The Utility of Fiscal Decentralization as a Local Governance Reform Strategy in Zimbabwe

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Abstract
This study interrogates the utility of fiscal decentralization as a local governance reform strategy in Zimbabwean local government authorities using Chitungwiza Municipality (CM) as a case study. The study explores CM’s fiscal performance and the necessary conditions that are conducive for fiscal decentralization to take place. The research further analyses how fiscal decentralization can either positively or negatively affect service delivery at the local government level. The final focus of the study is on an investigation of the relationship between the central government and local government entities in as far as fiscal management is concerned and how that relationship can benefit from the proposed sustainable mechanisms advanced in the paper aimed at improving fiscal performance in local government authorities.

Keywords: Decentralization, central and local government relations, fiscal management, budgets, service delivery

1. Introduction
The main thrust of the study is to interrogate the utility of fiscal decentralization as a strategy of improving fiscal performance of local governments and service delivery in Zimbabwe using the Chitungwiza Municipality (CM) as a case study. According to De Mello and Fukasaku (1999: 9) fiscal decentralization refers to the devolution of taxing and spending powers to lower levels of government. The process involves the transfer of authority and responsibility for public finance management functions from the central government to subordinate or quasi-independent organizations or the private sector (De Mello (2000:365). In an ideal scenario, fiscal decentralization reforms shift financial resources management and decision making from the national to the local government level. The shifting of revenue and expenditure management decisions from the central government to sub national units is critical in improving service delivery as it makes the local government units directly accountable for the use of the resources and decisions taken.

2. Decentralization Background in Zimbabwe
When Zimbabwe attained its independence in 1980, it inherited an institutional framework that used local government entities for administrative and control purposes rather than to promote self-determination, democratization and economic development. 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 improving local governance. Fiscal decentralization is therefore driven by three factors: that is, the need to improve efficiency in local governance, the necessity to move government closer to the people and the obligation to respect various relevant constitutional provisions that guide the operation of local government authorities.
After attaining independence, Zimbabwe adopted various structural changes which favored decentralized development. According to Helmsing (1995), the promulgation of the Prime Minister’s Directive in 1984 set the framework for decentralization in Zimbabwe. The concept of decentralization is enshrined in the Constitution of Zimbabwe Amendment No. 20 Act 2013. Section 264(1) of the Constitution provides for the devolution of power to local authorities and metropolitan councils where possible. Section 264(2) outlines some of the objectives of decentralization as that of ensuring the equitable sharing of local and national resources, transferring responsibility and resources from national governments to local level.

Chitungwiza Municipality is a decentralized 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 from the central government. With the passage of time, the Chitungwiza community grew rapidly and the demand for services also increased. In the 1990s, there was the introduction of economic structural adjustment programs 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 minimized.

From the year 2000 to 2008, the Movement for Democratic Change (MDC) was voted into power and took control of the CM 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 into an economic downturn due to the hyperinflationary environment that prevailed during that period. 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 minimize the MDC’s dominance in urban areas. In addition, there were also allegations of underhand dealings in the allocation of residential stands by some MDC councilors 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 stabilized 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.

3. 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 research zeroed in on the Urban Councils’ Act (UCA) since the research was focused on an urban local authority. The UCA gives urban councils fiscal authority to raise and expend public funds to enhance service delivery. A key informant in the CM 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 (MLGPWNH). 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] and 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 legislations, various Ministries are empowered to regulate local authorities’ activities through various instruments. However, from the aforementioned, it can be observed that the existence of 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. A top official in the CM 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 levies 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, 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. Interviews with an official in CM 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. However, in real practice, most local authorities rarely stick to this formula. This view concurs with a senior official in the CM 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, the Minister can dominate expenditure priorities and can set aside the decisions of urban local authorities. Marumahoko (2010:55) observes that urban local authorities are granted the powers to spend but their expenditure management is subject to controls by 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 also 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 programs. 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 CM established that they were not happy with the borrowing process which they viewed as very long and cumbersome. According to the UCA, 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. The listing of the sources from which local authorities are allowed to borrow limits local authorities’ autonomy to access funds from other willing 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. The above argument was also supported by a top official in CM’s Finance department 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 utilized for their intended purposes due to problems of corruption and embezzlement of funds. Fiscal management of Zimbabwean local authorities is also guided by the central government’s Public Sector Investment Programs (PSIP). The central government, through the MLGPWNH provides funds to the municipality under the PSIP although there is a significant decline in the amount of money provided due to economic hardships that the country is currently facing. These programs denote conditional grants given to local governments to assist in the renewal of urban infrastructure such as the expansion of sewerage works.
In 2005, the Cabinet approved the Local Authorities Revitalization Policy. This policy provides the framework for improving local authorities thereby enabling them to provide the services expected of them. This is achieved through the provision of financial assistance by government in the form of grants and loans for both capital and recurrent expenditure.

4. The Current Fiscal Performance of Chitungwiza Municipality

An interviewee in the CM 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 this 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 budgetary assistance from the central authority. This position was also supported by the survey carried out in the Chitungwiza community in which 80% of the respondents were of the opinion that there exists a misalignment between the CM’s revenues and expenditures. The study 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 lamented that most of the fees set do not allow for cost recovery. Interviews with officials in the CM’s Finance Department established that the CM 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 with 30% highlighting that they were very low. The chart below shows the residents’ views on the rates being charged by the municipality.

![Figure 4.1: Residents’ view on Rates Charged by the Municipality](image)

Source: Fieldwork

In spite of the above figures, the CM 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. One prominent example was the cancellation of outstanding residents’ bills during the August 2013 general elections.

An official in the CM unveiled that the Minister’s directive to cancel residents’ bills made the authority to lose approximately $32 million worth of revenue. The official went on to say that the cancellation of bills left the authority financially crippled and anxious about how it would be able to repay the millions it owed to financial institutions. Consequently, service delivery plummeted and the municipality had to grapple with the issue of unpaid salaries to its employees. The study 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, one of the eight Millennium Development Goals in the past was to ensure health and basic primary education for all.
Therefore, in the process of meeting this objective, the government will come up with user charges that allow low income earners to access health facilities at relatively cheap rates. This implies that the fees charged usually fall way below operational costs leading local authorities to rely on other sources of income to fund the provision of these services.

Some officials in the municipality generally agreed that the central government through the MLGPWNH provides funds to the municipality under the PSIP. However, there is a marked decline in the amount of money provided due to economic hardships being experienced in the country. In-depth interviews with some officials established that the central government ceased to lend money to the local authority since the year 2012. The same officials further added that financial assistance from international financial institutions and other donor agencies has dwindled for the past five years. Owing to their lack of confidence in the municipality’s financial management capabilities, donor agencies have now shifted from offering grants to offering technical assistance or equipment for service delivery.

The study unearthed that UNICEF drilled boreholes which help in the provision of water to residents while the Japanese government bought refuse collection trucks (orange in color) 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 minimizing cases of corruption and mismanagement of funds. However, this has done very little to ease the CM’s financial woes.

Information gathered through key informant interviews with a senior official in the MLGPWNH’s Urban Local Authorities Department indicated that the CM 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 CM, with managerial salaries gobbling up a significant chunk of the revenues. According to the newspaper article cited above, the monthly wage bill for the management alone was at US$ 299 179 with the CM’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 scenario has negative implications on the availability of money for service provision.

Documentary search also revealed that the CM has been involved in corrupt activities that undermine sound fiscal management. According to Langa (2013:4), the CM is alleged to have been implicated in a land scam where 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. 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 (Ibid). 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 ones. A CM councillor interviewed by the researchers 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 not trust their municipality. Thus, the central government has every reason to intervene to ensure that the interests of the public are safeguarded.

5. Necessary Conditions for Fiscal Decentralization

Marumahoko (2010:54) notes that fiscal decentralization needs to be built on the basis of a robust and clearly defined constitutional and legal framework. There should also be a constitutionally defined formula for intergovernmental fiscal transfers (Ibid). Key informants in the CM revealed that Zimbabwe lacks a constitutionally protected intergovernmental financial transfer system hence the central government employs a piecemeal approach to intergovernmental transfers. The officials further mentioned that since the UCA does not provide for intergovernmental fiscal transfers, the CM cannot legally challenge the central government’s centralized grants provision approach. From the above, it can therefore be argued that a lucid enabling legal framework is a necessary precondition for fiscal decentralization. It cannot be disputed that fiscal decentralization flourishes in an environment where there is consistency in government policy. Since fiscal decentralization 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 to be effective.
However, experience reflects that the central government does not always keep to the rules it makes. Examples include the imposition of unfunded expenditure mandates on local governments, the undermining of transfer programs and the reallocation of expenditures without commensurate reallocation of revenues.

For fiscal decentralization to take place there is need for a well crafted and comprehensive decentralization policy. The policy should be designed in a manner that addresses relevant dimensions of fiscal decentralization. This is particularly important in the sense that many fiscal decentralization 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 a fiscal decentralization program 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 restrictive budget constraints to enforce efficient use of these instruments. This reflects the problems of using a piecemeal approach to fiscal decentralization

The study proposes that there is a need to have political autonomy for fiscal decentralization to be realized. This means that local authority leadership should be elected by local residents. If leadership is appointed by the central government, it will be accountable upwards and not downwards to the local community. An official from the Chitungwiza Residents and Ratepayers Association (CRRA) who was interviewed for this research also highlighted that there is also a need for the CM to have full authority to appoint local administrators like the Town Clerk and other higher level officials. Otherwise, fiscal decentralization will not be locally directed and services rendered by the local government will be a reflection of the wishes of the central authority which may run counter to the virtues of decentralized development. Bahl (199:17) suggests that for fiscal decentralization to succeed there is a need for stakeholders who will advocate, uphold or defend the fiscal decentralization approach. These stakeholders can be in the form of elected parliamentarians, the voters or the local authority officials. This is very critical as such stakeholders that wield political power and influence will be able to support the various fiscal decentralization initiatives. 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.

6. The Effects of Fiscal Decentralization on Local Service Delivery

An official interviewed in the CM’s Finance department revealed that fiscal decentralization 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 CM indicated that the authority operates twenty beer halls and twenty bottle stores and lets out butchers. 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 improved service delivery. Fiscal decentralization brings the government closer to the people. When the government is brought “closer” to the people, it favors 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”. Thus, fiscal decentralization creates opportunities for public participation. This view was also echoed by an official in the CM’s Finance department 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 CM rarely consult residents in policy making processes. This study revealed that electoral accountability is the main force through which fiscal decentralization can stimulate more efficient government activity. This is also supported by Porcelli (2009:6) who contends that local elections provide accountability through the “election effect” and the “election incentive discipline”.

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Thus, voters can choose not to re-elect poor performers and at same time those low performing incumbents have an incentive to improve the quality of government services in order to increase the probability of them being re-elected.

Fiscal decentralization can reduce the frontiers of the government which leads to improved efficiency in service delivery. This concurs with the views of Porcelli (2009:2) who suggests that fiscal decentralization can be a mechanism for constraining the expansionary tendencies of central government and stem its inefficient behaviors.

In today’s mobile world, citizens are interested in settling in local government authorities that are more efficient in terms of service delivery and fiscal discipline. That scenario creates a competitive environment among local government authority jurisdictions as they try to attract and retain citizens within their localities. This point was also put forward by an official from the CM’s Finance department who commented that fiscal decentralization 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.

7. Intergovernmental Relationship between the Chitungwiza Municipality and the Central Government in Fiscal Management

Key informant interviews conducted with officials in the CM revealed that there exists a close relationship between the municipality and the parent ministry 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 authority and the MLGPWNH. According to the UCA, the local authority has authority to come up with estimates of revenues and expenditure programs 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 CM 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 municipality remarked that although the organization has the autonomy to run its affairs, it still reports back to the Minister of Local Government who is the “boss”. Like any other municipal authority, the CM largely depends on the central government for funds to finance its budget deficit since its income is generally lower that its expenditure. Moreover, documentary search 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 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 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 stated in his Resources Dependency theory (Pfeffer and Salincik 1978:24). The relationship between local government and central government is characterized by controversy. The relationship between these two forms of government has been marred by accusations and counter accusations. As Madhekeni and Zhou (2012:19) pointed out, 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 CM 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 stories of alleged corruption by CM’s top management in the media.

8. 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 the researchers 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 CM.
A top official from the CM 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. 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, it is necessary to employ consistent monitoring mechanisms since local authorities’ officials have shown a high propensity to abuse their positions for personal gain.

All the key informants interviewed by the researchers concurred that for any meaningful fiscal decentralization to be realized there should be budget constraints that restrain over spending. 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 more prudent in the way they plan and expend their resources and that will put their fiscal house in order. This is a generally shared sentiment among top officials from the MLGPWNH’s Urban Local Authorities section who opined that tough budget constraints measures could compel local authorities to live within their means and force officials to be accountable for the hard decisions they make. The budget constraints approach 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 central governments often prefer to hold on to a paternalistic approach to intergovernmental fiscal relations. Suggestions have been made 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 apply to all borrowers (Pasipanodya, 2000). For instance, debt registration in Brazil stipulates that debt service must be less than 15% and in Hungary debt service cannot exceed 70% of own resources (Ibid).

In general, fiscal decentralization involves a deliberate transfer of revenue and expenditure functions and responsibilities from the central government to lower levels of government. Ideally, fiscal decentralization calls for the expansion of local authorities’ fiscal discretion. There are four major elements of fiscal decentralization which are revenue, expenditure, intergovernmental transfers and borrowing. For fiscal decentralization 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 decentralization 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 decentralization 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 decentralization to take place. 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 MLGPWNH. 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 guidelines 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 local government authorities rarely adhere to this formula as evidenced by many publicized 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. For instance, 80% of government revenue is being used to service the civil service wage bill. 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 payment arrears. Publicized cases of corruption and the payment of top management hefty salary perks also reflect flawed fiscal management discipline. Be that as it may, the positive effects of fiscal decentralization on local authority service delivery will outweigh the negative factors. The adoption of the system will lead to increased accountability of public officials, improved efficiency in service delivery, enhanced financial resource mobilization capacity, and increased public participation, robust service delivery, reduction of corruption and the bringing of stability in the current politically volatile local government systems.

No one dispute that there should be amicable coexistence between local government and the central government authority. Their roles complement each other with the central government making policies whilst the local government implements those policies. However, more often than not, the central government has been found usurping the fiscal functions of the local authorities. This result in local authorities being financially incapacitated leading them to 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 that the local authorities have. 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 decentralization. There is 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 decentralization policy should also be designed in a manner that addresses all elements of decentralization. Fiscal decentralization can be effective 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 champions who will defend and mobilize support for fiscal decentralization. The approach is therefore likely to succeed if the champions are stakeholders with a passion for local governance autonomy.

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 organization’s behavior is a reflection of its dependence on external resource and the ensuing demands of a donor controlling those critical resources. The more an organization 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.

9. Conclusions

The paper has argued that powers of the central government in local governance should be reduced with a view to offering more autonomy to local government authorities. The central authority should be confined to policy making whilst the local authority entities implement their own designed initiatives. Some sections of the Acts governing local governments’ operations (Urban Councils Act) should be amended in a manner that ensures that fiscal autonomy is granted to local authorities. These measures should be complemented by initiatives that grant local authorities more taxing powers to enable them to generate more revenue for their operations.

There should be an effective enforcement method to ensure that ratepayers settle all their outstanding bills. The local councils should create incentives in the form of discounts for ratepayers who settle their bills on time. The borrowing procedure for local governments has to be simplified to ensure the local authorities’ 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. Locally elected officials should be trained on public finance management so that they can meaningfully contribute in the local governments’ fiscal management deliberations.

The budget constraints measures 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. A local authority which demonstrates sound fiscal management, and whose debt is below set limits should be allowed access to markets without obtaining borrowing powers from the central government. All in all, fiscal decentralization 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 CM reflects that the central government assumes a dominant role in almost all aspects of local governance. The total subordination of the local authority by the central government negatively affects service delivery and is not conducive for local fiscal autonomy that is critical for improved service delivery.
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