiscal autonomy criteria because the Code sets limits on the tax rates and makes it mandatory that tax

rates can only be reviewed once in five years by no more than 10 % (Ibid). Furthermore, the setting of tax limits has somewhat diminished taxing powers of provinces in favour of cities. Cities got a larger share of the IRA than other local government units and this scenario created an incentive among municipalities to troop the congress to convince legislators to pass a law converting them into cities (Ibid.36). It is therefore observable that IRA is skewed in favour of cities which ironically have larger and more buoyant local tax bases. The IRA is therefore an inefficient mechanism in the sense that it fails to address issues of different capacities and fiscal needs among various local government units.

### **2.3 Theoretical Framework**

The study adopts the resource-dependency theory as a guiding theoretical framework. The Resource Dependency Theory (RDT) was propounded by Pfeffer and Salancik in 1979. This theory seeks to explain organisational and inter organisational behaviour in terms of those critical resources that an organisation must have in order to survive and function. The theory suggests that organisational behaviour is a reflection of the management of its dependence on external resources and the ensuing demands of a donor controlling the resources. The RDT is based on an open system model. The theory assumes that organisations are resource-insufficient hence they strive to acquire and sustain resources from their environment. The theory is based on the notion that resources are controlled by external actors and these external actors perceive certain advantages in the relationship with other organisations and they exercise their power through their control over resources. The more an organisation depends on external resources, the more the demands of particular actors controlling these resources become influential. AbouAssi (2013:4) argues that organisations' behaviour and decisions are determined by the external environment. As such, organisations are mandated to effectively and proactively manage the turbulent environment. Organisations would then coalesce to moderate environmental demands through 'altering purposes and domains to accommodate new interests, sloughing off themselves to avoid some interests and when necessary, becoming involved in activities far afield from their stated central purposes' (Pfeffer and Salancik 1978: 24). According to AbouAssi (2013: 4), there are three factors which determine the degree of dependence on

external resources. These factors are criticality or importance of the resources, the concentration of the resources and the external actors' discretion over resource allocation and use.

The resource-dependency theory focuses on the following: resources; the flow or exchange of resources between organisations; those dependencies and power differentials created as a result of unequal resource exchange; the constraining effects such dependence has on organisational action; and the efforts by organisational leaders to manage such dependence. The Chitungwiza Town Council is heavily dependent on the central government for funding since its financial resources are inadequate given the ever increasing demand for public goods and services. This leads to the inappropriate paternalism by the central government. The lack of fiscal autonomy means that the municipality's pace of development is largely dictated from the central government as the saying goes that "he who pays the piper determines the tune."

The legal and institutional framework of local government in Zimbabwe allows the central government to control local authorities through setting of tax limits and the approval of expenditure programmes. This reduction in fiscal autonomy makes local authorities subservient to the central authority. This increases their commitment to central government and they become vulnerable to centralising tendencies which stifle efforts to link communities' expenditure to own revenues ( Marumahoko 2010:42). According to Nhema and Matongo (2000:5), this results in a situation in which local authorities look up to the central government to bail them financially, thereby strengthening the perception that central government is a superior order government.

## **2.4 Conclusion**

Fiscal decentralisation simply refers to the devolution of revenue raising and expenditure management responsibilities and powers from the central government to local authorities. Fiscal decentralisation consists of four main elements which are revenue assignment, expenditure assignment, intergovernmental transfers, borrowing and debt management. Fiscal decentralisation is likely to lead to increased accountability, efficiency and responsiveness in the provision of public goods and services. However, it can be noted that fiscal decentralisation in

some cases has perverse and unintended consequences such as increased costs, lessened efficiency in service delivery, and probably greater inequity and macroeconomic instability. From the above presentation, it can be gleaned that different countries have implemented fiscal decentralisation to varying degrees. Some have been successful in some aspects more than others.

### **3.0 CHAPTER THREE: RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter explores the methods and procedures used in the collection and analysis of data in relation to the objectives of the study. The study combined quantitative and qualitative methods of data collection and analysis in a bid to enhance accuracy. The researcher made use of relevant literature, that is, documentary search. This documentary search was supplemented by key informant interviews conducted with academics from the University of Zimbabwe's Political Science and Administrative Studies Department, officials from the Chitungwiza Town Council and from the MLGPWNH and also survey questionnaires administered to Chitungwiza residents. The researcher used purposive sampling to select respondents to key informant interviews and cluster sampling to select respondents to survey questionnaires. Quantitative data collected using survey questionnaires was analysed using Statistical Package for Social Scientists (SPSS). Qualitative data collected using key informant interviews was analysed using thematic analysis and data collected through documentary search was analysed using content analysis.

#### **3.2 Research Design**

The research design used for this study is a case study. The research design was useful in helping comparisons to be made among different situations in which fiscal decentralisation was used. Comparisons were also made and different explanations as to why in some areas the approach was successful while in some areas it was a failure. The researcher made use of purposive sampling and cluster sampling in selecting respondents. Purposive sampling was used to select key informants and cluster sampling was used to select respondents in administering survey questionnaires. Key informant interviews and surveys were used to collect primary data from respondents. Qualitative data obtained from key informant interviews was analysed using thematic analysis and textual information obtained from documents was analysed using content

analysis. Quantitative data gathered from surveys was analysed using Statistical Package for Social Scientists (SPSS).

### **3.3 Target Population and Sampling**

#### **3.3.1 Target Population**

The study was conducted in Chitungwiza community. The city of Chitungwiza is located approximately 27 kilometers south of the capital, Harare. The city of Chitungwiza was chosen because the researcher is a Chitungwiza resident which made it cheaper to collect data. According to 2008 census, the city had a population of approximately 356 840 people. Most of the residents work in Harare since there is very little industrial activity in Chitungwiza. The town can be divided into three major townships, that is, St Mary's, Zengeza and Seke. The Chitungwiza Municipality is dominated by the opposition Movement for Democratic Change (MDC). The researcher used purposive sampling in selecting the local authority officials who were respondents to key formant interviews. Chitungwiza Town Council officials, such Chamber Secretary, councilors, Chitungwiza residents' association, the director of finance and other personnel in the finance department were interviewed through key informant interviews. Outside the local authority management, three academics were also interviewed through key informant interviews. The residents of Chitungwiza were also selected to respond to survey questionnaires. Thirty households were selected from Zengeza, St Mary's and Seke residential areas using cluster sampling for the purposes of administering survey questionnaires. Other than individuals, documents such as books, newspapers and legal reports were used to collect data.

#### **3.3.2 Sampling Techniques**

##### **3.3.2.1 Purposive Sampling**

The researcher used purposive sampling to select respondents for key informant interviews (key informants). These were individuals who had unique information on the topic which the researcher was studying. In this case, the key informants were the Chitungwiza Town Council

(CTC) officials such as the Chamber Secretary, Director of Finance and other top level employees under this department, Chitungwiza Residents' Association and academics from the University of Zimbabwe's Political Science and Administrative Studies Department (POLAD). In this method, the researcher chose respondents basing on the belief that some individuals had knowledge and experience on the topic which the researcher was studying. In this case, the researcher used his own judgment to select population members who were good prospects for accurate information. These are the individuals who were selected for key informant interviews. The researcher used this sampling technique because information on the financial management of the local authority was unique and could not therefore be obtained from the general population. This sampling technique saved time because normally the information needed was already available to the selected population. Purposive sampling ensured a balance where multiple groups of subjects were to be selected. This technique also helped in eliminating candidates that were out of the equation from the research and included only those that fitted the bill. To add to that, the sampling method was also less expensive since fewer resources were needed to find the expected targets.

#### 3.3.2.2 Cluster Sampling

Cluster sampling was used in selecting respondents to survey questionnaires. In this approach, the researcher started by dividing groups mutually to maintain homogeneity within and heterogeneity outside. The mechanism was applied when selecting residents who responded to survey questionnaires. Since the Chitungwiza population is spread over a wide geographical area, the researcher first identified boundaries which divided the population into clusters. Thus, the Chitungwiza residential area was divided into three regions and these regions include St Mary's, Zengeza and Seke. After this demarcation, a certain proportion of the respondents were then randomly selected from each cluster. Ten households were selected from each identified cluster.

The researcher used this sampling technique because it is cheap, quick and easy to use. Instead of sampling the entire Chitungwiza community, when using simple random sampling, the

researcher instead allocated resources to the few selected clusters. Moreover, the researcher had a larger sample size than when using simple random sampling. Since the researcher only needed to take the sample from three clusters, he could select more respondents because they were more accessible.

### **3.4 Data Collection Methods**

The researcher used both qualitative and quantitative techniques in gathering data. Key informant interviews and documentary research were used under qualitative techniques whilst surveys were used under quantitative techniques.

#### **3.4.1 Key informant interviews**

The researcher used key informant interviews to collect information on the current fiscal performance of the Chitungwiza Town Council and also to investigate the intergovernmental relationship between the Chitungwiza Municipality and the central government in fiscal management. Key informant interviews were also used to collect data on the legal and policy framework for fiscal management in local authorities in Zimbabwe. Data was collected through interviewing the authority's top management like the Director of Finance and other officials in the Finance department, councilors, leaders of CHIRRA and officials from MLGPWNH's Urban Local Authorities department. These were the people who possessed first hand information and experience on the fiscal management of the Town Council. Since these individuals had experience in the financial management of the organisation, it was also possible for the researcher to track the municipality's fiscal performance over the past years. To add to that, academics that had expertise in the field of local government management were also interviewed as key informants.

After the establishment of the list of potential key informants, the researcher then developed a key informant interview guide, which comprised a list of issues which the researcher discussed with the key informants. Thus, the key informant interview guide is the instrument through which data was collected from key informants. Since this study made use face-to-face

interviews, the researcher went on to make appointments with the key informants to collect data. During the interview session the researcher jotted down the key informants' responses to various questions.

The researcher used this method because of its various advantages. Through key informant interviews, facial expressions, changes of position and other indications of attitudes which provided additional information to what was said were recorded. Therefore, key informant interviews enabled the interviewer to obtain comprehensive information by combining what was said with other expressions shown by the interviewee. Key informant interviews gave an opportunity for greater flexibility in eliciting information since both the interviewer and the interviewee were present as the questions were being asked and answered. Moreover, the interviewer had the opportunity to observe both the subject and the total situation they were responding to. During the interview, there was the possibility of repeating or rephrasing questions to make sure that they were understood by the respondent for accurate responses. There was also room for probing. Thus, questions were also asked in order to clarify the meaning of responses.

#### 3.4.2 Documentary Search.

Secondary data on the legal and policy framework for fiscal management in Zimbabwe and information on the fiscal performance of the Chitungwiza local authority was collected through documentary search. Documentary search enabled the researcher to establish the relationship between the Chitungwiza municipality and the central government. This method involved the utilization of texts and documents as sources of information. The range of documents which the researcher used include publications such as books, newspapers, the internet, institutional reports, acts of parliament, government pronouncements and proceedings. The researcher selected authors, books, chapters and articles which had relevant information about local governance. The selection of these documents was based on the researcher's own judgement. The next step was to read through the texts, conceptualizing and assessing the documents.

Documentary search was used to collect data because the method is more cost effective than surveys, in-depth interviews or participant observation. Documentary research saved time, the

data was readily available and the records were not affected by the data collection process. Another advantage is that the researcher did not have to be present during the data collection process. To add to that, documents were very important in triangulation, where an intersecting set of different methods and data types was used. The researcher used this method of enquiry because documents are a rich source of information, whether historical or contemporary as they give a foundation of the situation before and they enable comparisons to be made. Hammersley and Atkinson (1995:173) argue that documentary products are especially important for providing a rich vein for analysis. However, it is regrettable to note that this method of inquiry is often neglected by many researchers, or when used, it only acts as a supplement to other general social science research methods (Punch 1998:190).

### 3.4.3 Surveys

The study made use of survey questionnaires in collecting data on the current fiscal performance of the Chitungwiza Municipality. The purpose of a survey was to collect quantitative information, usually through the use of a structured and standardized questionnaire. The research made use of questionnaires which were filled by residents of Chitungwiza. In this method, the researcher started by constructing a questionnaire, which consisted of a list of questions asked to respondents and designed to extract specific information. The questionnaires were hand-delivered to the respondents after communicating the purpose of the questionnaire and how the data obtained would be used. Respondents were then left to work on the questionnaires. The researcher then made follow-ups on the completed questionnaires.

This technique was selected because it has many advantages, for example, the questionnaires generally avoided interviewer bias because they were standardised. By its very nature, the questionnaire was very quick and less costly as compared to observations or interviews. Claire (1959:238) illustrates that it requires much less skill to administer and in fact questionnaires are often simply mailed or handed to respondents. Furthermore, questionnaires can be administered to a large number of individuals simultaneously and with considerable funds it is usually possible to cover a wider area and obtain more information. The questionnaire was used to collect many different kinds of information, for example, background information, biographical information,

and behavioural information. More so, the impersonal nature of a questionnaire, its standardised wording, its standardised order of questions and its standardised instructions for recording responses ensured some uniformity from one measurement situation to another.

When conducting surveys, the respondents have greater confidence in their anonymity. Thus, the respondents were free to express their views which they fear might be disapproved or might get them into trouble. Moreover, respondents could also work on the questionnaires at their own time. Thus they were more willing to take part without the feeling of being put under pressure.

### **3.5 Data Analysis Techniques**

#### **3.5.1 Statistical Package for Social Scientists**

Quantitative data collected using survey questionnaires was analysed using Statistical Package for Social Scientists (SPSS). SPSS is a software programmed on a computer to help analyzing quantitative data. For each question in the questionnaire, the researcher assigned a code for every possible response. Analysing data using SPSS involved the researcher entering data into columns, with each column being set up as a separate, defined variable. The data was then worked out using the menus to provide output (for example, tables and graphs) in a separate window. The researcher used this technique to analyse or measure aspects such as variation, standard deviation, mean, mode and median. SPSS also enabled the researcher to do cross tabulation from questionnaire responses. The researcher used this technique because it is fast and easy to use. SPSS also enabled the researcher to analyse data more fully than using spreadsheet programme such as Microsoft Excel.

#### **3.5.2 Thematic Analysis**

Responses from key informants were analysed using thematic analysis. This process involved identifying, analyzing and reporting patterns within data. In thematic analysis, the researcher grouped narrations into themes focusing on a particular issue. The researcher had to first familiarize with data through reading and re-reading data, noting down initial ideas. The next step involved coding interesting features of the data in a systematic fashion across the entire data

set. The researcher then went on to search for themes and then reviewed those themes. After this, the researcher had to define and name the themes. This was done through identifying the essence of what each theme was about and what aspect of the data each theme captured. Vivid and compelling extract examples were then selected for final analysis. The researcher then produced a report of the analysis.

The researcher chose this data analysis technique because it is relatively easy and quick. Thematic analysis is flexible which allows for a wide range of analytic options. The method is also suitable for researchers with little or no experience of qualitative research. Thematic analysis was useful in summarising key features of a large body of data. Through thematic analysis, the researcher was able to identify similarities and differences across the data set.

### 3.5.3 Content Analysis

Content analysis was used to analyse data collected through documentary search. According to Berg (1989:106), content analysis is a technique for making inference by systematic and objective identifying special characteristics of messages. In utilising this method, the researcher started by selecting the unit of analysis. The unit of analysis could be a newspaper article, pages in a book, a phrase, a word, a letter or a theme. In instances where the document was too large to be analysed in its entirety, the researcher used judgemental sampling in selecting the unit of analysis. The next step in the analysis process was for the researcher to try to make sense of the data. Key questions which guided the researcher in this process were “who said what, to whom, why, to what extent, and with what effect”. After reading through the textual data, the researcher went on to create categories by bringing together observations that were similar or related. When formulating these categories, the researcher came to a decision, through his own interpretation, as to which contents to put in the same category. The last phase of the analysis process was when the researcher produced a report of the results. The results of the analysis were the described contents of the categories, that is, the meaning of those categories. The content of the categories were described through sub-categories.

The researcher used content analysis because the method was cost effective. The material needed was easily accessible. In content analysis, large volumes of textual data and different textual sources could be used in corroborating evidence. To add to that, content analysis was used because of its flexibility in terms of research design. Content analysis technique was used because it is unobtrusive. It can be used nonreactively, thus, there was no need for the researcher to interview anybody or enter into a laboratory. Rather, books, newspaper articles and other documents allowed the researcher to conduct analytical studies. Furthermore, content analysis approach provided the researcher with the means by which to study trends.

### **3.6 Conclusion**

From the foregoing, the researcher juxtaposed qualitative with quantitative methods of inquiry. However, it should be noted that the researcher used qualitative techniques to a very large extent. Some research techniques were more suitable for some type of data than others. Therefore, the researcher's choice of a particular research technique was largely based on its appropriateness in line with the research objectives. It was also necessary for the researcher to triangulate these methods so that the phenomenon under study could be viewed from more than one angle.

## **4.0 CHAPTER FOUR: MAJOR FINDINGS**

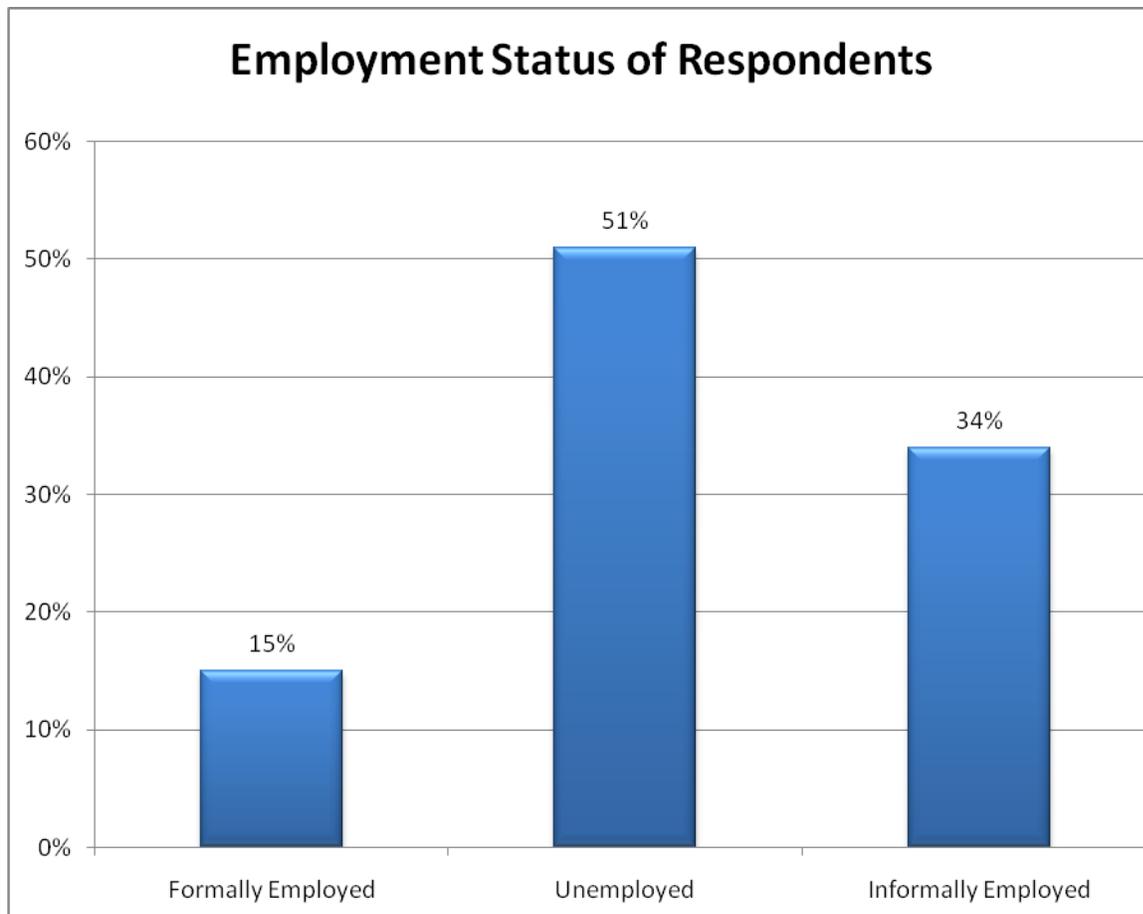
### **4.1 Introduction**

This chapter presents the major findings of the data gathered by the researcher. The major findings were obtained using data collection methods such as documentary search, key informant interviews and surveys. These major findings are presented and discussed in line with the objectives of the study.

### **4.2 Demographic Data**

A total number of 41 people were used as respondents in this study. The researcher interviewed three key informants from the University of Zimbabwe's Political Science and Administrative Studies Department (POLAD). The researcher also conducted key informant interviews with the CTC Chamber Secretary, the Director of Finance, Deputy Director of Finance, and one official from the Finance department, two councilors and two senior officials from the Ministry of Local Government Public Works and National Housing (MLGPWNH) in the Urban Local Authorities' department, an official from the Chitungwiza Residents and Ratepayers Association (CHIRRA). A total number of 30 questionnaires were administered to Chitungwiza residents. 54 % of the respondents were males and 46% of the respondents were females. The figure below shows the employment status of the questionnaire respondents.

Figure 1 Employment status of the respondents



Source: Fieldwork

The diagram above shows the employment status of the respondents to the questionnaire survey. 15 % of the respondents were formally employed, 51% of the respondents were unemployed and 34% of the respondents were informally employed.

### **4.3 Presentation and Discussion of Findings**

#### **4.3.1 Legal and policy framework governing fiscal management in Zimbabwean local authorities**

Documentary review established that the guidelines for the financial management of local authorities in Zimbabwe are provided for in the Urban Councils' Act [Chapter 29:15] of 1996 and the Rural District Councils' Act [Chapter 29:13]. For the purpose of this study, the researcher zeroed in on the Urban Councils' Act (UCA) since the research was focused on an

urban local authority. The UCA empowers urban local authorities with the fiscal authority to translate income and expenditure into concrete policy outcomes. A key informant interview with the Finance Director in the Chitungwiza Town Council (CTC) revealed that the municipality is also guided by the Financial Regulations which provide finer details on how funds are to be managed.

According to Pasipanodya et al (2000:189), urban local authorities derive their powers largely from the Urban Councils Act [Chapter 19:15] of 1996 which is administered by the Minister of Local Government Public Works and National Housing (LGPWNH). Additional fiscal powers are derived from other acts that are not administered by the Minister of LGPWNH. Examples of such Acts include the Water Act [Chapter 20:22], the Education Act [Chapter 20:04], the Public Health Act [Chapter 15:09] the Land Survey Act [Chapter 20:12], the Electricity Act [Chapter 13:05] of 1986, the Liquor Licensing Act [Chapter 14:12], the Roads Traffic Act [Chapter 13:11], Vehicle Registration and Licensing Act [Chapter 13:14] and the Deeds Registries Act [Chapter 20:05] among others. In addition to the above mentioned legislation, various Ministries are empowered to regulate local authorities' activities through various instruments. From the above, it can be observed that the existence of a paraphernalia of statutes brings in too many players in the operations of local authorities. This also has a constraining effect on the fiscal autonomy which local governments have to enjoy.

Section 288 of the UCA stipulates that at the expiry of every financial year, the finance committee shall draw up and present for the approval by the Council estimates in such detail as the council may require. The budget has to provide sufficient detail of the income and expenditure on revenue and capital accounts for the next financial year. The Director of Finance in the CTC explained that mobilization of funds is guided by both the legislation and government policy, for instance, local authorities have to submit some aspects of their budgets for approval by the Minister of Local Government. The Minister of Local Government has to approve tariffs and charges. The Minister of Health and Child Welfare and the Minister of Education Arts Sports and Culture also fix fees payable at local authority clinics and development levy payable at local authority schools. The fact that some tariffs are controlled by the central government leaves limited autonomy to local authorities.

The UCA states that property tax is a source of revenue for local governments (Section 269). Marumahoko (2010:45) argues that this is sensible because properties are easily manageable at local level as they constitute a visible, fixed and open indication of wealth. However, an academic from the Political Science and Administrative Studies department observed that it is regrettable to note that Section 270 of the same Act exempts government and public properties like state land and government buildings from being charged rates. Moreover, when state land is sold, the proceeds are usually taken by the central government with the local authority only getting development fees. Key informant interviews with the Deputy Director of Finance in the CTC revealed that local authorities do not gain much revenue from property tax. This point of view is also supported by Coutinho (2010:73) who admits that, on average, urban local authorities lose between 5% and 7% of revenue as a result of the exemption of high value government properties such as office blocks. It can therefore be argued that this exemption causes loss of revenue to urban local governments.

The UCA empowers the Minister of LGPWNH to control urban councils' expenditure at all levels. The Ministry of Local Government (2010:2) enforces a wage-service bill ratio of 30% to 70%. According to this formula, 70% of the budget should be used to fund projects such as water supply, sewerage works, road maintenance, street lighting, refuse removal and primary healthcare while 30% should be channeled towards salary obligations and other recurrent expenditures. Marumahoko (2010:54) remarks that local authorities are compelled to adhere to this requirement before the minister gazettes their tariffs. Ideally, the aim is to prevent the creation of "salary urban councils". However, in real practice most local authorities rarely stick to this formula. This view concurs with a senior official in the CTC's Finance department who disclosed that it is possible to manipulate figures to make sure that expenditures fall within the 30% to 70% ratio.

According to Section 311 of the UCA, the Minister has the powers to intervene into sub national governments' affairs by authorizing investigations into any feature of their' activities. Legally, he can dominate expenditure priorities and he can set aside the decisions of urban local authorities. The minister can disrupt council priorities on expenditure even when they were subject to legitimate public engagement processes. Marumahoko (2010:55) observes that urban

local authorities are granted powers to spend but their expenditure management is subject to control from the central government. Their discretion is constrained due to the fact that it is subject to central government approval. Thus they are obliged to work on a “hard budget basis”.

The legal framework within which urban local authorities may borrow is provided for in Section 290(1) of the 1996 UCA. According to the act, urban local authorities are prohibited from borrowing to finance recurrent expenditure programmes. They are allowed to borrow only for capital projects. Section 290(1) also provides a list of capital projects for which they may borrow funds. The conditions which an urban local authority should satisfy before being granted the permission to borrow are specified in Section 290(2) (a) of the UCA. The Minister of Local Government and the Minister of Finance have the discretion to grant borrowing powers. Procedurally, the council should make a resolution before requesting for a permission to borrow. The application for borrowing should state the projects for which borrowing is sought, the amount of money needed for implementing such projects and any objections that could have been raised by the public. Key informant interviews with officials in the CTC established that they were not happy with borrowing process which they viewed as very long and cumbersome.

According to the Act, the Minister has legal power to set restrictions on the period of the validity of the borrowing powers. Section 290(5) (a) lists sources from which local governments should borrow. A key informant interview with an academic from the department of Political Science and Administrative Studies at the University of Zimbabwe indicated that listing of the sources from which local authorities are allowed to borrow limits local authorities’ autonomy to access funds from other lending institutions of their choice. There exists a requirement that funds borrowed may not be used for any purposes other than those for which borrowing powers had been granted. This argument was also supported by the CTC’s Director of Finance who remarked that this requirement is an important mechanism for making sure that funds are supposed to be used according to set out plans thereby instilling fiscal discipline in local authorities. However, in reality funds are rarely utilised for their intended purposes due to problems of corruption and embezzlement of funds.

Fiscal management in Zimbabwean local authorities is also guided by the central Public Sector Investment Programmes. Key informants in the CTC’s department of Finance mentioned that the

central government through the MLGPWNH provides funds to the municipality under the Public Sector Investment Programme (PSIP) although there is a significant decline in the amount of money provided due to economic hardships that the country is currently facing. These programmes denote conditional grants given to local governments to assist in the renewal of urban infrastructure, for example, the expansion of sewerage works. In 2005, the Cabinet approved the Local Authorities Revitalisation Policy. This policy provides the framework for improving local authorities and enabling them to provide the services expected of them. This will be achieved through the provision of financial assistance by government in the form of grants and loans for both capital and recurrent expenditure.

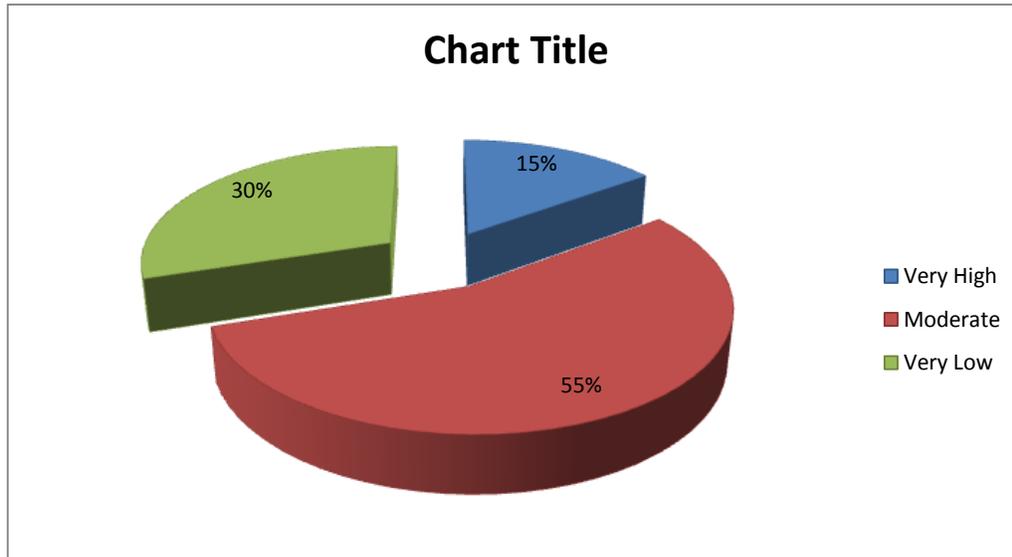
#### 4.3.2 The current fiscal performance of Chitungwiza Municipality

Key informant interviews with officials from the CTC's Finance department disclosed that over the past five years there has always been a negative balance between revenues and expenditure with income inflows being lower than the estimated figures. For instance, in the year 2013, the authority only managed to collect just above US\$4 million against a set target of US\$12 million. As a result, the Council had to cut on its expenditure which negatively affected service delivery and led to the accumulation of salary arrears. This means that the local authority has been unable to balance its budget without recourse to an end of year assistance from the central authority. This position was also supported by the survey carried out in the Chitungwiza community in which 80% of the residents were of the opinion that there exists a misalignment between the CTC's revenues and expenditures.

A key informant in the CTC's Finance department observed that the local authority's revenue generation is constrained by the setting of sub-economic charges on ratepayers. This concurs with Coutinho (2010:14) who remarked that most of the fees set do not allow for cost recovery. Key informant interviews with officials in the CTC's Finance department established that the CTC is currently charging residents US\$20.00 per month excluding water and refuse charges. This was also supported by the results of the survey in which 55% of the population indicated that the rates being charged were moderate, 15% said that they were very high and 30% said they

were very low. The chart below shows the residents' views on the rates being charged by the municipality.

Figure 2: Residents' view on rates charged by the municipality



Source: Fieldwork

In spite of the above figures, the CTC still faces the challenge of nonpayment of bills by the residents. It has been noted that residents rarely settle their bills on time in protest against erratic services. The setting of fees is also susceptible to political manipulations as various groups contesting for political power may use residents' concerns about high user charges for political mileage (Coutinho 2010:14). According to Jonga and Chirisa (2010:8), there is always pressure to relax tax administration in periods leading to elections, for example, the cancellation of residents' bills towards August 2013 general elections. Key informant interviews with the Director of Finance in the CTC unveiled that the Minister's directive to cancel residents' bills made the authority to lose approximately \$32 million worth of revenue. The CTC's Finance Director went on to say that the cancellation of residents' bills led to the authority being broke and anxious about how it would be able to repay the millions it owed financial institutions. Data gathered through key informant interviews with a lecturer from the University of Zimbabwe's department of Political Science and Administrative Studies illustrated that the directive was an

uneconomic political gimmick meant to buy votes since the directive was announced just before August 2013 general elections. Consequently, service delivery plummeted and the CTC had to grapple with the issue of unpaid salaries to its employees.

A key informant interview conducted with the Chamber Secretary in the CTC indicated that some of the fees to be administered by the urban local authority like health and education fees are not usually determined on cost recovery basis. These fees are largely influenced by the central government's broader policy objectives, for example, in the Millennium Development Goals, the government seeks to ensure health for all and basic primary education for all. Therefore, the setting of these fees will be done in such a manner that low income earners are not supposed to be left out of these government programmes. This implies that the fees charged usually fall way below operational costs hence local authorities are forced to rely on other sources of income to fund the provision of these services.

Key informant interviews with the CTC's Chamber Secretary established that the central government through the MLGPWNH provides funds to the municipality under the Public Sector Investment Programme (PSIP). However, there is a marked decline in the amount of money provided due to economic hardships that the country is facing. A senior official in the CTC interviewed through key informant interviews established that the central government ceased to lend money to the local authority since the year 2012. The same official further added that financial assistance from international financial institutions and other donor agencies have dwindled for the past five years. Owing to their lack of confidence in the CTC's financial management capabilities, donor agencies have now shifted from offering grants to offering technical assistance or equipment for service delivery. Key informant interviews with the CTC's Director of Finance unearthed that UNICEF drilled boreholes which help in the provision of water to residents, Japan bought refuse collection trucks (orange in colour) and equipment for sewer treatment works and road maintenance. From the above examples, it can be observed that these efforts from donors have tremendously helped the authority in the provision of services to the community and this new approach is suitable for minimising cases of corruption and mismanagement of funds. However, this has done very little to ease the CTC's financial woes.

Information gathered through key informant interviews with a senior official in the MLGPWNH's Urban Local Authorities department indicated that the CTC has failed to stick to the service-wage bill ratio of 30% to 70%. Documentary search from the Sunday Mail dated 04 February 2012 reported that there was rampant abuse of funds in CTC, with managerial salaries gobbling up a significant chunk of the revenue. According to the newspaper article cited above, the monthly bill for the management alone was at US\$ 299 179 with the CTC's top employee taking home US\$31 000 monthly excluding perks and allowances. From the above, it can be noted that when more than half of the Municipality's revenue is being channeled towards salaries, this constitutes a breach of the 30% to 70% service-wage bill ratio stipulated by the MLGPWNH. This obviously implies that there will not be enough money for the provision of services hence poor service delivery.

Documentary search from newspapers also revealed that the CTC has been involved in corrupt activities that undermine sound fiscal management. According to an article in the Newsday written by Langa (2013:4) dated 20 December 2013, the CTC is alleged to have been implicated in a land scam in which the local authority sold 11 000 nonexistent residential stands to 15 000 desperate Nyatsime home seekers and later reduced the stand sizes to accommodate the extra 4 000 buyers. According to the above cited Newsday article, the council then demanded top-up fees ranging between \$900 and \$2 800 from prospective home owners and then used the money for the payment of salaries and the purchase of luxury vehicles for the top officials. One can observe that these instances indicate massive corruption and abuse of devolved fiscal powers since the authority used funds for developing residential stands for some purposes other than the intended one. A CTC councilor interviewed by the researcher through a key informant interview commented that the municipality acted in bad faith thereby creating mistrust from both the residents and the central government. This view is in harmony with the results of the survey conducted in which 85% of the residents responded that they do trust the CTC. Thus, the central government has every reason to intervene to ensure that the interests of the public are safeguarded.

#### 4.3.3 The necessary conditions for fiscal decetralisation

Marumahoko (2010:54) advances that fiscal decetralisation needs to be built on the basis of a robust and clearly defined constitutional and legal framework. The constitution must acknowledge the existence of local governments as the case in South Africa and India. These sentiments were also echoed by an academic from the University of Zimbabwe's Political Science and Administrative Studies department who said that constitutional recognition of urban local authorities forms the foundation for fiscal autonomy. The absence of constitutional recognition of the existence of local authorities makes it difficult to make financial arrangements for them since they lack fiscal autonomy. The author further argues that there should also be a constitutionally defined formula for intergovernmental fiscal transfers (Ibid). Key informant interviews with the Deputy Director of Finance in the CTC revealed that Zimbabwe lacks a constitutionally protected intergovernmental financial transfer system hence the central government employs a piecemeal approach to intergovernmental transfers. The official further mentioned that since the UCA does not provide for intergovernmental fiscal transfers, the CTC cannot legally challenge the central government to provide grants to them. From the above, it can therefore be argued that an enabling legal framework is a necessary precondition for fiscal decetralisation.

All the three academics interviewed as key informants concurred that fiscal decetralisation flourishes in an environment where there exists consistency in government policy. The government has to exercise consistency in its policy. Since fiscal decetralisation entails a departure from the central government's paternalistic approach to intergovernmental relations, the central government has to set out clear rules and policy guidelines for this policy approach. However, experience reflects that the central government does not always keep the rules it makes, for example, through the imposition of unfunded expenditure mandates on local governments, the undermining of transfer programmes and the reassignment of expenditures without commensurate reassignment of revenues.

Data collected using key informant interviews with academics in the Political Science and Administrative Studies department at the University of Zimbabwe established that there is need for a well crafted and comprehensive decentralisation policy for fiscal decetralisation to take place. The policy should have been designed in a manner that meets its objectives and that the

policy implementation should address many dimensions of fiscal decentralisation. This is particularly important in the sense that many fiscal decentralisation policies often fail more than they succeed because they would have been poorly conceived. This idea concurs with Bahl (1999:7) who maintains that it is not correct to think of fiscal a decentralisation programme as no more than a revision of revenue sharing or the upgrading of property tax administration. This “one dimension” approach may not produce successful results because other elements crucial to capturing the benefits may not have changed in a supportive manner, or may even work to yield offsetting results (Ibid). For instance, South Africa has assigned significant non-property taxing powers to local governments, including a payroll and turnover tax, and has granted local authorities some borrowing powers. However, the government has not enforced a hard budget constraint to force efficient use of these instruments. This reflects the problems of using a piecemeal approach to fiscal decentralisation.

One CTC councilor interviewed as a key informant proposed that there is a need to have political autonomy for fiscal autonomy to be realised. This means that local authority leadership should have been elected by local residents. If a leadership is appointed by the central government, it is accountable upwards and not downwards to the local community. An official from the Chitungwiza Residents and Ratepayers Association (CRRA) who participated in the research as a key informant also hypothesised that there is also a need for the CTC to appoint local administrators. Otherwise, fiscal decentralisation will not be locally directed and services rendered by the local government will be a reflection of the wishes of the central authority which runs counter to the virtues of decentralised development.

Bahl (199:17) suggests that for fiscal decentralisation to succeed there is a need for a champion. There is a need for somebody who will advocate, uphold or defend the fiscal decentralisation approach. This champion can be in the form of the parliament, the voters, the president, external donors or the local authority. This factor is very critical especially if the champion wields political power and influence. To add to that, there should also be political will, especially from the central government, to seriously commit itself to relinquish some of its powers to lower levels of government. However, political will is not always available from the central government.

#### 4.3.4 The positive and negative effects of fiscal decentralisation on local authority service delivery

An official interviewed in the CTC's Finance department through a key informant interview revealed that fiscal decentralisation can lead to improved service delivery due to increased revenue mobilization. Overall revenue mobilization capacity can be improved due to a broadened tax net. Since local authorities are familiar with the tax base, they can be in a better position to capture this base. Local authorities have greater flexibility to explore other potential sources of revenue as compared to the central government. Another official from the Finance department in the CTC indicated that the authority operates twenty beer halls and twenty bottle stores and lets out butcheries. Increased revenues can lead to improved service delivery in the sense that the local authority will have more money to spend at its disposal. However, it is important to note that increased revenues may not necessarily translate to an improved service delivery.

According to a lecturer in the Political Science and Administrative Studies department who was interviewed through key informant interviews, the most important effect that fiscal decentralization has on governance is that of bringing government closer to the people. The lecturer further explained that when the government is brought "closer" to the people, it favours society's scrutiny of public sector actions and this leads to increased accountability. According to Bahl (1999:4), when preferences among voters are diverse and local authorities have the responsibility for delivering those services that do not have major external effects, the potential benefits include better public services, better accountability on the part of government officials, more willingness on the part of citizens to pay for the services, and hopefully "development from the bottom" (Ibid). Thus, fiscal decentralisation creates opportunities for public participation. This was also supported by the director of Finance in the CTC who argued that residents participate in decision making through consultations made in the initial stages of the budget making process. However, this is in contrast with the results of the survey conducted in which 80% of the respondents said that the CTC rarely consults residents when planning its programmes.

An academic from the University of Zimbabwe's POLAD department interviewed through a key informant interview submitted that electoral accountability is the main force through which fiscal

decentralisation can stimulate more efficient government activity. This is also supported by Porcelli (2009:6) who hypothesised that local elections provide accountability through the “election effect” and the “election incentive discipline”. Thus, voters can choose not to re-elect bad incumbents at the same time bad incumbents have an incentive to improve the quality of government services in order to increase the probability of them being re-elected. However, this is in contrast with Jin and Zou (2001:273) who insist that the citizen participation hypothesis does not hold water if one considers the electoral behaviour in most developing countries. Where local elections exist, they are usually decided on the basis of personal, tribal or political loyalties and not on the basis of one’s ability (Ibid). In such instances, fiscal decentralisation does not necessarily lead to improved efficiency in service delivery.

Fiscal decentralisation leads to a leaner government which leads to improved efficiency in service delivery (Ibid). This concurs with the views of Porcelli (2009:2) who suggests that fiscal decentralisation can be a mechanism for constraining the expansionary tendencies of government and stem its inefficient behaviours. Moreover, when mobile citizens seeking maximum fiscal benefits “vote through their feet”, it creates competition among jurisdictions. This point was also put forward by an official from the CTC’s Finance department who commented that fiscal decentralisation presents citizens with an opportunity to make comparisons of tax policies and the quality of service delivery offered in their own jurisdiction with those offered in other regions. Thus, it can be noted that competition among sub-national governments encourages local authorities to explore and implement least cost mechanisms in the production and supply of services hence increased efficiency.

Key informant interviews held with academics in the Political Science and Administrative Studies department at the University of Zimbabwe indicated that fiscal decentralisation disturbs central government’s national development programmes. This argument was supported by a senior official in the MLGPWNH who maintained that the central government is usually concerned with projects that have large externalities such as infrastructure investments which are critical for national economic development. If decision making authority is transferred to local governments, it means that preferences will be made towards projects with local benefits, (for

instance, small rural electrification) at the expense of national investment programmes, for example, trunk highways. This means that local authority service delivery will improve at the expense of national public service delivery.

#### 4.3.5 Intergovernmental relationship between the Chitungwiza City Council and the central government in fiscal management

Key informant interviews conducted with officials in the CTC revealed that there exists a close relationship between the CTC and the central government in matters such as budgeting, tariff setting, expenditure management and staffing of senior positions in the municipality. However, there exists an “unequal” relationship between the local authorities and the MLGPWNH. This concurs with the comments made by one of the academics interviewed as a key informant in the department of Political Science and Administrative Studies who remarked that the relationship between the MLGPWNH and the CTC is analogous to that of a “master-servant” with the MLGPWNH assuming a dominant role and the local authority a subordinate role.

According to the UCA, the local authority has to come up with estimates of revenues and expenditure programmes in executing their mandates. However, in real practice, the Minister has control over the whole budgetary process through the imposition of tariffs and supplementary charges for high density suburbs. A senior official in the CTC mentioned that the MLGPWNH controls all funding and expenditure arrangements for the authority. This notion is supported by Marumahoko (2010:55) who observes that in some cases the Minister may even suspend expenditure powers of the local authority and opt to direct expenditure processes from the centre. According to the UCA, the Minister may also investigate any expenditure operation and he approves the local authority’s borrowing powers. A senior official in the CTC remarked that although the organisation has the autonomy to run its affairs, it still reports back to the Minister of Local Government who is the “boss”.

An academic in the POLAD department interviewed as a key informant pointed out that the CTC largely depends on the central government for funds to finance its budget deficit since its income is generally lower than its expenditure. Moreover, documentary review revealed that the Municipality is financially incapacitated due to the economic crisis that affected the country for

the past decade and as such it is forced to depend much on the central government funding in the form of grants. In most cases, these grants come with strings attached thereby relegating the local authority to a merely implementing agency of the central government. Councilors who were interviewed as key informants bemoaned that this scenario has created a dependency relationship whereby the periphery always looks up to the centre for financial assistance. This concurs with what Pfeffer hypothesized in his Resources Dependency theory (Pfeffer and Salancik 1978:24).

Key informant interviews conducted with academics in the University of Zimbabwe's Political Science and Administrative Studies department revealed that the relationship between the local government and the central government is characterised by controversy. The relationship between these two forms of government has been marred by accusations and counter accusations. This concurs with Madhekeni and Zhou (2012:19) who posit that,

Local authorities have traded blows with central government particularly accusing the responsible Ministry of reducing them to spectators in their own field through excessive ministerial intervention. Meanwhile the Ministry of Local Government has cracked the whip on local authorities accusing them of mismanagement and compromised service delivery. The independent media has described the scenario as a "Bloodbath" in local authorities.

Officials interviewed in the MLGPWNH supported central government's control of the CTC citing that in the face of rampant corruption and abuse of funds, the local authority cannot be left on its own as there is a danger that the authority may abuse ratepayers' money. These officials justified their position citing publicised stories of alleged corruption by CTC's top management in the media.

#### 4.3.6 Sustainable interventions of enhancing fiscal performance in local authorities

Marumahoko (2010:54) suggests that local authorities should have access to sufficient revenues for them to be able to provide all the services that they are mandated to at a standard which is acceptable. The results of the survey conducted by this researcher revealed that 65% of the residents rated increasing the financial resources of the local authority as a very important element in the management of the CTC. A top official from the CTC suggested that local authorities must be granted more powers to raise revenues so that they can be in a position to fund service delivery using their own resources.

There is also a need to increase local governments' powers to independently manage their expenditures. However, there is a need to strike a balance between local authorities' revenues and expenditures. An academic from the University of Zimbabwe's POLAD department interviewed as a key informant proposed that local authorities' fiscal performance can be enhanced if the assignment of expenditure responsibilities is followed by a significant amount of taxing powers and significant budget autonomy. However, the same academic also advised that there is need to employ consistent monitoring mechanisms since local authorities have a high propensity to abuse this fiscal autonomy.

All the academics who were interviewed through key informant interviews agreed that for any meaningful fiscal decentralisation be realised, there should be hard budget constraints. This means that the local authorities should be able to balance their budgets without recourse to any end of year assistance from the central authority (Bahl 1999:6). Although it is quite difficult, if this rule is religiously adhered to, local authorities will be made to believe that they are "on their own" hence they will put their fiscal houses in order (Ibid). This is a generally shared sentiment among top officials from the MLGPWNH's Urban Local Authorities section who reasoned that hard budget constraints compels local authorities to live within their means and forces officials to be accountable for the hard decisions they make. The hard budget constraints entail measures like the removal of deficit grants, removing bailouts on delinquent debt and removing central authority's coverage of year-end shortfalls on certain expenditure items. The effect of hard budget constraints is to instill fiscal discipline in local authorities and to make them learn how to independently manage their own finances with minimum central government assistance. However, experiences in Zimbabwe and other countries referred to in the earlier sections of this study reflect that the central governments often prefer to hold on to a paternalistic approach to intergovernmental fiscal relations.

An academic from the University of Zimbabwe who was interviewed as a key informant suggested that there is a need to develop an early warning system which will enable the central government to take pre-emptive measures to correct signs of fiscal distress in local councils. Moreover, fiscal performance of local authorities can be enhanced through the reduction of central government's approval of individual local authority borrowings and establish a general

debt limitation provision which uniformly applies to all borrowers Pasipanodya (2000:239). For instance, debt legislation in Brazil stipulates that debt service must be less than 15 % and in Hungary debt service cannot exceed 70% of own resources (Ibid).

#### **4.4 Conclusion**

From the foregoing, it can be observed that the shifting of revenue and expenditure management from the central government to sub national units is critical in improving service delivery in local authorities. Theoretically, fiscal decentralisation has great potential to improve local governance. However, major research findings in this study point to the effect that the approach is difficult to put into practice in the Zimbabwean local government context. This is mainly because the legislative framework governing how local authorities operate tends to deny them the autonomy to manage their affairs without or with minimum central government control.

## **5. 0 CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the conclusions reached on the utility of fiscal decentralisation in local governance. The conclusions reached are presented in line with the objectives of the study and the findings from the data gathered. This chapter also presents recommendations which can be adopted to enhance fiscal performance in local authorities.

### **5.2 Conclusions**

In simple terms, fiscal decentralisation involves a deliberate transfer of revenue and expenditure functions and responsibilities from the central government to lower levels of government. Ideally, fiscal decentralisation calls for the expansion of local authorities' fiscal discretion. There are four major elements of fiscal decentralisation which are revenue, expenditure, intergovernmental transfers and borrowing.

For fiscal decentralisation to be practically applicable, there is a need to strike a balance between expanding local authorities' devolved fiscal autonomy and reducing central government's powers and control of local authorities. To strike this balance, the perceived benefits of fiscal decentralisation need to be carefully weighed against its potential risks. It is not easy to achieve a balance between the need to expand sub national fiscal autonomy and national government's centralizing tendencies since increasing local authorities' fiscal autonomy will only be done at the expense of the central government. The legal, political and economic environment prevailing in Zimbabwe and most developing countries is not conducive for fiscal decentralisation to effectively take place. It has also been observed that local governments usually do not have the necessary financial capacity to deliver public services on their own. At the same time central governments often lack the financial capacity to fund local authorities to execute their mandate or to fund the provision of services on their own.

In most countries, the legal and policy framework is not conducive for fiscal decentralisation. There are usually no explicit constitutional provisions for fiscal autonomy of urban local

governments. The resultant feature is the absence of a constitutionally recognized formula for intergovernmental fiscal transfers. There are statutes or policies which provide the legal framework within which local authorities should raise revenues and spend their funds. The budgetary and borrowing procedures are usually spelt out in these statutes. In Zimbabwe, for example, there is the Urban Councils Act of 1996 which is administered by the Ministry of LGPWNH. It has been observed that the central government plays a dominant role in the fiscal management of local authorities, starting from the estimation of revenues and expenditures up to the actual execution of the budget. The central authority sets guide lines for setting charges and the local authorities have to operate within those limits for their budgets to be approved. This arrangement perpetuates the dominance of the central government in the management of the local authorities' operations. Zimbabwe has a 30% to 70% service- wage bill ratio which is a noble mechanism for preventing the creation of salary urban councils. However, it has been observed that sub national governments rarely adhere to this formula as evidenced by many publicised cases of local authorities spending more than half of their revenue on salaries. It is necessary for the central government to intervene in local authorities' expenditure activities to make sure that residents are protected from the negative effects of fiscal mismanagement in local authorities. However, the intervention is often excessive and it is sometimes done for political expediency. The borrowing procedures set out in the statutes governing local authorities helps to ensure that they borrow in an orderly and systematic manner and to ensure that sub national debt remains within manageable levels. However, the borrowing process takes a ponderous routine. The same also applies to the approval of tariff adjustments which also takes a long time. This is not suitable in the ever-changing environment in which local authorities have to keep abreast with the current economic trends.

Local authorities' fiscal performance can be described as generally poor due to the existence of a misalignment between their revenues and expenditure. Income inflows are generally lower than the estimated ones due to the problem of setting uneconomic charges and nonpayment of bills by residents among other challenges. The central government has since reduced funding of the municipalities due to financial constraints. Owing to their mistrust of the local authorities' financial management capabilities, donor agencies have opted to offer technical assistance which is not in monetary form. All this led to a decline in service delivery and the development of

salary arrears. Publicised cases of corruption and payment of top management hefty salary perks also reflects unsound fiscal management.

The positive effects of fiscal decentralisation on local authority service delivery include increased accountability of public officials, improved efficiency in service delivery, increased financial resource mobilization capacity, increased public participation, increased responsiveness of services rendered to citizens, reduction of corruption and the bringing of stability in politically volatile systems. Like any other social science theory, fiscal decentralisation is not fool proof. The negative effects of fiscal decentralisation on service delivery include among others decreased efficiency, increased costs of service provision, greater regional inequity in development and macroeconomic instability.

There is coexistence between the local government and the central authority. Their roles complement each other with the central government making policies whilst the local government implements the policies. However, more often than not, the central government has been found usurping the fiscal functions of the local authorities. This results in local authorities being financially incapacitated hence they largely depend on the central government for funding in the form of grants. Therefore, local authorities are left with no choice except to act according to the dictates of the central government. The central government is responsible for monitoring all local government fiscal functions. However, the monitoring is sometimes unnecessarily excessive such that it is now tantamount to intrusion as the central government invades the little fiscal space which the local authority has. As a result, most local authorities now view the central government as an intruder thereby creating a relationship which is not conducive for improving service delivery.

An enabling legal framework is a prerequisite for fiscal decentralisation. The constitution of the country should acknowledge the existence of local authorities. This brings about an element of legitimacy. There is also a need to have a constitutionally based formula for intergovernmental fiscal transfers so that the local authorities can be in a position to legally challenge the central government for failing to fulfill its obligation to fund them. The fiscal decentralisation policy should also be designed in a manner that addresses all elements of decentralisation. Fiscal decentralisation can be easily effected in local governments where the leadership has been elected

by local residents and not imposed or appointed by the central government. There is also a need for a champion who will defend and mobilize support for fiscal decentralisation. The approach is therefore likely to succeed if the champion is someone of high authority and status, for example, the President. This is lacking in most situations.

Fiscal performance in local authorities can be enhanced by making sure that expenditure mandates match financial resources. This will avoid the problem of unfunded mandates. Local authorities should be given more power to raise their own revenues and even explore new ways of generating income. The central government has to increase local governments' taxing powers and also the tariffs set should be economic. There is a need to minimize central government involvement in the expenditure management of the local authorities. Expenditure guidelines, for instance, the 30 % to 70% service-wage bill in Zimbabwe should be fully implemented by all local authorities and mechanisms should be developed to ensure that all local authorities stick to these guidelines. Local authorities should also use modern management methods like commercialization, privatization and contracting out. The local governments should make use of information communication technologies (ICT), for instance e-billing which is very convenient.

This study adopted the Resource Dependency theory as its theoretical framework. The theory asserts that an organisation's behaviour is a reflection of its dependence on external resource and the ensuing demands of a donor controlling those critical resources. The more an organisation depends on external resources, the more the demands of the particular actors controlling those resources become more influential. Local authorities heavily depend on the central government for financial resources to provide services to the people. The central government has the legal authority to make funding and spending arrangements for local authorities through the setting of tariffs and approval of borrowing powers. Moreover, the central authority also funds local governments through the provision of grants that are usually conditional. The periphery lacks enough financial resources to adequately provide services without assistance from the centre. Since the centre has legal powers to control the periphery's access and use of financial resources, the local authority has to operate according to the dictates of the central government.

### **5.3 Recommendations**

The powers of the central government in local governance should be reduced. The central authority should be confined to policy making whilst the local authority implements the policies. Some sections of the acts governing local governments' operations should be amended in a manner that ensures increased fiscal autonomy is granted to local authorities.

Local authorities should be granted more taxing powers and government property should be taxed. There should be an effective enforcement method like summons to residents to ensure that ratepayers settle all their bills. The local councils should create incentives like a discount for ratepayers who settle their bills on time. Other income generating projects should also be implemented. The borrowing procedure for local governments has to be simplified to ensure that local authorities have quick and easy access to loans. The central government should give local authorities more space to choose a financial institution of their choice when borrowing. This will help increase the council's revenue mobilization capacity.

The central government should refrain from excessive interference into expenditure operations of the local authorities by confining itself to broader policy issues whilst the local authorities perform the day to day administrative functions with minimum supervision. However, there should be close monitoring of these local governments to reduce instances of mismanagement. Officials who are found guilty of mismanaging rate payers' money should be punished. Locally elected officials should be trained on public finance management so that they can meaningfully contribute in the local governments' fiscal management discussions.

The hard budget constraints approach should consistently be in place to ensure fiscal discipline in local authorities. The central government should introduce incentives to induce competition for sound fiscal management, for instance, a local authority which demonstrates sound fiscal management, and whose debt is below set limits is allowed access to markets without obtaining borrowing powers from the central government.

## **5.4 Conclusion**

Fiscal decentralisation presents a workable policy intervention strategy for improving service delivery in local authorities due to its many perceived virtues. However, an analysis of the

various forms of interaction between the central government and the municipality reflects that the central government assumes a dominant role in almost all aspects of local governance. The insubordination of the local authority by the central government negatively affects service delivery. Therefore, local authorities need to be granted more fiscal autonomy for it to improve its service delivery system.

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## **APPENEDICES**

### **APPENDIX 1: INTERVIEW GUIDE FOR AN ACADEMIC**

1. Legal and policy framework for fiscal management in Zimbabwean local authorities
2. Fiscal performance for Chitungwiza Town Council
3. The concept of fiscal decentralization.
4. Likely benefits of fiscal decentralization
5. Perceived demerits of fiscal decentralization
6. Centre-local fiscal relations
7. Recommendations to improve fiscal performance

## **APPENDIX 2: INTERVIEW GUIDE FOR CHITUNGWIZA MUNICIPALITY**

### **EMPLOYEES**

- Legal framework guiding how to raise funds and how to spend them
- Major sources of the Council's funds
- Council's major expenditure items
- Balance between revenue and expenditure.
- Freedom to raise and spent money.
- Financial relationship between the Municipality and Ministry of local Government
- Challenges in financial management.
- Recommendations to improve fiscal management

**APPENDIX 3: QUESTIONNAIRE FOR CHITUNGWIZA RESIDENTS**

*University of Zimbabwe*

*Faculty of Social Sciences*

*Department of Political and Administrative Studies*

*Questionnaire for Residents of Chitungwiza*

*My name is Michael Tonhodzai and I am a postgraduate student at the University of Zimbabwe in the Department of Political and Administrative Studies. I am working on my Dissertation in partial fulfillment of a Masters in Public Administration Degree. My research topic reads: “The Utility of Fiscal Decentralisation in Local Governance: The case of Chitungwiza Municipality”. The information you will provide is going to be used for academic purposes only.*

**SECTION A: Demographic Data/Personal Details**

**1. Name of the residential area.....**

**2. Profile of the respondent** (Please indicate your response in the empty box)

Male	
Female	

How old are you?		
16-25 years	1	
26 – 35 years	2	
36 – 45 years	3	
46 and above	4	

**3. How long have you been staying in Chitungwiza?**

a) Two years and below	1	
b) Four years	2	
c) Six years	3	
a) Eight years	4	
a) Ten years and above	5	

**4. Highest level of Education**

Less than O level	1	
O level	2	
Advanced Level	3	
University/Tertiary level	4	

**5. Occupational Status**

a) Unemployed	1	
a) Formally employed	2	
a) Informally employed	3	

**SECTION B: Service Provision****1. Do you have some knowledge on how the Town Council operates?**

Not at all	1	
Very little	2	
Yes	3	

2. **In your opinion, what do you think is the most important service that is currently being provided by the Town Council to the community?**

Provision of water	1	
Removal of waste/garbage	2	
Road maintenance	3	
Residential stands	4	

3. **How often do you get your bins emptied or waste collected?**

After every week	1	
After every two weeks	2	
After every three weeks	3	
After a month	4	
It is not known	5	

4. **How long do you usually go without piped water?**

One day	1	
Two days	2	
Two weeks	3	
One month	4	
It is not known	5	

5. **Can you comment on the state/condition of the roads in Chitungwiza community?**

Excellent	1	
Good	2	
Fair	3	
Bad	4	
Poor	5	

6. **How fast is the Municipality in responding to emergencies like burst water pipes, burst sewage pipes and potholes on the road?**

Very fast	1	
Fast	2	
Slow	3	
Very slow	4	

7. **Can you give your opinion on the Council's performance over the past five years?**

It has improved a lot	1	
Slightly improved	2	
It did not improve/remained the same	3	
It is declining	4	
It went from bad to worse	5	

8. **In your view, what would be your overall comment on the services being delivered by the Town Council to the community?**

Excellent	1	
Good	2	
Fair	3	
Bad	4	
Poor	5	

**SECTION C: Revenue and Expenditure**

9. **Are you able to pay your bills to the Town Council on time?**

<b>Yes</b>	<b>1</b>	
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<b>Yes, but with some difficulties</b>	<b>2</b>	
<b>No</b>	<b>3</b>	

**10. Can you give your opinion on the fees or rates being charged by the Municipality?**

Very high	1	
Reasonable	2	
Very low	3	

**11. Given your opinion on the council's performance, are you willing to pay for the charges,**

Yes	1	
No	2	

**SECTION D: Transparency**

**12. Comment on the openness with which the Municipality's operates in its management.**

Always open	1	
It is sometimes open	2	
It is always secretive	3	

**13. Do you get feedback (for example, financial reports) from the Municipality?**

No	1	
Yes	2	
N/A	3	

**14. How accessible are the Council's officials?**

Always accessible	1	
Sometimes accessible	2	
Not accessible	3	
Only accessible during election time	4	

**SECTION C: Participation**

**15. How often does the Town Council ask for your opinions or when planning its programmes?**

It always consult residents	1	
It sometimes consult	2	
It does not consult at all	3	

**16. In your view, do the municipality's policies and programmes address the problems or demands of Chitungwiza residents?**

Yes	1	
No	2	
N/A	3	

**17. Does the Municipality give you the opportunity to take part in implementing its programmes?**

Yes		
No		
N/A		

**18. As a resident of Chitungwiza, how do you view the importance of the following factors in the management of the municipality?**

	Very		Not very	Don't know
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	Important	Important	important	
Participation	1	2	3	4
Transparency	1	2	3	4
Being given feedback	1	2	3	4
Increasing council's financial resources	1	2	3	4

**SECTION E: Relationship between the Municipality and the Central Government**

- 19. In your view, do you think that there is a need for the Ministry of Local Government to supervise how the Municipality operates?**

Yes	1	
No	2	
N/A	3	

- 20. What is your opinion with respect to central government involvement in the financial management of the Town Council, for instance, the directive to cancel residents' bills?**

It is necessary	1	
It is unnecessary	2	
It constitutes interference	3	

- 21. In your opinion, who do you think should be given the responsibility to provide goods and services to you?**

The Town Council	1	
The central government/the Ministry of Local Government	2	
Private organizations/companies	3	

Residents' Associations	4	
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**22. Do you have trust or confidence in the ability of the Town Council effectively to deliver goods and service to the community?**

Strongly trust it	1	
Fairly trust it	2	
Do not trust it at all	3	

**23. How would you describe the Council's relationship with the Ministry of local Government?**

Poor	1	
Fair	2	
Good	3	
Excellent	4	

**THANK YOU**