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BACKGROUND STUDY ON INSTITUTIONS, DECENTRALISATION AND STRUCTURAL TRANSFORMATION IN EASTERN AFRICA

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ABBREVIATIONS

AD	Administrative Decentralisation
AEO	Africa Economic Outlook
AfDB	African Development Bank
AU	African Union
CAAPD	Comprehensive Africa Agriculture Development Programme
CBI	Central Bank Independence
CG	County Government
CIC	Commission for the Implementation of the Constitution
CoG	Council of Governors
CPI	Corruption Perception Index
DFID	The Department for International Development
DHS	Demographic Health Survey
DRC	Democratic Republic of Congo
EA	Eastern Africa
EAC	East Africa Community
ECA	Economic Commission for Africa
E-Government	Electronic government
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FD	Fiscal Decentralisation
FDI	Foreign Direct Investment
G2B	Government-to-Business
G2C	Government-to-Citizens
G2E	Government to Employees
G2G	Government to Government Model
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GNI	Gross national income
HDI	Human Development Index
HR	Hyman resource
ICE	Inter-Governmental Committee of Experts (
ICNL	International Center for Not-for-Profit Law
ICT	Information and Communication Technology
ICT4D	Information Communication Technologies for Development
IFC	International Finance Corporation
IGOs	Intergovernmental Organisations
IGRTC	Inter-Governmental Relations Technical Committee
ILO	International Labour Organisation
IMF	International Monetary Fund
IOM	International Organisation for Migration
IT	Information Technology
JMP	Joint Monitoring Programme
LGAs	Local Government Authorities
LIFE	Facility for Urban Environment
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals

MINCOFIN	Ministry of Finance and Economic Planning (Rwanda)
MINLOC	Ministry of Local Government (Rwanda)
MIS	Management information systems
NEPAD	New Partnership for African Development
NESC	National Economic and Social Council
NGO	Non-Governmental Organization
NRM	National Resistance Movement
OECD	The Organisation for Economic Cooperation and Development
PD	Political Decentralisation
PPP	Purchasing Power Parity
RECs	Regional Economic Communities
RGB	Rwanda Governance Board
SAPs	Structural Adjustment Programmes
SRO-EA	Sub-regional Office for Eastern Africa
SSA	Sub-Saharan Africa
ST	Structural transformation
TA	Transition Authority
TGE	The Government of Ethiopia
UIS	Institute for Statistics (Rwanda)
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization. Organisation des Nations unies pour l'éducation, la science et la culture (French)
UNICEF	United Nations Children's Fund:
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
WB	World Bank
WEF	World Economic Forum
WGI	World Wide Governance Indicators
WHO	World Health Organization

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This Background Study has been prepared as a key input to the discussions of the Sub-Regional Office for Eastern Africa (SRO-EA) of the United Nations Economic Commission for Africa (UNECA) 20th Inter-Governmental Committee of Experts (ICE) on *Institutions, Decentralisation and Structural Transformation in Eastern Africa* to be held on 8-11 February 2016, in Nairobi, Kenya. A concept note was prepared to guide its preparation. The drafting of the study was carried out by the National Economic and Social Council (NESC) of Kenya under the guidance of the SRO-EA. In pursuit of objectivity and quality, NESC engaged a team of subject experts to collect and analyse the data as well as write and edit the report.

A number of individuals were involved in carrying out the study. The NESC Secretary, Julius Muia, and Director for Social Sector, Elizabeth Kimulu, provided overall direction and management of the project. The team of experts comprised Peter Lewa, Kemoli Sagala and Patrick Kasyula. A vital link that helped in coordinating various aspects of the report including organising country missions was provided by Geoffrey Manyara, Economic Affairs Officer-Tourism at SRO-EA. The study also incorporates comments received from other staff at SRO-EA.

The preparation of this report required that some of the secondary data be complemented and corroborated by evidence from primary sources from selected countries. These country visits enabled the team members to access a selected group of experts and leaders who provided invaluable inputs for this report. The UNDP office in Uganda; the SRO-EA in Rwanda and ECA Headquarters in Ethiopia played a key role in this respect.

Considerable effort has been made to obtain the most recent credible secondary data for as many variables as possible in order to infuse objectivity and quantitative parameters in this report. To this end this background study has benefitted substantially from, and relied heavily on, data published by various United Nations agencies, national governments and researchers.

The final report will further benefit from a review by a panel of experts and the proceeding of the ICE meeting. This ultimate report will be finalised for publication and dissemination after receiving and taking up the inputs and comments from the ICE meeting in February 2016.

EXECUTIVE SUMMARY

This background study report on Institutions, Decentralisation and Structural Transformation has been prepared in draft form for discussion during the Twentieth Session of the Intergovernmental Committee of Experts (ICE) to be held in February 2016. The overall objective of the study was to provide an understanding of the role of “institutions” and “decentralisation” in structural transformation through an evidence-based approach. The study was carried out with a view to examining the depth of structural transformation in Eastern Africa and identifying strategies that could bridge the gap between the current impressive economic growth rates witnessed by most countries in the sub-region and the low achievement in socio-economic indicators, particularly, poverty alleviation. Key informant interviews were carried out in Ethiopia, Rwanda and Uganda as well as in the comparator state of Mauritius. The above will be supplemented by a peer review in Kenya.

The period starting around 2000 marked the beginning of Africa’s “growth miracle”, coinciding with intensified globalisation marked by the opening up of the largest developing country in the world – China. In line with this trend, the economic performance of Eastern African economies has been better in than the rest of Africa in the last fifteen years. Some of the sectors that scored high in the chart of growth include construction, transport and communications, wholesale trade, and public administration. On the other hand, manufacturing and mining remained small sectors in the region while the shares of manufacturing, mining and utilities displayed smaller changes. Agriculture remains the largest sector.

Notwithstanding the higher economic performance of Eastern Africa, most global indicators of wellness continue to show that the region scores poorly and dominates the lowest ranks. For instance, twelve of the fourteen countries in the region (with the exception of Kenya and Seychelles) are classified as least developed on account of low levels of per capita income. Except for Rwanda, Kenya and Seychelles, most of the Eastern Africa member states score poorly in the Global Competiveness and Ease of Doing Business indices. Other pointers to poor socio-economic outcomes include low ranking in Human Development Index and Poverty index. Moreover, the ability of governments to drive transformation through public expenditure remains constrained as evidenced by low shares of public expenditure in agriculture as well as little public investment in health and education. Other challenges to structural transformation include increase in population, climate change, political instability and inequality.

A common phenomenon that has trailed the Structural Adjustment Programs for most governments in the region is the development of national home-grown reform policies some of which target manufacturing especially agro- processing industries and mining as well as growing exports. Another reform agenda has been structural change and transformation with the aim of achieving substantial and sustainable development. Some of these reforms have led to the development and implementation of decentralisation that has transferred administrative, financial and political power to lower levels in order to enhance the efficiency and effectiveness of government. The same has also been informed by the common understanding that a decentralised government allows greater citizen participation in local development and permits it to respond faster to local needs. The resulting institutions and processes are supported by various instruments that include policies, constitutions, laws and regulations. Evidence gathered in this study shows that country contexts have informed the extent that the centre has ceded power and control resulting in different forms of decentralisation, the most far reaching being devolution in Kenya and federalism in Ethiopia.

Elements of structural transformation were found based on empirical evidence indicating that between 2000 and 2010 Sub-Saharan Africa witnessed a significant decline in the share of labour force engaged in agriculture and some growth in the share of labour force engaged in manufacturing and services. These findings are encouraging because globally, countries with the most rapid growth rates have typically reallocated a larger proportion of labour into high productivity manufacturing, allowing aggregate productivity to catch up. Nevertheless, agriculture remains the most dominant sector in the region and contributes a substantial portion of gross domestic product and accounts for most of the employment in the region.

The quest for decentralisation remains vivid in Eastern Africa. Increasingly, the reasons behind the decentralisation agenda have stretched from those driven by political interests to those seeking to improve governance and public service delivery. Analyses of regional data suggest the existence of constitutional and legal frameworks/mechanisms for citizen participation/involvement in decision making, planning and evaluation within Eastern Africa. These mechanisms have led to a transformation of the relationship between decision makers and the public. In Kenya, for instance, the legal frameworks have empowered citizens considerably.

In the Eastern Africa region, various institutions have been created to support decentralisation and development as part of a wider reform agenda. In most of the countries institutional reforms is a top-down process, mostly led and managed by national government agencies, with varied implementation approaches. This top-down approach has merit in garnering political support and executive ownership but lacks citizen participation. However, the region scores low in the competitiveness of the institutions based on the global competitiveness index.

Certain key lessons can be identified from the findings of the study:

- Each country's context with respect to politics, demography and other social dimension affects the form, timing and vigor of decentralisation. Such aspects ought to be taken into account as countries strive to improve governance, accountability and participation in decentralised units. These country-specific aspects are likely to influence policy formulation and implementation and therefore structural transformation.
- Relationships between the national government and various stakeholders as well as policy, legislative and regulatory frameworks are all important influencers of a county's decentralisation form and process. The main stakeholders in this respect are the decentralised units, power centers, media and civil society.
- Management information systems (MIS) and acquisition of information by decision makers and the citizens were found to be important elements in the decentralisation process. In this respect the adoption and success of e-government in connecting the different levels of decentralised units and citizens plays critical roles. A case in point is that Rwanda has considerably used e-government, mobile telecommunication and internet to entrench decentralisation substantially, while in the opposite scale, Ethiopia has not been able to harness the above potential of technology. Consequently, decentralisation has had lower impact in improving the level of citizen participation in Ethiopia.

- The availability and quality of skilled workforce plays an important role in influencing the decentralisation processes and resulting service delivery levels. Evidence from the countries where key informant interviews were carried out indicates that at the sub-national level, the adoption of decentralisation, the effectiveness of the requisite institutions in service delivery and the achievement of structural transformation are heavily constrained by lack of appropriate human resources. It is therefore necessary to design and implement comprehensive capacity building programmes for decentralised units in every country in order to realize the benefits of decentralisation that eventually support structural transformation.
- The relative openness of a country's economy and the ease with which foreign direct investment (FDI) can flow into the country are important enablers of decentralisation and their ability to bring fundamental change to society. Mauritius, Kenya and Rwanda, despite having different forms of decentralisation have done reasonably well in this respect. These countries have given investors freedom to choose where to invest and this has encouraged the decentralised sub-national units to participate in the economic aspects of decentralisation.
- This study established that technology is increasingly becoming an integral and essential part of mankind and every day activity. Technology has also become quite pervasive in our lives: it helps people to stay in touch with friends, getting news, providing entertainment and learning platforms as well as enabling access to services and transacting with Government. Businesses have also harnessed technology in order to be competitive in their service delivery/product offerings and cutting costs. Consequently, technology is a very important aspect in supporting decentralisation, institutions and structural transformation.
- Evidence obtained in this study established the need for Eastern Africa member countries to work together as a bloc to improve local governance and inclusive service delivery in their efforts to reduce poverty and achieve structural transformation. This is informed by the fact that good lessons exist within the sub-region that can be shared at minimal costs partly due to geographical proximity and near similarity in socio-economic aspects.
- It is imperative that Governments in the Eastern African region endeavour to support political and legal reform processes that aim to anchor decentralisation firmly in the respective national constitutions. This will help institutionalize good local governance in the region and create a mass movement towards better governance.
- The pursuit of decentralisation and the need to ensure that institutions that support it are functioning is a common thread that runs through most countries in the Eastern Africa region. It is expected that gains from this endeavour will include support for structural transformation. To provide the required impetus and momentum in this respect, it is recommended that the Sub-Regional Office of Eastern African develops a programme that aims to bring together Ministers in charge of decentralised units in member countries in order to discuss policy and also build their capacity in regard to the implementation dynamics of decentralisation. The programme should include collaboration with institutions such as national think tanks (say for instance, NESC in Kenya), World Bank, DFID, EAC and others that support governance initiatives
- It was established that public participation in the Eastern Africa region is governed by fragmented rules and systems that often times are devoid of well-functioning systems. This limits the extent and benefits of public participation in decision making, provision of checks and balances as well as monitoring and evaluating the service delivery levels of the central

government and decentralised units. Ethiopia was found to have the least citizen participation owing to policy, legislative and informal practices that are perceived to discourage activities of the media and civil society. Furthermore, it was generally noted that despite the potential benefits of citizen participation in entrenching decentralisation and supporting structural transformation, the sub-region suffers from very limited capacity and low allocation of resources to build the necessary capacity. In addition, there is generally no concrete comparative empirical data on public participation within the Eastern Africa region.

- Globally the state of accountability and transparency in the region is generally not competitive. Public participation from a pluralistic sense assumes the existence of highly liberal democratic state; however, most countries in the region still rank low on governance and transparency.
- Although the majority of civil society organisations are vibrant, their activities may at times be in conflict with government agendas.
- There is little coordination between governmental institutions and civil societies and within the civil societies across the board. These fragmented initiatives may undermine effective public participation.

CHAPTER ONE

INTRODUCTION

1.1. Background

This background study on *Institutions, Decentralisation, and Structural Transformation in Eastern Africa* was commissioned by the United Nations Economic Commission for Africa Sub Regional Office for Eastern Africa¹ (UNECA SRO-EA) for the Twentieth Session of the Intergovernmental Committee of Experts (ICE) to be held in February 2016. The ICE is the statutory organ of SRO-EA and includes representatives of the fourteen member States served by the office as well as Regional Economic Communities (RECs) and Intergovernmental Organisations (IGOs) of the sub-region, development partners, research centres and other stakeholders.

The 20th ICE meeting will examine the role of institutions in promoting growth and structural transformation in Eastern Africa. This will include a review of processes and mechanisms to ensure the formulation of shared visions, promote effective leadership, manage expectations, enshrine good governance, strengthen public participation in decision-making, enhance access to services, and build social capital and cohesive pacts for transformational change.

This report builds on ECAs work and agenda on structural transformation over the past five years as highlighted in the various Economic Reports on Africa as follows:-

- ERA 2010: Promoting high-level sustainable growth to reduce unemployment in Africa
- ERA 2011: Governing development in Africa – the role of the state in economic transformation
- ERA 2012: Unleashing Africa’s potential as a pole of global growth
- ERA 2013: Making the most of Africa’s commodities

¹ The SRO-EA covers the following countries :
Burundi, Comoros, D.R Congo, Djibouti, Ethiopia,
Eritrea, Kenya, Madagascar, Rwanda, Seychelles,
Somalia, South Sudan, Tanzania and Uganda

- ERA 2014: Dynamic industrial policy in Africa – Innovative institutions, effective processes and flexible mechanism
- ERA 2015: Industrializing through trade.

Some of the Key messages on structural transformation include;

- the global economic crisis provides African countries with a unique opportunity to pursue policies that will not only counter the effects of the recession but also lay the foundation for **structural transformation** and rapid and sustainable growth based on diversified economies and, more important, rapidly develop large and labour-absorbing sectors of African economies in order to create jobs to employ the rapidly growing labour force (ERA 2010 p.13)
- African countries can pursue several short-term and long-term policies to achieve the needed structural transformation that generates high growth with increased employment creation. Africa's **structural transformation** requires developmental States with sound long-term development visions and plans. (ERA 2011).
- In the long term, Africa's governments need to pursue economic diversification and structural transformation vigorously in order to reduce vulnerability to external shocks, (ERA 2012).
- Africa's **structural transformation** has been held back by the slow progress of its agriculture. Thus if the continent aspires to continue its recent growth acceleration, it will need to prolong its recent acceleration of productivity growth as well. **Structural transformation** in Africa has been limited and that which took place has not been conducive to higher productivity and GDP growth as it was often the result of a shift in resources, especially labour, from traditional agriculture and rural activities to low-productivity often informal activities in urban centres. (ERA 2014).
- Building and running high-quality institutions thus emerges as the key challenge for creating the positive synergies between productivity growth and **structural transformation** that are required to sustain Africa's renewed economic growth (ERA 2014).
- For effective trade-induced industrialization in Africa, **structural transformation** of industrial production and trade is a basic pre-requisite. Conducive socio-economic conditions, peace and security as well as political will are equally important to ensure Africa structural transformation can effectively take place. (ERA 2015).
- African countries need to rethink trade policy as a means to promote industrial development in order to achieve **structural transformation** that will promote inclusive, stable and sustainable growth; reduce poverty and generate employment (ERA 2015).

1.2. Aims/Objectives of the Study

The overall objective of this background study was to provide an understanding of the role of institutions and decentralisation in structural transformation through an evidence-based approach. This was done with a view to examining the economic growth trajectory and hence depth of structural transformation in Eastern Africa and identifying strategies that could bridge the gap between the current impressive economic growth rates witnessed by most countries in the sub-region and the deficiency in the improvement of socio-economic development indicators, particularly, poverty alleviation.

The study specifically, sought to i) provide theoretical perspective(s) and a conceptual framework linking the concepts of institutions, decentralisation and how these can facilitate rapid attainment of structural transformation in Eastern Africa; ii) identify challenges that member States face and opportunities that exist to create robust institutions, embrace various forms of decentralisation in their respective efforts to balance national and local interests, enhance social equity and national unity for development, legitimise markets and generate a 'fair deal' for all. iii) draw from various types of institutional frameworks and examples of decentralisation amongst member states in Eastern Africa, and identify appropriate best practice case studies from Africa and across the world that have led to rapid structural transformation and iv) propose appropriate policy recommendations that will facilitate the establishment of robust institutions, which will in turn support the various forms of decentralisation practiced by member states in Eastern Africa towards the attainment of structural transformation.

1.3. Methodology

Different methods were used to collect data and information for this study. Both secondary and primary data were collected and analysed as they involved collection and analyses of both of both types of data as outlined below.

Literature Review: The study team started off with a comprehensive literature review to develop a clear understanding of the theme, the theoretical perspectives and conceptual framework that informed the study. Results from this review were also used to determine the type and extent of supporting and complimentary secondary and primary data which was collected and analysed descriptively within the thematic areas of the study.

Data Collection and Analysis: Several sources of secondary data such as reports and institutional documents were used to facilitate production of case studies using both quantitative and qualitative data. Primary data collection was carried in four; Ethiopia, Mauritius, Rwanda and Uganda that were selected on an agreed criteria. While Mauritius is not in the region, it was included in the study due to its higher growth and considerable level of structural transformation. In addition, secondary data was collected in Kenya to bring out the recent country experience of decentralisation. To ensure effective primary data collection procedure(s), appropriate sampling techniques including purposive methods, were used targeting key stakeholders in the selected countries drawn from the public and private sectors, intergovernmental organisations, academia and civil society organisations familiar with the theme.

In particular, **key informant interviews** were conducted using both structured and semi-structured questions to ensure in-depth information was gathered. Appropriate checklists were used for this purpose to ensure consistency and completeness in data collection. In addition, self-administered questionnaires were administered in Kenya to county Governors to enrich the country data especially on the experiences in implementing devolution- a special case of decentralisation.

Peer review: A panel of experts was identified in Kenya to peer-review the draft study report and provide input and feedback. These experts were drawn from the public, private sector, civil society and academia.

Stakeholder validation: The stakeholders' comments and inputs to be provided during the session 20th session of ICE will be analysed and integrated into the study where appropriate as a basis of producing the final report. A final report will be published thereafter for wide dissemination.

1.4. Outline of the Report

Chapter 1: Introduction: In addition to a brief snapshot on the macroeconomic indicators of the Eastern Africa countries, this chapter covers the background, aim/objectives of the study, methodology, definitions, of the key terms theoretical perspective/s and conceptual framework.

Chapter 2: Decentralisation and Fiscal Federalism: This Chapter covers the various forms of Decentralisation and fiscal management in the region with case studies of specific countries. The analysis explores resource mobilisation, generation, and distribution (including allocation frameworks) within the context of decentralisation.

Chapter 3: Social Dimension within the Context of Decentralisation: This part of the report looks at participatory governance and planning including citizen empowerment in decision-making, development planning and results evaluation in a decentralisation context. This chapter examines decentralisation as an enabler of structural transformation through social capital and participation of citizens in governance.

Chapter 4: Role of Technology and e-Government in Decentralisation: This chapter examines the role technology is playing in the regional countries to implement decentralisation and in particular service delivery, and citizen empowerment.

Chapter 5: Service Delivery within the Context of Decentralisation

Public functions within Decentralisation frameworks are important for structural transformation and this chapter looks at what functions are decentralised or left at central government level. The services examined include health, education, security, agriculture, infrastructure etc.

Chapter 6: The Quality of Policy Design, Institutions and Economic Performance.

This Chapter looks at the linkages between policy design, behavioural economics, decentralisation and institutional quality to structural transformation. The chapter presents an analysis of the quality of policy, institutions and economic performance in the Eastern Africa region.

Chapter 7: Conclusions and Policy Recommendations

After discussing and analysing the various aspects in Chapters 1-6 above, conclusions and policy recommendations are presented in this chapter.

1.5. Review of the Eastern Africa Socio-Economic Environment

From the turn of the century the Eastern Africa countries have been undertaking both political and socio-economic reforms to grow their economies and to lift their citizens out of poverty.

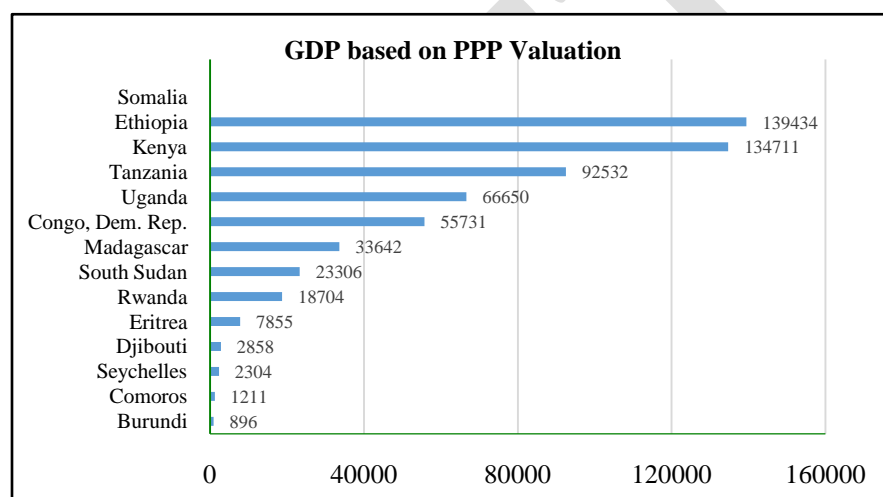
Some of the key strategic policies and reforms across the region were in macroeconomic planning and decentralisation in different forms as will be discussed in this study.

According to the World Bank², key among the desired outcomes of decentralisation is: increased incomes, increased productivity, increased literacy; decreased mortality and growth of civil society. As a way of introduction, this section gives an overview of the regional economies including growth, incomes, human development and global competitiveness.

6.1.1 Economic Growth

Various measures of economic output indicate that the largest economy in the sub-region is Ethiopia. This is borne out by statistics on the gross domestic product (GDP) on purchasing power parity (PPP) basis of the regional economies as shown in Figure 1 below.

Figure 1: GDP Based on PPP Valuation (USD) in 2014



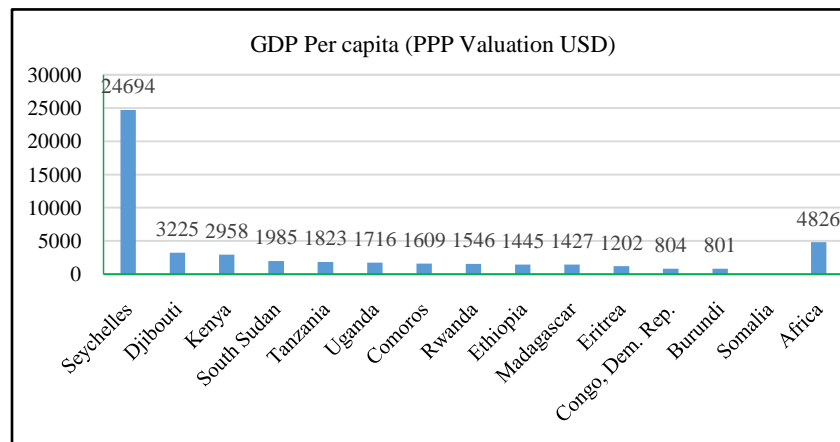
Source: NESC, based on data from AfDB Africa Economic Outlook 2015. No Data for Somalia economy.

Of the sub-region's 14 economies, the above illustration shows that in 2014, Ethiopia was the largest with a GDP of \$139,434million followed closely by Kenya (\$134,711m) then Tanzania (\$92,532) and Uganda (\$66,650) in that order. The smallest economies were Burundi (\$896m) and Comoros (\$1,211m). The calculated average of the member States' economies is \$44,602 which attests to relatively small nations that may not enjoy economies of scale in most domestic-oriented production activities. Also, the estimated total GDP of the sub-region of about \$ 579,834 million, about 0.5 per cent of world GDP, points to a diminished role of the region in the global economy.

² <http://www1.worldbank.org/publicsector/decentralisation/toolkit9.pdf>

However, as illustrated in Figure 2 below the GDP per capita landscape is quite different. The data shows that Seychelles has the highest per capita in the region (\$24,694) placing it above the Africa average of \$4,826 and the only high income country in the sub-region. The GDP per capita incomes of all other countries were below the Africa average.

Figure 2: GDP per Capita (PPP Valuation USD) 2014

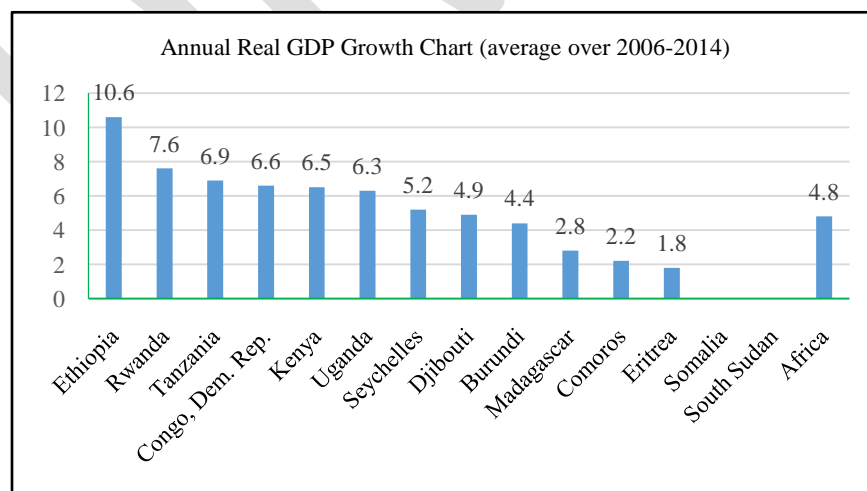


Source: NESC based on data from AfDB Africa Economic Outlook 2015 No data for Somalia.

The lowest GDP per capita was recorded in Burundi and the Democratic Republic of Congo (DRC) at \$801 and \$804, respectively. These low per capita incomes have profound implications on the region's socio-economic situation and development priorities. The close link of low incomes with poverty, poor health outcomes and illiteracy heightens the need for innovative transformational solutions.

Turning to expansion of the economies, the Eastern Africa region has been performing well in terms of Real GDP growth. Figure 3 below shows the average growth rates from 2006 to 2014.

Figure 3: Annual Real GDP Growth (Average over 2006-2014)



Source: NESC based on data from AfDB Africa Economic Outlook 2015. No data for South Sudan and Somalia

The above illustration shows that most economies have recorded high real GDP growth rates in the last decade. In addition, these growth rates have been steadily increasing since 2006 and exceed other regions of Africa. This is attributed largely to the reform measures that began to be implemented in earnest by the countries from about the turn of the century.

External factors that have fuelled this growth included increased demand for oil and minerals; higher commodity prices; and significant inflow of capital investment in agriculture, mining and infrastructure. The best performers are Ethiopia and Rwanda with an average GDP growth rate of 10.6 per cent and 7.6 per cent, respectively. The least performers are Comoros and Eritrea.

Given, the region's, low levels of GDP per capita, a fitting question is whether the impressive growth trajectory has translated to improvements in the productivity of the economies, the range and quality of public services and the quality of life of the citizens. These are important dimensions of structural transformation. The next sub-section examines the human development situation in the region in order to bring out salient features of the wellness of the average citizen.

6.1.2 Human Development in the Eastern Africa Countries 2014

Table 1 below highlights UNDP's Human Development Index (HDI) rankings and scores in 2014 for the countries in the region. The classification categories for each country are also shown.

Table 1: Human Development Index Eastern Africa Countries 2014

Classification	Country	HDI rank out of 188	Value
VERY HIGH HUMAN DEVELOPMENT			
HIGH HUMAN DEVELOPMENT			
	Seychelles	64	0.772
MEDIUM HUMAN DEVELOPMENT			
LOW HUMAN DEVELOPMENT			
	Kenya	145	0.548
	Tanzania	151	0.521
	Madagascar	154	0.51
	Comoros	159	0.503
	Rwanda	163	0.483
	Uganda	163	0.483
	Djibouti	168	0.47
	South Sudan	169	0.467
	Ethiopia	174	0.442
	Congo (Dem. Rep.)	176	0.433
	Burundi	184	0.4
	Eritrea	186	0.391
OTHER COUNTRIES OR TERRITORIES			
	Somalia	....

Source: UNDP, Human Development Report 2015³ \ Somalia was not ranked.

³ <http://hdr.undp.org/en/data>

The above illustration reveals that 13 out of the 14 (93 per cent) regional economies were classified in low human development with only Seychelles ranked highest (64/188) within the high human development category. Except for Seychelles where life expectancy at birth is 73.1 years, in the rest of the Eastern Africa (13) it was 65 years and below with the lowest (Somalia) having a life expectancy of 55.4. This is way below the highest ranking for life expectancy recorded in Hong King China at 84 years followed by Switzerland and Singapore both at 83 years. The years of schooling in the region were also reported as quite low (ranging from 2.7 years in Burundi to 9.4 years in Seychelles) compared to the highest globally (Germany 13.1, Australia 13.0 and Canada 13.0).

The low scores on human development index clearly show the need for new interventions to improve the citizens' livelihoods, incomes levels, improve literacy rates and improve health outcomes. Anchored by the good GDP growth rates, the region can leverage on decentralisation to improve human development through provision of more services and facilitation of citizen participation as will be discussed in chapters three and five of this report. On a positive note, a forthcoming report by ECA on Social Cohesion in Eastern Africa finds that "nearly all countries have notably improved their Human Development Index since 1990, with some countries achieving particularly rapid progress in education and health indicators. The report also shows that there has been promising improvements in poverty reduction, with Ethiopia, Uganda and Rwanda achieving the fastest progress" (ECA, Forthcoming, p vii).

However as the economies are operating in an increasingly globalising world, they will need be competitive on key aspects such as institutions, the Macroeconomic environment, technology and so on. The next section highlights the overall global competitiveness of the region and rankings on four key pillars (Institutions, Macroeconomic environment, Health & Primary education and Technological Readiness).

1.6. Global Competitiveness of the Eastern Africa Economies

Despite recent rapid growth, African economies on average trail the rest of the world in competitiveness. Since 2004, Global Competitiveness Index (GCI) that is published annually by the World Economic Forum assesses country performance and provides different avenues for charting development policy and implementation. In competitiveness performance of 140 economies the GCI Report 2015-2016, as illustrated in Table 2 below, majority of the Eastern Africa Countries ranked among the least-competitive economies globally.

As the data reveals, globally Madagascar and Burundi were ranked in the last 10 economies at (129/140) and (134 /140), respectively. In the institutions pillar, Rwanda was ranked high globally at 17 (Value 5.4/7) out of 140 countries followed by Seychelles at 61(value 4.0/7) while the rest of the regional economies were ranked in the bottom half. Similarly, the regional economies were not competitive globally with the first (Seychelles at 61) and lowest (Kenya at 123/140) in the Macroeconomic Environment pillar. However, except for Kenya with a value of 3.6/7, the rest of the regional economies had relatively high values above 4 out of a best value of 7.

Also, the Eastern Africa countries fall into the group of least-competitive economies that are factor driven as opposed to being efficiency and innovation driven. (WEF GCI 2015).

As institutions and the macroeconomic environment are very critical for structural transformation these rankings reveal that these remain major challenges for the regional economies. Further analyses of the pillars of Technological Readiness Institutions are done in chapters four and five, respectively to probe into other underlying factors that could impact implementation and outcome of decentralisation.

Table 2: Global Competitiveness Index Rankings for Eastern Africa Countries 2015

Overall GCI 2015		Economy	Institutions		Economic Environment		Health & Primary Education,		Technological Readiness	
Rank /140	Value 1-7 (best)		Rank /140	Value 1-7 (best)	Rank /140	Value 1-7 (best)	Rank /140	Value 1-7 (best)	Rank /140	Value 1-7 (best)
58	4.29	Rwanda	17	5.4	92	4.4	88	5.4	103	3.1
97	3.86	Seychelles	61	4.0	61	4.8	64	5.8	71	3.8
99	3.85	Kenya	83	3.7	123	3.6	114	4.6	94	3.3
109	3.75	Ethiopia	91	3.6	76	4.7	108	4.8	132	2.5
115	3.66	Uganda	96	3.5	67	4.8	120	4.5	117	2.8
120	3.57	Tanzania	101	3.4	84	4.5	124	4.3	131	2.5
130	3.32	Madagascar	129	3.1	101	4.3	123	4.3	129	2.5
136	3.11	Burundi	134	2.9	110	4.1	110	4.7	139	2.1

Source: NESC's compilation from WEF Global Competitiveness Report 2015. Six regional economies (Comoros, Djibouti, DRC, Eritrea, Somalia and South Sudan) were not ranked

1.7. Macroeconomic Opportunities, Challenges and Risks

According to the 2015 African Economic Outlook, Africa is 'poised to resume its medium-term growth trend' while predictions for the Eastern Africa region are favourable. The continued global reduction in oil prices provides an opportunity for the manufacturing and related sub-sectors such as transport and logistics to accelerate growth and deepen structural transformation. Indeed, a strong manufacturing sector will create more employment, especially for young people and also increase exports and reduce external vulnerabilities from widening account deficits.

Existence of long term development plans/blueprints such as Rwanda's Vision 2020, Tanzania's Vision 2025, Kenya's Vision 2030 and Uganda's Vision 2040, and strategic frameworks for growth and poverty reduction in the regional economies will not only augur well for progress in human development but also in structural transformation. It is expected that commitment and successful implementation of the "Visions" of the various countries in the region, will contribute to transforming the economies as the blue prints are strategically crafted to provide the necessary strategies for structural transformation. There are also opportunities that arise from Africa's rapid population growth, notably a large consumer market and a young and dynamic workforce. On the other hand, without appropriate strategic policies, this large population could pose major challenges in quality service provision and to some extent a possible major risk due to youth unemployment.

In addition, just like the other parts of the continent, the Eastern Africa region is **vulnerable to climate** change given the dominance of the agricultural sector. The negative effects of climate change-related hazards on agricultural resources heavily affect the poorest that largely depend on them not only for food but also for jobs. Pressure on already limited water supply is expected to worsen considerably due to changes in water cycles caused by erratic and declining rainfall which will affect negatively the production of rain-fed food and export crops. Livestock may also suffer from shrinking water supply, as grazing land is divided and damaged, and new diseases arise. As the demographic pressure on land increases, gathering wood for fuel and felling trees for timber will cause deforestation, as will agricultural activities. The rapid growth exacerbates the deterioration of environmental resources and the related challenges must be taken into account in development policies and expenditures.

Another major challenge that requires attention is **inadequacy and inequalities in energy** that is a common feature in the region. This is because energy is a key factor for structural transformation especially in the agricultural and manufacturing sectors.

Political stability is another critical factor in sustaining the high levels of growth and deepening structural transformation that is becoming a challenge in the region. The crises in Burundi, South Sudan and Somalia are likely to affect the regional economies especially in the neighbouring countries. With the continued conflicts in these countries, labour migration, loss of productivity and diversion of public investments will negatively affect growth and structural transformation.

Box 1

The Africa Economic Outlook points out that in Burundi the political tensions and related violence are the main short-term risks that could hamper the attainment of the growth and transformation goals set by the country.

While the regional economies are progressing well, **sustainable economic growth, poverty, social inequality and gender gaps remain as key challenges** that policy makers will need to address in order to accelerate growth and realise structural transformation. The MDG reports of 2015⁴ show that while progress was made in reducing poverty and inequality, as well as in narrowing the gender gaps⁵, in part due to positive growth rates, overall, stark inequalities still remain.

Corruption and poor governance as highlighted in the Ease of Doing Business reports⁵, Global Competitiveness⁶ and Governance⁷ Indices in the regional economies are also major risks that need to be addressed.

⁴ UNECA, AU, AfDB and UNDP (2015) MDG Report 2015. Lessons Learnt in Implementing the MDGS. Assessing Progress in Africa toward the Millennium Development Goals. Addis Ababa, Ethiopia

⁵ World Bank Ease of Doing Business

⁶ World Economic Forum, Global Competitiveness Index 2015-2016

⁷ Mo Ibrahim Africa Governance Index

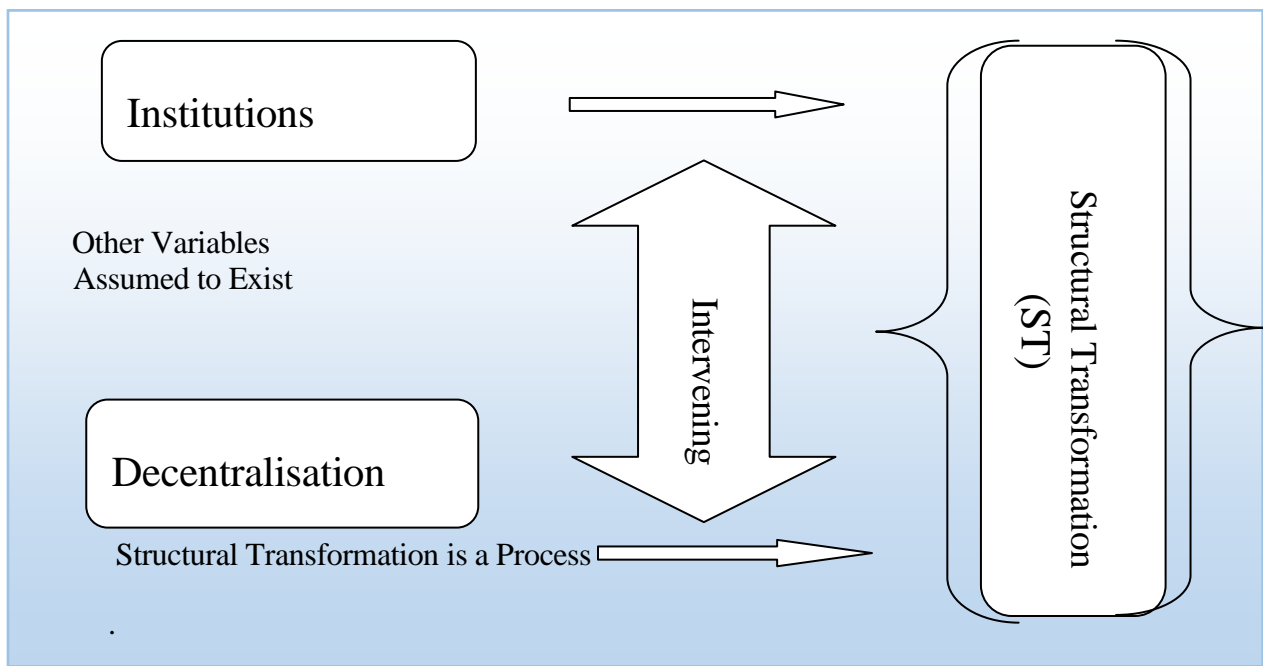
1.8. Theoretical perspective/s and Conceptual Framework

This study attempts to provide a foundational understanding and a bearing on the role of institutions and decentralisation in structural transformation through evidence-based approach within the context of regional integration. This is informed by the need to identify strategies that could bridge the gap between the current impressive economic growth rates and the deficiency in the improvement of socio-economic development indicators, particularly, poverty alleviation including economic and social transformation indices. In addition, an attempt has been made to tease out whether regional integration institutions can help to address issues of economies of scale and hasten regional structural transformation.

The premise is that institutions and decentralisation do play a critical role in promoting or hindering structural transformation. In this study, institutions and decentralisation are viewed as the transmission belt in the process of structural transformation (ST). Precisely how institutions and decentralisation promote or hinder structural transformation is a matter of empirical evaluation. The creation of institutions and forms of decentralisation is not a mechanical process. Rather it represents a deliberate matter of legal and political as well as economic rational decision making. Given the importance of institutions in everyday life, institutions are not just happenstance. In the domain of governance the same can be said about decentralisation: some countries have a centralised system of governance and many others have decentralised systems. Given this construction, institutions and decentralisation are construed in this study as important independent variables that exist a priori and are important drivers of structural transformation.

This yields the conceptual model that is hypothesized in Figure 4 below.

Figure 4: Conceptual Model for the Study



The foregoing implies that structural transformation is likely to encompass different types of institutions and various modes of decentralisation. This suggests some heterogeneity in the forms and shapes that structural transformation can take.

Such heterogeneity has important policy implications on how developing societies transform into modern service-oriented high functioning and efficient systems. Moreover, the existence of institutions suggests the notion of governance which leads to the emergence of a clear distinction between good governance and bad governance as well as good institutions and bad institutions

1.9. Definition of Key Concepts

This section provides detailed definitions for the main concepts (of institutions, decentralisation and structural transformation) that are discussed in this report. Supporting literature is cited to shed further light and help in appreciating these anchoring concepts.

1.9.1 Institutions

Institutions are simply formalized structures. As Douglas North (1991: 97) argues, institutions govern political, social and economic interaction through “informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights).” Institutions are “a set of rules that structure social interactions in particular ways” (Knight, 1994: 2) or “systems of established and prevalent social rules that structure social interactions.” Based on this reasoning, (Hodgson & Knudsen, 2006: 2) avers that “language, money, law, systems of weights and measures, table manners, and firms (and other organisations) are thus all institutions”. Thoenig (2011) posits institutions “structure the design and the content of the decisions themselves,” but they vary from one country to another (Hattam, 1993).

Whether “institutions shape policies and politics,” or whether it is “politics and policies” that shape institutions Thoenig (2011), there is no denying the fact that political, economic, and social institutions are the conveyor belts for collective action. There is abundant literature that has explored the importance of varying institutions in the field. They include political institutions (March and Olsen, 1984), budget institutions (Padgett, 1981), legislatures (Shepsle, Kenneth & Weingast, 1987), local and state government institutions (Kjellberg, 2005), administrative capacity (Skowronek, 1982) and so on. Thus “by structuring, constraining, and enabling individual behaviours, institutions have the power to mould the capacities and behaviour of agents in fundamental ways: they have a capacity to change aspirations instead of merely enabling or constraining them” (Hodgson & Thorbjorn, 2006: 8).

As demonstrated by Olsen (2007:4) the “significance of formally organized political institutions has turned into a concern regarding to what extent, in what respects, through what processes, under what conditions, and why institutions make a difference”. In this study institutions are defined as sets of “rules, beliefs, norms and organisations that together generate a regularity of (social) behaviour” (Greif, 2006: 30). They condition societal expectations and behaviours towards rational decision making (Aoki, 2001). Institutions “reduce uncertainty by providing a structure to everyday life, and include both formal rules such as laws and constitutions, and informal constraints such as conventions and norms” (North, 1990: 3)

1.9.2 Decentralisation

Decentralisation is the process of transferring functions, powers and resources from a central authority to lower sub-units.

Mawhood (1993) observes that Decentralisation occurs when national government shares some of its powers with other groups, particularly those that are either geographically dispersed, or are responsible for specific functions, or are given jurisdiction over specified physical locations. This is amplified by Litvack et al. (1998) who defines Decentralisation as “the assignment of fiscal, political and administrative instruments responsibilities to lower levels of government. The fiscal, political and administrative instruments are then used to achieve the transfer of responsibility to other levels of government.

Decentralisation has distinctive characteristics in its form, namely, de-concentration, delegation, devolution and federalism. The forms of Decentralisation are varied by unique policy implications and conditions for success that define each feature from one country to another. Consequently, the framework for Decentralisation all over the world comprises a continuum where each country lies somewhere within this range. The ensuing clarification helps to put this continuum in perspective.

De-concentration is the assignment of authority to public servants based on lower spheres or field to make and implement executive decisions on behalf of the central government in their localities (Crook & Manor, 1988). It is a form of administrative Decentralisation without the devolving of the local administration responsibility away from the centre. Thus, according to Crook and Manor de-concentration remains a local administration within the centralisation since the authority to make decisions or exercise discretion remains within the centre.

Functionally, the object of de-concentration is to transplant the operations or workload of the central government to the periphery of the state whilst ensuring that the central state retains overall control of discharge of the dispersed functions (Cheema & Rondinelli ed. 1983). Crook and Manor view de-concentration as a form of Decentralisation which “disperses agents of higher levels of government into lower level arenas”. The agents remain accountable only to persons higher up at the centre. The central government does not give up any authority but simply relocates its staff to different levels or points in the national territory (Manor, 1999). Thus, according to Hyden (1983), this arrangement largely indicates that de-concentration is a power relationship within the same organisation. This position is supported by Manor who argues that in practice, de-concentration “tends to constitute centralisation, since it enhances the leverage of those at the apex of the system”. Therefore, de-concentration guarantees central control and direct accountability to the centre.

Delegation is the transfer of selected public decision making and administrative functions to autonomous or semi-autonomous organisation as agents of the central government (Opon, 2007). This is supported by Rondinelli et al. (1984) and (Balogun, 2000) who observe that delegation transfers managerial responsibility for specifically defined functions to organisations that are outside the regular bureaucratic structure and are only indirectly controlled by the central government. The same is buttressed by Haque (1997) who describes delegation as the transfer of functions to the local level but with the ultimate responsibility lying with the central government. The sum total of delegation thus is a situation, and consequently the process where the central government allocates some of its functions to the sub national levels to carry out, but not to take full responsibility for and without abrogating its own public accountability for those functions and without prejudice to its right to retract the functions (Cheema & Rondinelli, 1983)

Devolution is the process of transfer of political, administrative and fiscal management powers between the central government and lower levels of government, primarily operating at the city and regional levels.

In this regard, Potter (2001) opines that devolution is not just a linear process of power transfer from national to sub-national level but also involves some degree of cooperation between the different levels of government.

According to Rondinelli et al. (1984), devolution is the creation or strengthening financially or legally of sub-national units of government, the activities of which are substantially outside the direct control of the central government. This form of Decentralisation, Cheema and Rondinelli, (1983) argue, results in the permanent or semi-permanent placement of power to local unions usually through legislative and constitutional recognition. It is an “inter-organisational transfer of power from the centre to institutions that are outside the general command structure of the centre (Hyden, 1983). The recipients of such powers, usually sub-national governments, exercise these powers with a significant degree of autonomy although the centre still maintains supervisory powers. The sub-national units are accountable to their constituent’s constituencies instead of the central government as is the case with de-concentration and delegation.

Federalism involves two or more states having a common government by dint of political association but the arrangement guarantees that member states retain a measure of internal autonomy. The constitutional entrenchment of two or more levels of government is therefore a distinctive feature of federal arrangements (Ochieng, 2012). The concept of federalism is founded on the idea that a political organisation should balance between ‘political integration and political freedom by combining shared rule of some matters and self-rule in various forms on others’ (Madison et al., 1987). The linkage between decentralisation and federalism stems from determining to what extent and the type of services for which central authorities should transfer responsibility and resources to local levels in order to most effectively serve the nation. Both the notion of federalism and decentralisation are based on the principle of subsidiarity which holds that a central authority should play a subsidiary role performing only tasks that cannot be effectively performed at a more local level (Barret et al., 2007)

1.9.3 Structural Transformation

At the highest level, structural transformation refers to the reallocation of labour across sectors over time. It is “characterized by a systematic fall in the share of labour allocated to agriculture over time, by a steady increase in the share of labour in services, and by a hump-shaped pattern for the share of labour in manufacturing” (Duarte & Restuccia, 2009: 6). It is a process comprising a change in “resource allocation and factors utilization” and can be measured through the relative decline of labour intensive “low-productivity agriculture and low value added extractives and a relative rise of manufacturing and high-productivity services” (Oduola, 2014: 3). Empirical evidence suggests that “the structural transformation observed across countries is systematically related to the level of development: poor countries are the ones with the highest shares of hours in agriculture, while rich countries are the ones with the lowest shares” (Duarte & Restuccia, 2009: 7).

Based on the literature cited above, it is clear that the process of structural transformation is related to changing factor endowments as physical, human and institutional capital is accumulated. In standard trade theory the change in the export basket is a passive consequence of changing factor endowments and does not add any policy-relevant aspects to the process. However, there are many reasons why structural transformation may be more complicated than this picture suggests. Several factors may create market failures such as industry-specific learning by doing (Arrow, 1962; Bardhan, 1970) or industry externalities (Jaffe, 1986). There may also be technological spill overs between industries (Jaffe, Trajtenberg & Henderson 1993).

Alternatively, the process of finding out which of the many potential products best express a country's changing comparative advantage may create information externalities (Hausmann & Rodrik, 2003).

Why is structural transformation necessary for Africa to move forward? Without the rise of new, more productive activities, there is little that has the potential to propel the economy forward and that without the movement of resources from traditional activities to these newer ones, productivity gains are not diffused to the rest of the economy (McMillan & Rodrik, 2011). Empirical studies have largely indicated that structural change in Africa stagnated between 1990 and 1999, but picked up momentum between 2000 and 2005. Secondly, structural transformation has been most pronounced in countries that stand to benefit the most as measured by the share of the labour force in agriculture. Thirdly, structural change has been higher in countries with strong institutions, improved governance, effective and competitive educational systems, and competitive exchange rates. Fourthly, in spite of the much expected positive structural change during the recent times, Africa needs a lot more effective transformation to create economic structures that can provide employment opportunities for its expanding youthful population (aged between 18 and 29 years). It must be noted that the historical paths of richer countries shows that Africa follows the general pattern and can accelerate structural change through diversification.

Herrendorf, et al. (2013) as well as Duarte and Restuccia (2010) reinforce the argument that the reallocation of economic activity away from the least productive sectors of the economy to more productive ones is a key enabler of economic development. In particular, the key to eradicating abject poverty resides in the movement of labour from the labour intensive semi-subsistence agriculture and into the more productive sectors of manufacturing or services.

For a long time, the concept of structural change has been framed in terms of a reallocation of economic activity between three dominant sectors of agriculture, manufacturing and services which accompanies and facilitates the process of economic growth. Hausmann, Hwang and Rodrik (2005) suggest a positive relationship between a country's GDP per capita and the rise in national income levels due to increased exports. However, they also find ample variation in this relationship between countries. More importantly, they find that these variations are not without consequence: controlling for the level of development, a country's level of income implied in its exports is predictive of future growth. In their findings, countries converge to the level of sophistication of their exports.

Historically, the share of activity in manufacturing has increased during low stages of development as capital is accumulated, then decreasing for high stages of development where higher incomes drive demand for services and increased labour costs in manufacturing. Some of this transition into services and manufacturing occurs within the rural areas, but much of it involves migration to urban centres as people seek formal employment. Urban workers typically enjoy higher labour productivity because of, among other things, greater specialization, more access to capital and lower transaction costs in trade. The countries with the highest economic growth are those with a sustained reallocation of labour into high-productivity manufacturing and service sectors (Duarte & Restuccia, 2010).

1.10. Key Messages and Recommendations

Despite the recent progress in Economic growth, productivity and human development gaps in Eastern Africa remain.

There is no doubt that a lot of potential remains to be tapped, especially in the areas of health and education, agriculture, wholesale and retail trade for accelerating structural transformation in the region.

An examination of the opportunities, challenges and risks highlighted above invites appropriate policy responses in order for sustainable development to be realised in the region. Some of the critical steps that need to be taken in order to sustain the growth rates and deepen structural transformation include:

Sustainable economic growth, poverty, social inequality and gender gaps remain as key challenges that policy makers will need to address in order to accelerate growth and realise structural transformation.

The EAR countries need to plan for and implement climate change mitigation at country and regional community levels;

There are political tensions/crises in the region that undermine economic performance and potential for structural transformation. These need to be dealt with cooperatively and expeditiously ;

EAR economies rank poorly in global competitiveness, Ease of Doing business and governance hence there is urgent necessity to come up with strategies and programmes aimed at improving governments' efficiency and quality of institutions. "Governments need to incrementally create "Pockets of Efficiency" when they lack bureaucratic experience"(ERA 2014)

Fast-tracking the massive regional and national infrastructural (energy, transport; communication, water) projects to improve adequacy and equity of access.

In order to address the challenges of governance and transparency, each EAR country need to formulate policies and strategies for strengthening governance and enhancing national values/ethics,

Overall, the EAR economies need integrated policy frameworks that can promote productivity, and continue to maintain macroeconomic stability.

ECA (2011) specifically notes that the challenge of environmental sustainability requires that transformation includes the reconfiguration of the structures of production, distribution and consumption of goods and services to lay a solid foundation for future growth and development. The report argues that relevant policy reforms and strategies to support the above must take full account of the role of natural and social capital in wealth creation. For instance, greening agriculture can be adopted to increase yields on small farms for food sufficiency and provision high value organic foods and drinks for consumption and exports.

Definitions and amplifications that have been put forward on institutions, decentralisation and structural transformation clearly indicate the multiplicity of variables and constructs that underlie these constructs. Abundant evidence of the various forms that these concepts can take in different contexts and with different consequences suggests a need to examine each in detail.

The next chapter examines in greater detail the theme of Decentralisation and Fiscal Federalism.

CHAPTER 2

DECENTRALISATION AND FISCAL FEDERALISM

2.1. Introduction

The concept of decentralisation is increasingly becoming a popular theme in development thinking and practice. To some extent, this concept seems to have replaced earlier calls for developing countries' political actors who found independence not satisfying enough and yearned for more involvement and participation of citizens into the political system. Disappointed by the practice of small political and bureaucratic class controlling state power at the centre, the various political factors began to search for the new "political independence", this time not from the colonial masters but from their 'political brothers' who sought to sit on the '*political pot*' and served political resources from the centre without sharing out the political menu with other "angry and thirst comrades". Informed by this new interest in decentralisation this chapter traces the history of the concept and examines the nature and practice in the Eastern African sub-region.

2.2. The Concept of Decentralisation

Political science literature indicates that the concept of decentralisation attracted the first notable attention in the 1950's and 1960's when British and French colonial administrations prepared their colonies for independence by devolving responsibilities for certain programmes to local authorities, (Work, 2002). The author further notes that in the 1980s, decentralisation came to the forefront of the development agenda alongside the renewed global emphasis on governance and human-centred approaches to human development. It is worth noting that today, both developed and developing countries are pursuing decentralisation policies as the best model of governance with assured deliverables to public participation, bottom up development paradigm and community based priority setting.

Within Eastern Africa, the history of decentralisation is as old as the history of the countries and their people. The pre-colonial governance model of most of the countries in the sub-region, with exception of Ethiopia which was never colonised, was largely decentralised. People lived together in prescribed societal boundaries that were highly informed by kinship relations or geographical placements. The societies were managed by local leaders through Councils of Elders, which was both the social and political leadership structure. It can therefore be valid to trace decentralisation to the socioeconomic and political organisation to the early man's way of life. Thus, decentralisation is as old as humanity and that all countries have undergone the full circle of decentralisation before the emergence of highly centralised states mostly after independence from colonial masters.

This ideology of united citizens to consolidate gains that were lost during colonialism gathered momentum in the early 1970's in most Eastern Africa states, largely after achievement of independence under decentralisation leaning government architecture. Since inception of the states therefore, decentralisation has been factored in all forms of government designs, even in those countries which had highly centralised governance. To safeguard decentralisation, this governance model has found its way in government Constitutional designs and has been pursued by all states in their life time, mostly with varying degrees of decentralisation.

Several scholars argue that Eastern Africa countries have embraced decentralisation as one of the means of fast tracking development. The pursuance for decentralisation has mostly been based on historical injustices that various countries have undergone through unequal distribution of national values among the various regions and sectors. Decentralisation therefore, has been seen as a fair process to midwife national healing and reconciliation. It has also provided the much needed a framework which involves local actors and thus collapse the time required for decision making and implementation. Consequently, this has made service provision more efficient and effective.

The underlying development logic for decentralisation is that local institutions can better discern and are more likely to respond to local needs and aspirations. It must be underscored that the democratic framework that provide or exist for local governments to discern the needs and preferences of their constituents to hold local governments accountable, are the basis for most of the realised benefits of decentralisation. Unfortunately, decentralisation efforts in Eastern Africa have instead taken the negative path where local democracies are created but given no powers and where the powers are devolved, they are assigned to non-representative or upward accountable local authorities. In the cloud of decentralisation therefore, many of the reforms taking place are not establishing the basic institutional infrastructure upon which to base the positive outcomes promised by decentralisation.

The success of any decentralisation implementation effort is dependent on continually building and sustaining adequate levels of local government capabilities in terms of; enabling governance; policy and legislative framework; human capital; financial resources and planning; enabling institutional structures and inclusive service delivery mechanisms. Notably, decentralisation in eastern Africa has had challenges in its history. Most countries have not been spared these challenges and continue to experience challenges that include;

- a) Capacity constraints in terms of human capital and skills;
- b) Duplication of roles/function between the national and local governments;
- c) Dependency on development partners for financing development;
- d) Delays in funding to decentralised units;
- e) Weak civil society;
- f) Political pressures and encumbrances;
- g) Natural and manmade hindrances;
- h) Governance constraints; and
- i) Inadequate resource mobilisation.

The adoption of decentralisation in the Eastern Africa countries was largely as a result of the realization that a highly centralized approach to governance was not effective in delivering good governance and democracy; tackling endemic poverty and inequalities; and creating an environment for sustainable development. It was also partly due to external pressure over these same concerns. This meant re-designing the highly centralized Governments and transferring some authority, responsibility, and resources (human and financial) for public functions to local governments, other intermediate entities and to some extent, the private sectors. Table 3 below illustrates the key principles of decentralisation that are dominant in Eastern Africa and the associated elements that spur good practice.

Table 3: Principles of Good Practice in Decentralisation

Key Elements of Decentralisation	Principles of Good Practice
Governance & Democracy at the Local Level	Representative and Participatory Democracy – How do citizens participate in election of leaders/ representatives to the LGs? How democratic is the electoral system? What extent have historical (country specific) issues/factors influenced system of governance? Local officials and the exercise of their office – Are their roles and responsibilities clearly outlined for purposes of accountability and performance management?
Power and Responsibilities of Local Authorities	Subsidiarity – Does a defined legislative framework exist? Are partnerships (relationships) between different spheres of Government well defined? Incremental Action – to what extent are functions devolved top-down. What is the balance between allocated functions and capacity of LGs to deliver on their mandates?
Administrative Relations between Local Authorities and other spheres of Government	Legislative Action – Are the LG structures entrenched in national legislation (Constitution or Act of Parliament)? Empowerment – how freely do LGs exercise their powers within provisions of relevant laws? To what extent during policy and legislative reforms, are LGs and LGAs consulted? Supervision and Oversight – Do we have any statutory provisions on appointment, suspension or dismissal of LG executives and officials? Is the reporting structure clear? What performance management measures/ systems have LGs implemented?
Financial and Human Resources of Local Authorities	Capacities and HR of LGs – what is the role of the CG, LGAs, private firms, institutions and development collaborates in capacity development? Financial Resources of LGs – what is the extent of financial autonomy of LGs? How reliable and adequate are available (current and potential) revenue sources? What is the mix between local revenues (taxes, levies) and other revenues (CG transfers, borrowings, donors, etc)?

Adapted from (UNDP 2011)

The above analysis shows the importance that African countries attach to decentralisation as a key enabler to good governance. This yields two observations, that: (i) decentralisation is not an end to itself in Africa but a prerequisite for effective governance; and (ii) decentralisation, has become the strategy that Africans are using to deepen participatory democracy as discussed in the next section.

2.3. Analysis of Decentralisation in selected Countries in Eastern Africa

Equity among members of the society in Eastern Africa is seen best served under decentralisation. Since decisions on distribution of national values are made at the local level, by the local leaders, elected by the locals, it is expected that they would consider the priorities of the locals at all times. This engenders participation and democratisation, a key element lacking where decentralisation is yet to be embraced. It is also acknowledged that participation by the local leaders and people through selection of their representatives provides a forum for local empowerment, fiscal participation and local development. This is because decentralisation provides significant opportunities and processes for popular participation and increase involvement of the people. The residual effect of the involvement is a citizen driven governance that enhances local service delivery through good governance. Consequently, the net effect of the processes accelerates attainment of national development goals at the local level. Table 4 below presents a summary of the status of decentralisation in Eastern Africa.

Table 4: Analysis of the Status of Decentralisation in Eastern Africa

Drivers	Burundi	Comoros	Kenya	Rwanda	Tanzania	Uganda
Justification	Historical civil conflict	Governance	Accountability	Promotion of unity	Union of mainland and Zanzibar	Not donor driven
	Democracy and representation	Support autonomy of the islands and rule of law	Strengthening LGs through devolution	Promotion of good governance	Political/adm/fiscal decentralisation	Political decentralisation
	Promote peaceful co-existence among citizens	Policy of continuity and territorial integrity	Promote a Collaborative and effective Central-LG linkage	Poverty reduction	Local Govt. HR management	Transformation of society
	Fight poverty: socio-economic development of rural residents	Accountability		Efficient, effective and accountable delivery of services	Service delivery	Local Govt. Capacity
Legal/ Legislative Framework	Arusha Accord 2000	Fomboni Accord	Vision 2030	Phased national decentralisation Policy	URI Constitution	Decentralisation Policy
	Decentralisation strategy	Constitution	2010 constitution	Decentralisation strategy framework		Constitution-CAP 11)
	Decentralisation law	Decentralisation strategy	Devolved Government Act	Gacaca Policy	Decentralisation Policy	Act of Parliament
	New communal law					
Institutional arrangement	Provinces subdivided into communes, collines	3 tier- island, communes and villages	IGRTC	Province as the administrative unit	LGRP	
		Communes set up based on population	Devolution Ministry, CoG CIC, TA	District as the focal unit for decentralisation	Rural: District, township, village	
	Communes set up on the basis of economic & social development.	Each island with own criterion of appointing advisors(reps to commune)	47 counties	Sectors, cells and villages under district	Urban : city , municipal, town	
				Administrative organisation guided by principle of subsidiary		
Financing Local Development	Minimal central Govt. Transfers	Minimal Central Govt. Transfers	Constituency Development Fund, Youth Enterprise Development Fund, Women Fund	District dev. Plans	LGCDG- (formula based) system	Central Govt. Transfers, Devt. Partners
	Community mobilization initiatives		Public Finance to counties	Participatory planning/budgeting		Project based financing e.g Mwanza Project	Fiscal Decentralisation strategy
	Development partners e.g Ngozi project	Development Partners	Equalization Fund	Central govt. Transfer/development partners	Expenditure guided by the LG Finance Memorandum	Planning guidelines, budgeting manual
	Budgeting /planning guidelines	Own sources					Local sources

Source: (Adapted from UNDP 2011)

The analysis incorporates Commonwealth principles for effective decentralisation as outlined in the Aberdeen Agenda⁸ and UN Habitat Decentralisation Framework. The analysis shows how the selected countries in the sub-region had varying rationale and frameworks for their decentralisation. These variations are clearly seen among the justification, legal/legislative framework, institutional arrangements as well as financing local government. This is because decentralisation is context-specific and is implemented in various forms by governments across the region. The common objective is to improve local representation and democratisation to yield positive outcomes in both democratic and developmental terms.

Over time, political and economic liberalization have opened possibilities or at least revived claims for greater decentralisation. While it is not yet understood in a systematic way where the impetus for decentralisation is coming from, initial evidence suggests that it emanates from sub-national claims for greater autonomy as an extension of democratisation, and from governments pressed to delegate functions and commitments due to external and internal demands for a leaner, more efficient and enabling state.

During the last four decades astute central governments have also been eager to decentralise their authority, resources (and staff) due to legitimacy concerns on improving performance and efficiency. Major development donors have also pushed decentralisation as a pathway to improving governance and service delivery in developing countries. In each case, the relative significance of the different causes for decentralisation may well predict the extent to which it will succeed and how much governance and service delivery could improve, (Ndegwa, 2002).

Noting the different bases and forms of decentralisation that various countries have embraced, a number of scholars (Ndegwa, 2002; Ivanyina & Shah 2014) have attempted to build quantitative models for measuring the level of decentralisation and ranking countries accordingly. These models are discussed forthwith.

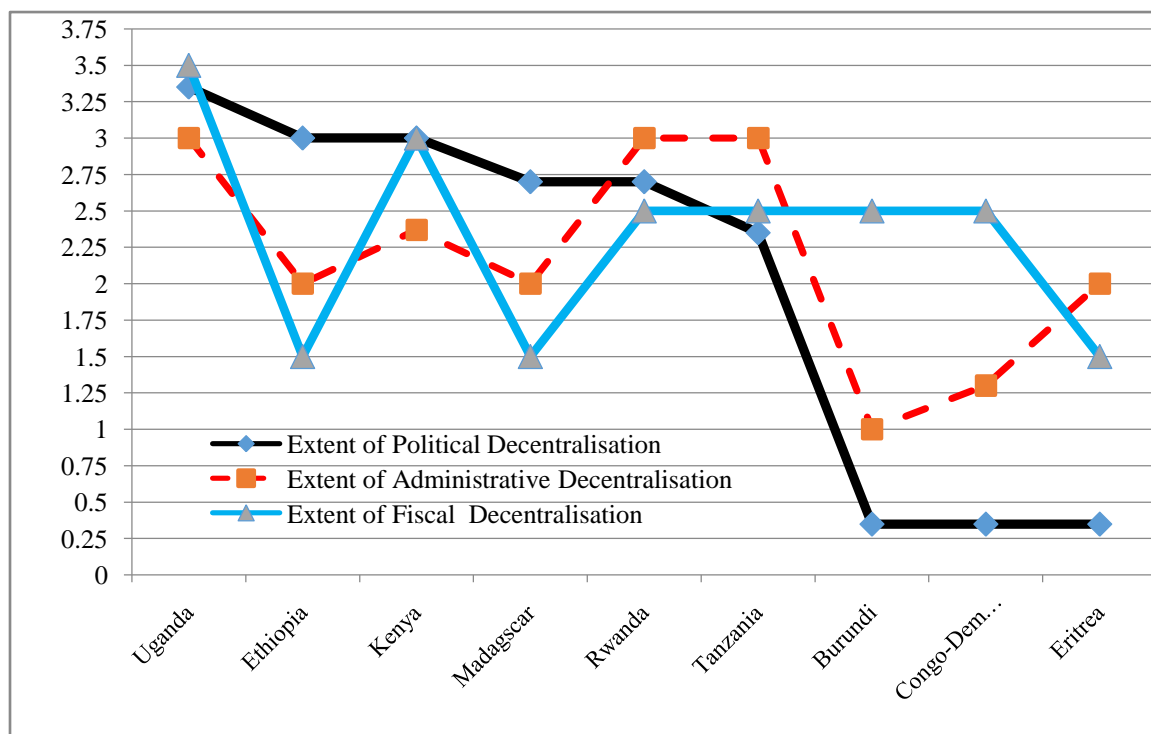
Using a stock taking survey, Ndegwa (2002) developed decentralisation indices for 30 selected countries in Africa for political, administrative, fiscal and overall decentralisation. The maximum score according to the index was 4 such that countries with the highest level of decentralisation in any of the above attributes scored closest to 4. Those with the least or no decentralisation in the aspect measured scored nil. However, the findings from this survey ought to be treated with caution since the scenario has changed significantly over the last decade. The scores for the nine Eastern African countries that were included in this survey are shown in Figure 5 below.

The political decentralisation index was computed from the mean of the following: the number of elected sub-national tiers, the score for the existence of direct elections for local governments, and the score for turnout and fairness of such elections. Three Eastern African countries (Uganda, Kenya and Ethiopia) scored high (at least 3 on the index) indicating a high degree of political decentralisation.

⁸. The Aberdeen Agenda provides a set of standards to promote healthy local democracy and good governance throughout the Commonwealth. The Aberdeen Agenda: Commonwealth Principles on Good Practice for Local Democracy and Good Governance the Commonwealth Local Government Forum CLGF member organisations on 18 March 2005 as a result of discussions at the Aberdeen conference.

A second set of three countries indicated a moderate level of political decentralisation, with scores ranging from 2.0 to 2.9; these included Rwanda, Madagascar, and Tanzania. The rest of the Eastern Africa countries (Eritrea, Burundi and Congo, Democratic Republic) returned very low levels of political decentralisation.

Figure 5: Extend of Decentralisation in Select African Countries 2002



Source: Adapted from Ndegwa (2002).

Administrative decentralisation was tracked using the score for the clarity of roles for national and local governments provided by the law, the score indicative of where the actual responsibility for service delivery resided, and the score indicative of where the responsibility for (hiring and firing) civil servants resided. On this score, Uganda indicated a high degree of administrative decentralisation while, Rwanda, Tanzania, Kenya, Ethiopia, Madagascar, and Eritrea indicated a moderate degree of administrative decentralisation. Burundi and Congo, Democratic Republic showed very low degrees of administrative decentralisation.

Finally, Fiscal decentralisation was measured using two indicators: the score based on arrangements for fiscal transfers from the central government to localities and the score corresponding to the proportion (offered as a range) of public expenditure controlled by the localities. Uganda scored high on fiscal decentralisation while Kenya, Rwanda, Burundi, and Congo Democratic Republic had moderate levels of fiscal responsibilities anchored at the local level.

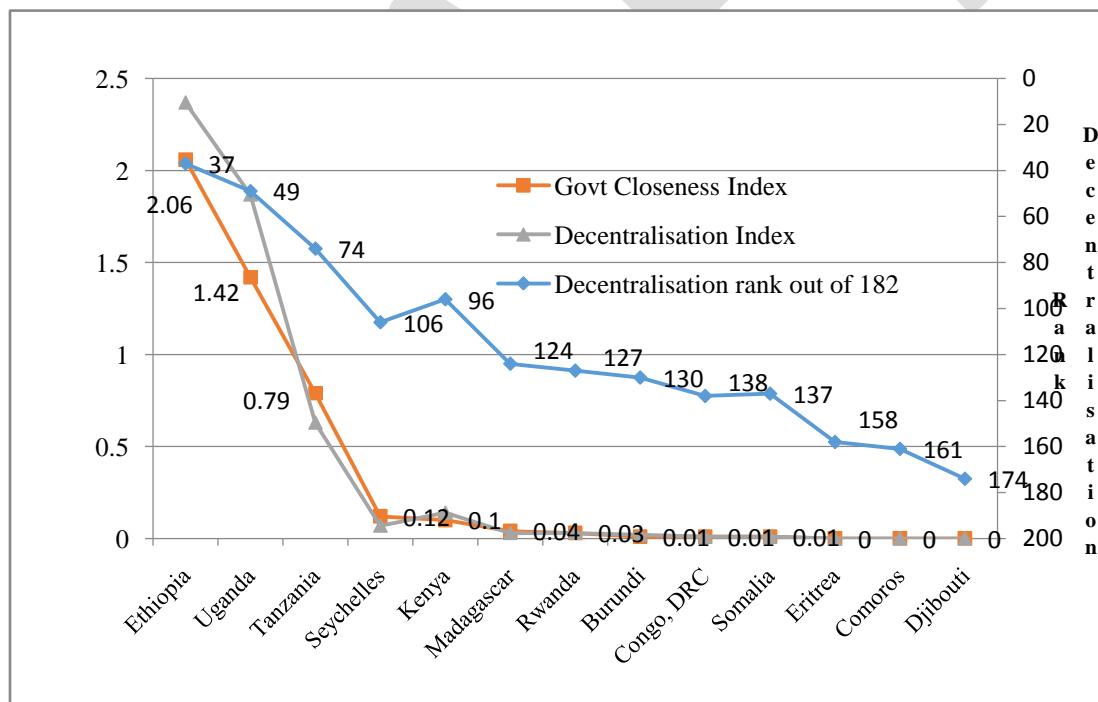
This analysis indicates that the degree to which the various components of decentralisation were achieved varied markedly from country to country. As expected, political decentralisation emerged as the most advanced component partly because it is the local manifestation of the democratic reform that swept the African continent in the 1990's. Administrative decentralisation appeared as often and was rated high because administrative reform was the preferred pathway to decentralisation (in particular, deconcentration) before democratization.

In general countries that scored high on overall decentralisation also scored high on political and administrative decentralisation. For the better performing countries, decentralisation was founded on an advanced political decentralisation. For the low performers, democratization was minimal or non-existent, which often meant no elected local governments exist.

It is noted that for the high performers, political decentralisation was almost consistently tracked closely by administrative decentralisation, while for the low performers administrative decentralisation was consistently ahead of political decentralisation, a pointer to the concessions these less democratic countries also have to make to local administration, often the preferred form of decentralisation for non-democratic states.

Recently, Ivanyna and Shah (2014), applied an econometric model on a unique data base on local governance in 182 countries worldwide to develop a two-part decentralisation measure of (i) “the closeness of government to its people” and (ii) “decentralisation”. The index score for each aspect of decentralisation is a progressive number such that zero depicts the maximum distance of government away from its people or the least decentralised. Switzerland returned the highest score of closeness at 31.26 while Denmark scored the highest (34.03) on overall decentralisation. Figure 6 below shows the scores of Eastern African countries and their ranking in overall decentralisation.

Figure 6: Global Decentralisation and Government Indices’ Ranking in 2014



Source: Adapted from a Policy Research Working paper by Ivanyna and Shah (2014), pp 38-42

The decentralisation scores in Figure 6 above show that the Eastern African countries with the most decentralised governments are Ethiopia, Uganda and Tanzania, in that order. This ranking ties well with the decentralisation programmes that had been initiated in these countries in prior years (Ethiopia in 1992 and Uganda in 1995). In the case of Rwanda, the model results show poor scores on both government closeness and decentralisation mainly due to very low scores in fiscal and administrative decentralisation as well as relative importance of local government. The model results

showing Djibouti, Comoros and Eritrea, as the least decentralised countries are consistent with expectations.

In line with theory and the findings in Ndegwa (2002) the results for Eastern African countries in the data generated by Ivanyna and Shah (2014) - not tabulated in this paper- showed that political decentralisation was ranked highest followed by administrative decentralisation. Some policy related inferences that can be made from the empirical findings on the level of decentralisation in the sub-region are that (i) for the countries that have not yet embraced decentralisation, the logical starting point is political decentralisation and (ii) all member countries should note the lag in fiscal decentralisation-a matter which requires country-specific solutions and regional attention.

As noted above, each country is unique in its decentralisation design and this precipitates different results for each country. Table 5 below summarises the forms of decentralisation in the study countries and a few more. In addition, this illustration shows the major legal instruments, key institutions and the year they were enacted.

Table 5: Forms of Decentralisation in Selected Eastern Africa Countries

Member country	Form of decentralisation	Major legal Instrument	Key institutions	Year of implementation
Burundi	Fiscal Political	<ul style="list-style-type: none"> - Arusha Accord (Art. 8, al.2 - Art.20 al.13 - 2005 Communal Law - 2005 Constitution (Art. 267 Title XI 	<ul style="list-style-type: none"> - National Inter ministerial steering and orientation committee on decentralisation - National Investment Funds for Communes. 	2005
Comoros	Fiscal Political	<ul style="list-style-type: none"> - Fomboni Accord 2001 Constitution 	<ul style="list-style-type: none"> - National Representatives - Island representatives 	2001
Ethiopia	Fiscal Administrative Political Judicial	<ul style="list-style-type: none"> - Proclamation 7/1992 - Proclamation 33/1992 - Proclamation 42/1993 - Proclamation 1/1995 Art.96,97,98 - 1995 Constitution 	<ul style="list-style-type: none"> - Council of Representatives - Council of Ministers - Regional Council - Regional Executive Committee - Wereda Council - Wereda Executive Committee 	1992 1995
Kenya	Devolution	<ul style="list-style-type: none"> - 2010 constitution 	<ul style="list-style-type: none"> - Ministry of Devolution - The National Treasury (Ministry) - Council of Governors (CoG) - Commission of Revenue Allocation - The senate / Country Governments' and Assemblies - Intergovernmental Relations Technical Committee (IGRTC) - The Commission for Implementation of the Constitution - Transitional Authority 	2013
Rwanda	Fiscal federalism Devolution	<ul style="list-style-type: none"> - 2003 Constitution - Decentralisation policy 	<ul style="list-style-type: none"> - Ministry of Finance & Economic Planning (MINCOFIN) - Fiscal Decentralisation steering Committee - Ministry of Local Government (MINLOC) - Rwanda Governance Board - Rwanda Association of Local Government Authorities (RALGA) 	2001 2005 Act of Parliament
Uganda	Political Fiscal	<ul style="list-style-type: none"> - 1995 Constitution - 1997 Local Government Act 	<ul style="list-style-type: none"> - Government Finance Commission - Ministry of Local Government 	1995

NESC- Compiled from field missions, (2015)

Among other things, the above tabulation underscores the fact that decentralisation in Eastern Africa is a recent phenomenon. It started in earnest with Ethiopia in 1992 followed by Uganda in 1995. Kenya is the last to adopt decentralisation in 2010.

2.4. Fiscal Federalism

A growing number of countries have adopted fiscal decentralisation in an attempt to improve the performance of their public sector. The process broadly entails decisions in identifying some optimal distribution of functions and powers between the federal and sub-national governments. This process of decentralisation of fiscal authority introduces specialization of functions, better identification of local factors, experimentation of democratic principles and changing the relationship between the government and the citizen-voters in important ways.

The experiences of reforming countries have been diverse and not easy to generalise. The practices of fiscal decentralisation have diverse features and maturity across countries and yet exhibit a common departure from the practice of centralized fiscal system. Proponents of fiscal decentralisation argue that it provides a superior framework than centralized fiscal policy making where interventionist, expansionist, corrupt, and inefficient government policies were pursued and failed to deliver efficient public services.

Fiscal decentralisation has become a clear trend in government reform in both developed countries and transition economies. Traditional fiscal decentralisation research focuses on the resulting economic benefits which accrue to its use. It has been argued, for example, that local governments are presumed to be more informed on the demographics of their respective jurisdictions, and therefore would allocate public resources more efficiently and more effectively than the central government would consider. This overriding experience created the temptation in a number of countries to experiment with some forms of decentralisation of both political and fiscal power.

Literature surveyed shows that whereas some countries implement fiscal decentralisation others opt for de-concentration of centralized decision making without actual fiscal decentralisation (Bird, 1993; Martinez-Vazquez & McNab, 2001). In some cases, it has been found that fiscal decentralisation follows the political imperative of establishing federal political structure whereas in others fiscal decentralisation was put in place within a centralized political regime. Moreover, rolling out fiscal decentralisation before local institutional capacity reaches some critical threshold level of policy implementation and evaluation capability at sub-national government levels might involve significant economic cost, inefficiency in resource utilization and contribute to breach of fiscal discipline (Tanzi, 1996 & Prud'homme, 1995).

Fiscal federalism and decentralisation derive their nature and characteristics from constitutional provisions as well as the level of economic development, population size, urbanization, ethnic fractionalization, geographical sectionalism, the pattern of income and resource distribution, the institutional capacity of the system, openness to international trade, and the interaction of political economy forces that shape the principal-agent relationship (Panizza, 1988, Bahl & Nath, 1986, Martinez-Vazquez & McNab, 2001).

Fiscal decentralisation is defined by the degree to which fiscal decision-making autonomy is devolved to independently-elected and locally accountable autonomous sub-national governments. Fiscal decentralisation and how it is practiced also affects the other objectives of public finance, namely income distribution and macroeconomic stabilization.

The ultimate economic effect of fiscal decentralisation on the performance of an economy hence depends on these interactions and how these variables influence the growth and distribution of income opportunities. What are the theoretical arguments for fiscal decentralisation?

Fiscal decentralisation has forced countries which embrace it to design integrated policies, planning and budgeting frameworks which focus on outlining interrelated stages that feed into and inform each other. The World Bank (1998) adopted most of these integrated policies and planning and budgeting frameworks. At the centre of the adopted policies is the theme of ownership and sustainability of local projects, which makes it imperative for the people or the beneficiaries to take part in the formulation, implementation, monitoring and evaluation of the projects. Wide participation, Oyugi & Kibua (2006) observe ensures that stakeholder concerns are adequately addressed, regional development is equitable, and administration and utilization of public resources is efficient.

Arguably, the World Bank framework for the provision of transaction-intensive services offers a good basis of conceptualising Fiscal decentralisation. In this framework, transaction-intensive services are those that require repeated, frequent client-provider contact. As alluded by Asingo (in Kibua & Mwabu 2008), efficient provision of services requires a well-structured service delivery chain, comprising the citizens/clients, politicians/policy makers, service provider organisations and frontline professionals.

Ideally, the four service-related actors are strong, capable and embedded in a strong network of accountability relationships that positively influence delivery. Service provider organisations have a clear service provision vision and mission, while frontline professionals need autonomy and initiative, access to adequate resources, and inclination to provide services. Fiscal decentralisation guarantees empowerment of citizens to demand services rather than being passive service consumers. This is strengthened by legislative instruments which compel the budgeting and planning processes to be institutionalized and embrace citizen participation as a critical component of development planning and budgeting process.

It must be pointed out that interaction between the actors mentioned above suggests four sets of relationships. First, there is Voice and Politics, which is the accountability link between citizens and policy makers. Citizens empower and finance politicians through taxes and hold them accountable for the services. Second, there is combat, which is the relationship between policy makers and service providers. Third, there is client power, which is the direct link between policy makers and service providers. Finally, there is management, which is the link between provider organisations and their frontline professionals, through which the former give the latter assignments, delineate their areas of operation and give them resources to use (Asingo in Kibua & Mwabu 2008). Based on the foregoing arguments it is safe to state that Fiscal decentralisation provides the prerequisite for conducive institutions which facilitate the structural transformation of any functional society.

Since decentralisation brings government closer to the people, the existence of local political arenas makes it easier for ordinary citizens to participate and exert influence. When power is brought closer to the citizens, the political process becomes more tangible and transparent and more people can become involved. Decentralisation may also create a more open political system in that it implies a division of powers in society; many channels of representation and power sharing become available. This counteracts the monopolization of power by a clique of elite groups, often the consequence of centralized political and administrative structures.

Despite the benefits of decentralisation, Bardhan and Mookherjee (1998) warned that the benefits of decentralised service delivery may primarily go to local elites. This was negated by Faguet (2004) who found evidence that fiscal decentralisation increases investment in social sectors, such as education, urban development, water and sanitation, and health care. A related observation was reported by Arze del Granado, Martínez-Vázquez, and McNab (2005) who found that the share of education and health in total government expenditures increased with fiscal decentralisation. Thus, Fiscal federalism plays a major role in the socio-economic designs and outputs of any society.

Classical works by Brennan and Buchanan (1980) and also by Niskanen (1975) depicted government as a revenue-maximizing, mythical leviathan; they argued that mobility of individuals and private companies, fiscal decentralisation imposes a check on government growth through tax competition. The theoretical perspective broadly indicates that fiscal decentralisation and the assignment of functions can potentially generate economic efficiency of the public sector. If preferences are heterogeneous enough across jurisdictions and local public officials can and do respond to local demands, decentralisation can improve allocation efficiency by tailoring services to the preferences of the local population. It follows that local governments are closer to the local population and can identify their choices and preferences better than the central government (Basley & Coate, 1999).

Fiscal federalism theorizes that when the decision to provide a bundle of public goods is made by local officials and these officials are directly accountable to the local voters, there is an incentive for the local officials to provide the type and amount of services that reflect the preferences of the local population. Moreover, as long as there is a close relationship between the benefits from public services and taxes on the local taxpayers, there is additional incentive to use resources efficiently and cost-effectively. The decentralisation theorem suggests that under such assumptions and democratic political institutions, decentralisation of fiscal decision-making authority improves allocation efficiency of the public sector. Whereas it is possible for both democratic and non-democratic regimes could exercise some forms of fiscal decentralisation, the practice sooner or later confronts tensions when democratic institutions are not operational and effective.

Once the allocation of expenditure responsibilities is conducted according to such broad principles, the fiscal system needs to address the issue of assigning taxing power that broadly identifies who should tax, where and what (Musgrave, 1983). It is the devolution of taxing autonomy that gives meaning and identity to the devolution of expenditure responsibilities. In the context of fiscal federalism, the assignment process needs to identify the comparative efficiency and effectiveness of providing the fiscal instruments to the multi-tier decision-making centres so as to finance public functions and activities in the most efficient manner possible.

Fiscal federalism has raised serious concerns over what kind of taxes should be assigned to the federal government and which should be assigned to the local governments. The theory and practice in the assignment of taxation power identifies the following main criteria in assignment process: taxes on mobile tax bases, redistributive taxes, taxes that could easily be exported to other jurisdictions, taxes on unevenly distributed tax bases, taxes that have large cyclical fluctuations, and taxes that involve considerable economies of scale in tax administration should be assigned to the federal government (Sobel, 1997; Musgrave, 1983; Tanzi & Zee, 2000; Oates, 1996).

There are efficiency and equity considerations behind such principle of tax assignment. Local authorities should exercise taxing power on other tax bases within the settings and preferences of the local population. The assignment of taxing power between the federal and the regional governments and the provision for concurrent power to share revenues establishes the basic link in which the behaviour of one of the parties would influence the decision making power of the other and its effective tax base. There is a possibility for vertical tax externality that might require additional policy instruments to correct their effect on other levels of government (Keen, 1998).

The assignment of taxing power is a thorny issue world over. In practice, its application is influenced by a number of considerations. First, despite the legislative assignment of taxes, the actual potency of the tax network depends on the nature and development of the national economy, the relative distribution of economic activities across jurisdictions, and the administrative efficiency of the taxation system. Second, the practice of fiscal federalism, especially when citizens across regions with diverse economic and demographic situations are treated unequally, gives rise to the violation of one of the core principles of horizontal fiscal equity. This is reflected in the formulas for allocation of revenues to various decentralised units in both Ethiopia and Kenya. Kenya goes the extra mile to employ the same theory in disbursement criterion of its equalization Fund. Third, despite the monopoly of taxing power resides at the disposal of the national government, the reach of the taxation network depends on the economic circumstances of the potential taxpayers. It is therefore evident that the fiscal assignment issues are dependent not only on constitutional provisions but also on economic, political and institutional factors.

2.4.1 Fiscal Decentralisation as a Pillar of Structural transformation

Decentralisation practices around the globe and research studies have focused on the causes and motivations for a particular country's undertaking the reforms necessary to bring about fiscal decentralisation. Some contend that, with the advent of globalization, governments no longer wield the financial power of a monopoly. This is because in a global market, competition originates not only from neighbouring countries but also from far away countries that had not previously constituted a competitive threat. Therefore, to compete in the global economy, industrial reorganisation is insufficient. Governments must be able to restructure the ways in which they operate, and to respond to the rapid changes and unfamiliar challenges which globalization requires.

Furthermore, with the increasing pressure in many countries for democratization, governments can no longer afford to ignore expressions of discontent and frustration demonstrated by their citizenry in the provision of necessary and adequate public services. It is however true that decentralisation designs are critical in determining whether citizens can indeed enjoy the intended benefits of decentralisation. For this reason, it is imperative that decentralisation is designed with the perspective that it would contribute to structural transformation by reengineering a new thinking into the process. Such innovative design should exploit unconventional resources and opportunities to spur the much awaited societal transformation.

In order to successfully cope with the public's ever-increasing demands and to reduce the transaction costs inherent in providing timely public services in an evenly-distributed fashion, national governments must adapt to the varied and complex transformations occurring everywhere today. There

are a number of ways in which governments may undertake to achieve their goals. One way many experts believe offers great promise is through fiscal decentralisation.

Certainly, the sub-national government is more likely to know the local needs and is therefore potentially more capable of delivering better levels of public services than national government are or could be, primarily due to the fact that most local governments are more closely scrutinized and have the local oversight of those living under their jurisdiction. This provides corresponding levels of accountability for local governments, which is higher and more certain than is possible with the central government. This has, in fact, led national governments in recent times to attempt to leverage this position by decentralizing many of the duties and responsibilities previously held by the centre to lower and more localized levels of governments.

One of the more pressing questions concerns the consequences of implementing fiscal decentralisation: why have some states been able to succeed in this regard while others have failed? This question is yet to be answered satisfactorily. A brief comparison of two countries' attempts in this area provides a cogent example of the dilemma.

Since the 1990s, China has embarked upon a series of reforms based on principles of fiscal decentralisation, the implementation of which has been accompanied by double-digit growth rates. Argentina is also highly decentralised in terms of sub-national governments with expenditures and revenues at an acceptable percentage of the total government's expenditures and revenues. Argentina, unlike China, experienced two major financial crises, in 1993 and 2001, associated with undisciplined fiscal behavior by sub-national governments, for which the central government ultimately had to take responsibility (Mussa, 2002).

It is a point of contention that an effective course of action would include different considerations. The process should not be limited to re-assigning public resources to lower levels of government but should include granting discretionary powers, such as taxing, and borrowing, as well as the power to independently appoint personnel at the sub-government level as well.

A good number of empirical studies have investigated the relationship between fiscal decentralisation and economic growth since the 1990s, including Kim (1995), Davoodi, Xie and Zou (1995), Davoodi & Zou (1998), Martinez-Vazquez and McNab (1998, 2001a, 2003), Zhang and Zou (1997, 1998), Lin and Liu (2000), McNab (2001), DeSai et al. (2003) and Lee (2003). Some of the empirical studies are conducted with cross-country datasets while others focus on case studies within a single country but use datasets comprising various national regions. The findings are that the cross-country evaluations and case studies yield inconsistent conclusions on the issue of whether fiscal decentralisation promotes economic growth.

Inman and Rubinfeld (1997) assert that fiscal decentralisation has been shown to strengthen social capital and encourage political participation that usually leads to a higher level of accountability for government behaviour. By fostering the emergence and strengthening of democratic institutions, fiscal decentralisation reduces opportunities for malfeasance and the misallocation of public resources.

Resources that would otherwise be diverted are then available for investment and for the provision of public goods, thereby enhancing long-term economic growth (McNab, 2001). Fiscal decentralisation has been further credited with fostering central bank independence (CBI) and thereby ensuring transparency in government as well as in the banking sector (Huther & Shah, 1998).

With respect to democratic governance, many empirical studies have also been undertaken to test this argument. Some scholars focus on the relationship between fiscal decentralisation and corruption (Fisman & Gatti 2000; Gurgur & Shah 2002), while others associate fiscal decentralisation with some type of general governance indicator, ranging from citizen participation, transparency in government, the rule of law, among others (Huther & Shah 1998; DeMello & Barenstein 2001). Despite the diversity of conclusions with regard to the issue of fiscal decentralisation versus economic growth, there appears to be greater consensus among the empirical conclusions on the issue of whether fiscal decentralisation promotes improved governance.

The primary explanation stems from the fact that macroeconomic stability has a high level of relevance to economic growth. As a result, some take the view that macroeconomic stability is the indirect effect of fiscal decentralisation on economic growth (Lee, 2003). Fukasaku and DeMello (1998) have conducted an empirical study using cross-country datasets searching for the association between fiscal decentralisation and macroeconomic stability. The researchers used the central government's fiscal balance, inflation, and M2 growth as the indicator for macroeconomic stability. Their findings suggest that fiscal decentralisation is likely to generate fiscal and monetary imbalances that impair growth in developing countries.

Other researchers contend that fiscal decentralisation has an inverse relationship with the size of the public sector. In the vein, Brennan and Buchanan (1980) opine that fiscal decentralisation is itself a powerful constraint on competition among governments in the context of the "inter-jurisdictional mobility of persons in pursuit of fiscal gains can offer partial or possibly complete substitutes for explicit fiscal constraints on the taxing power" (Brennan & Buchanan 1980: 184).

2.5. Findings from Case Studies in Eastern Africa

This study benefited from sampling some countries whose findings highly confirm the secondary data on its argument that fiscal federalism is the bedrock of decentralisation. It was found that Ethiopia has invested highly in fiscal federalism as a way of achieving the desired outputs of decentralisation. The country has clearly stipulated how income is to be generated for the federal and regional governments. The rationale for Ethiopia's fiscal decentralisation is to guarantee each level of government the capacity to finance its own social development projects and economic development.

Regional governments in Ethiopia collect Rural Land use fees, agriculture income tax from farmers not incorporated in an organisation, profit and sales taxes collected from individual traders, tax on income from inland water transportation and income tax, royalties and land rent levied on small to medium scale mining activities. Other revenue sources for the regions include charges and fees on loans and services issued or rendered by regional governments.

However, Ethiopia's experience presents a case where the responsibilities bestowed on sub-national governments, in this case regions, are far in excess of the revenues that can be generated from the specified sources outline above. This is because the centre controls about 80 per cent of the income resources, such as taxes on international trade, leaving only 20 per cent for the regions.

The import of the revenue arrangements that are discussed above is that the regions highly depend on the centre for their funding. This presents a scenario where the central government indirectly provides checks and balances on the autonomy of the regions-a reality which is witnessed in many countries within the sub-region. For instance, in Kenya, the national government has to remit to the counties their quarterly expenditure.

Ethiopia has clear mandates for the federal government and for the nine regions and the two special regions, namely Addis Ababa and Diredawa. The functions of each level of government are very distinct with regions and Weredas being the points of fiscal action. The nine regions are subdivided into zones which are hardly talked about due to the focus on the over 500 Weredas which are the next points of action after the regions.

The three tier structure of government in Ethiopia has guaranteed decentralisation on the three levels, each accountable to a legislative council and supported by a structured bureaucracy and judiciary. The fiscal decentralisation however is limited to the regions and does not extend to the zone or Wereda. Each region has delineating tax areas for in it is responsible for collecting revenue.

Fiscal decentralisation in Ethiopia is therefore different from the others and has a unique model as defined by Proclamation 1/1995 Article 96, 97,98. This legislative provision provides exclusive right for the federal government to tax international trade and dominant share of domestic indirect taxes. These two sources have on average a combined share of about two thirds of the national tax base. This way, the largest source of tax revenue is assigned to the federal government. This situation is replicated in all Eastern Africa countries, where the national governments dominate most of the fertile sources of revenue collection.

In Rwanda, local governments have adequate and predictable flows of income. They raise their revenues locally and get their share from the national grants as well. The local revenue performance is however too low, in comparison with their share of service to their citizens. The focus is generation of revenues by the national government and thus it is not a surprise that in the last fifteen years, the districts have generated below 20 per cent of the national income from their allocated revenue sources.

One of biggest challenges for fiscal decentralisation in the sub-region is to ensure effective tax administration, especially given that local government's capacity in tax administration is low and inability of local governments to attract the appropriate desired personnel. A dampening factor on tax collection by decentralised units is the high tax administration cost associated with a tax payer base that consists of a large and dispersed rural population whose income are very low.

A common feature of sectoral decentralisation in the sub-region is the special focus on education, health, infrastructure and agriculture which are shared with the national government.

Unfortunately, this arrangement complicates resource allocation as it brings confusion regarding which level of government is in charge of the development agenda in the various areas. This lack of clarity has precipitated turf wars during the passages of Fiscal policies in the legislative floors in Kenya and Uganda.

Rwanda has institutionalised its fiscal decentralisation management under the National Decentralisation Steering Committee, which later evolved to Local Government Finance Commission and the Fiscal Decentralisation Steering Committee which meets quarterly to oversee the fiscal administration. All these institutions are managed by the Ministry of Finance and Economic Planning.

Uganda's Fiscal Policy is very similar to that of Rwanda. The districts, which constitute the second tier of government, are closely managed by the Government Finance Commission-a state agency under the Ministry of Local Government. The districts receive their allocations from the national government and implement the district priorities. Revenue collection is highly concentrated at the national government level which limits the scope of growing the revenue pool for the districts and other local governments. Nevertheless, Uganda is noted to have a high degree of political decentralisation which is a positive mark to the fiscal accountability at the Local Government levels.

Kenya has institutionalised fiscal management through the Public Financial Management law which clearly stipulates how revenues are collected and distributed to the counties by the Revenue Allocation Commission. The country has also designated an office of controller of budget who regulates budget flows between the two levels of government. In addition there is a provision for an equalization fund for designated and previously marginalised. The fund was created to bring all counties to the same financial footing in an effort to promote equity in development.

2.6. Key Messages

- a) A proper institutional design is necessary for decentralisation to deliver a better service than a decentralised system. Such design must deal with all aspects that determining service provision, including expenditure mandates, the local government own-revenue sources and financing arrangements.
- b) The choice of assignment of expenditure mandates across government levels can impact service delivery significantly. In general, optimal allocation of resources is achieved when public expenditure mandates are allocated to the government level that most closely represents the beneficiaries of these outlays.
- c) The assignment of local revenue-raising responsibilities is also a key factor in generating appropriate incentives for service provision. In general, accountability of local governments requires that they have access to significant own-source revenues at the margin, to ensure that hard-budget constraints can be made effective.
- d) The revenue-raising system should generally be supplemented by intergovernmental transfers, to help address the remaining fiscal imbalances. However, if grants are determined as gap-filling transfers to meet local deficits, local governments will have little incentive to manage their functions efficiently.

- e) A heavy reliance on special purpose or tied grants may limit local preferences or accountability. At the same time, untied transfers may not ensure that the requirements of donors or the centre on adequate expenditure tracking and performance would necessarily be met.
- f) An adequate design of the transfer system is key to protecting local accountability and ensuring that the poorer regions have adequate resources to effectively provide basic services. Over-dependence of the sub national governments on central transfers can weaken local accountability on service provision, since it facilitates the “shifting of blame” for breakdowns in service delivery to upper-government tiers.
- g) Local borrowing should also be carefully designed to address adverse incentives to fiscal responsibility and adequate service provision. Combinations of rules-based approaches for local debt control are likely to have to be supplementary arrangements based on administrative controls or statutory limits set up in a rolling basis, and in more advanced cases (possibly for the more advanced regions and municipalities) with a blend of Market-based controls.
- h) The management of the decentralisation process can be as important for service delivery as is the decision to decentralise. Ideally, local governments should first be given clarity about its functions and associated expenditure responsibilities.
- i) Along with fiscal and financial resources as well as autonomy, a key issue facing local authorities is the access to an appropriate level of human resources. Decentralised service delivery is handicapped when sub national governments lack skills and institutional capacity. International experience shows that often in decentralisation reform, political and fiscal decentralisation elements are given significantly more emphasis than administrative issues.
- j) A successful administrative devolution is deeply intertwined with local capacity-building. There are some broadly-accepted principles on how decentralisation and capacity-building processes should be sequenced.

2.7. Recommendations

- a) There is need for institutionalisation of decentralised structures and positions through a mix of Constitutional provisions, legislation and policies, to protect the progress achieved from regime changes and political cycles.
- b) Political commitment by top leadership and nurturing of national will and ownership are prerequisites for sustainable implementation of decentralisation.
- c) A time-bound decentralisation implementation strategy that is country-specific should be developed.
- d) Decentralisation design must be rooted in independent institutions rather than the political leaders and guarantee the institutions security of tenure and cushion them from undesired political processes.
- e) Fiscal federalism must be based and grounded on empowered local governments with a clear mandate on their scope of revenue collection, budgeting and fiscal administration.
- f) Where the national governments have the responsibilities of collecting and disbursing national resources, timely disbursements must be guaranteed through legislation.
- g) To allow local administrations the desired self-determination these units must, at all times, be free from patron-client relationship in terms of leadership and election processes.

In order to understand the implementation and outcomes of decentralisation, the next chapter analyses social dimension within the context of decentralisation and the situation in the sub-region.

CHAPTER THREE

SOCIAL DIMENSION WITHIN THE CONTEXT OF DECENTRALISATION

3.1. Introduction

Decentralisation has transformed the “structure of governance in Africa” as many countries transfer power, resources, and responsibilities to lower levels of government (Brosio, 2000:1). Within the sub-region, the above is evident in Rwanda, Ethiopia, Kenya and Uganda. This chapter seeks to answer some topical questions in this respect. What frameworks/mechanisms exist for citizen participation/involvement in decision making, planning and evaluation within Eastern Africa? What are the strengths and or challenges faced in citizen participation? What are the governance and accountability institutions in the decentralisation framework in the various countries? What are the modalities and forms of participation? It will also explore the capacities of decentralised institutions in discharging their mandates as well as the organisational capacity issues, governance, financial capacity issues, preparation and publication of budgets and audited accounts.

3.2. Governance and Leadership

The governance and leadership challenge in Eastern Africa remains the problem of unaccountable leadership and weak democratic institutions. As postulated in this study, credible institutions are viewed as transmission belts for structural transformation. Yet, within many member states of the sub-region cases of weak governance and leadership crisis continue to persist and are routinely highlighted in the media. Such cases include poor governance, weak institutions, political instability, compromised general elections, tribalism and nepotism and corruption.

The magnitude of this challenge in the sub-region can be gleaned from an analysis of the Worldwide Governance Indicators (WGI) which reports uses a research dataset summarizing the views on the quality of six dimensions of governance provided by a large number of enterprise, citizen and expert survey respondents in 215 countries⁹. The five attributes of governance that the survey examines and scores are shown below:

Voice and accountability: the extent to which a country’s citizens are able to participate in selecting their government, as well as the freedom of expression of the media

Political stability and Absence of Violence/Terrorism: measures the perceptions of political instability and/or politically- motivated violence, including terrorism.

⁹ The WGI data are gathered from a number of survey institutes, think tanks, non-governmental organisations, international organisations, and private sector firms.

Government Effectiveness: reflects perceptions of the quality of public services, the quality of civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation and the credibility of the government’s commitment to such policies.

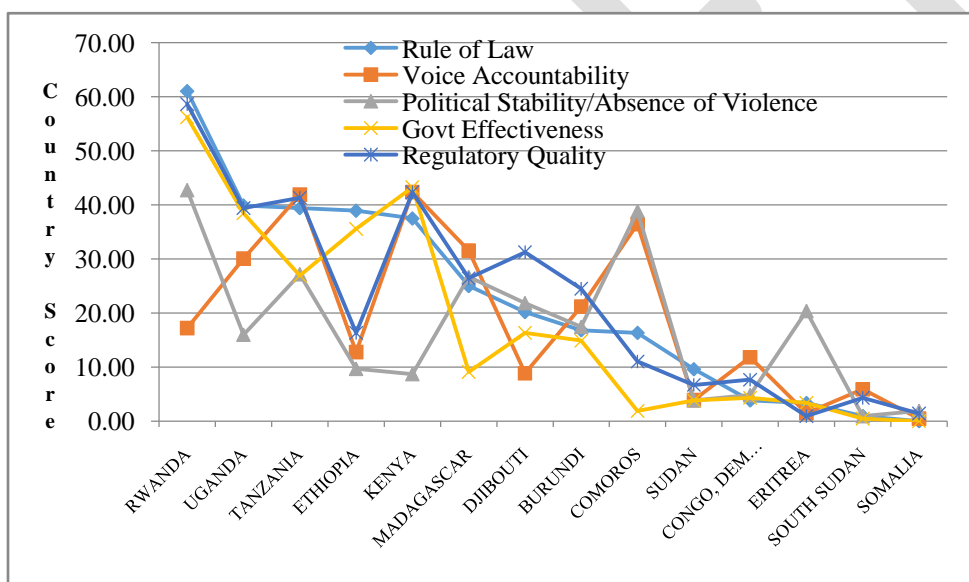
Regulatory Quality: reflects the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Rule of law: reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Control of corruption: reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interest

For the sub-region, the 2014 perception scores in percentile rank among 210 countries ranging from 0 (lowest) to 100 (highest rank) is shown in Figure 7 below.

Figure 7: Governance Perception in Eastern Africa Sub-Region



Source: NESC Illustration Adapted from the Worldwide Governance Indicators¹⁰

The data above shows that governance scores in the sub-region are generally lower than 50; except for Rwanda on the rule of law, government effectiveness and regulatory quality. Supplementary computation of the mean indicator scores supports the above and shows a poor state where the highest is rule of law at 22.36; followed by regulatory quality at 22.32; then voice accountability at 19; government effectiveness at 18.20 and finally political stability and absence of violence at 17.23. In most of the tabulated indicators, Rwanda is the best performer (mean score of 47.18) followed by

¹⁰ <http://info.worldbank.org/wbi/governance/wgi/index.aspx>

Tanzania (mean score of 35.35); Kenya (mean score of 34.84) and Uganda (mean score of 33.77). The countries that score the least on governance are Somalia (mean score of 0.78); South Sudan (mean score of 2.53); Eritrea (mean score of 5.91); and Congo, Democratic Republic (mean score of 6.51). Finally, the grand average score for these indicators and the sub-region is a mere 19.82, which points to the fact that the Eastern Africa member states are weak in governance.

A governance issue of great concern that remains a big challenge in the region and therefore deserving special mention is corruption. Table 6 shows the rating of the sub-region with respect to corruption using two indices: the WGI for government control over corruption¹¹ and the corruption perception index. The comparative scores for 2008 and 2014 provide insights into how the region has fared over time on governance indicators.

Table 6: Control over Corruption and Corruption Perception Index (CPI) in Eastern Africa

WGI Government Control Over Corruption-- | -Corruption Perception Index								
	2008		2014		2008		2014	
Country	Index	Rank / 206	Index	Rank / 210	Index	Rank / 180	Index	Rank / 174
Burundi	14.56	177	9.62	189	1.9	158	2.0	159
Comoros	23.79	158	36.54	133	2.5	134	2.6	142
Congo, Dem. R.	7.28	192	6.73	195	1.7	171	2.2	154
Djibouti	51.46	101	37.98	130	3	102	3.4	107
Eritrea	46.6	111	20.19	167	2.6	126	1.8	166
Ethiopia	30.10	145	40.87	124	2.6	126	3.3	110
Kenya	13.11	180	16.35	175	2.1	147	2.5	145
Madagascar	54.85	94	22.12	163	3.4	85	2.8	133
Rwanda	62.14	79	76.92	49	3	102	4.9	55
Seychelles	63.59	76	66.83	70	4.8	55	5.5	43
Somalia	..	..	0.48	208	1	180	0.8	174
South Sudan	...	...	0.96	207	...	...	1.5	171
Tanzania	41.75	121	22.60	162	3	102	3.1	119
Uganda	20.87	164	12.02	184	2.6	126	2.6	142
Mauritius	73.79	55	67.79	68	5.5	41	5.4	47

Source: Transparency International: <http://www.transparency.org> and Word wide Governance Indicators

The table above shows good ranking for Seychelles and Rwanda on government control over corruption in 2014 with respective rankings of 76 and 79 out of 210 countries. The same countries scored the highest in the region in the corruption perception index-Seychelles at position 43 and Rwanda at 55 out of 174 countries in 2014.

¹¹ The WGI scores are in per centile rank among all countries ranging from 0 (lowest) to 100 (highest rank): The highest at 100 per cent were as follows: Denmark in 2008 and New Zealand in 2014.

The rest of the Eastern African economies are rated poorly in government control over corruption and also record very high rates of Corruption perception with South Sudan and Somalia ranked among the bottom 5 countries globally in both indices.

An analysis of the indices shows that whereas the sub-region's average score for government control on corruption was 35.84 in 2008, this average deteriorated by 12 per cent to reach 26.44 in 2014. During the same period, the global average score improved by 1 per cent. The decline in government control over corruption score was contributed by Madagascar, Eritrea, Tanzania and Uganda, which overweighed improvements in Comoros, Ethiopia and Rwanda.

High levels of corruption invariably lead to high cost of doing business which impedes production and productivity. In addition, high levels of corruption in the form of misappropriation or looting of public resources deprive the citizens of basic services such as rural access roads, habitable public housing, basic health and education, maternal and infant nutrition programs, access to clean and drinkable water, and many other in-demand public goods. This results in limited access and poor quality of services which might account for the persistent low levels of human development despite high levels of economic growth.

Given the high levels of corruption, it is conceivable that economic development and structural transformation will be hampered. There is general inability by national governments to supply sustainable education and health services that are critical in generating a skilled labour force which is a critical engine in the structural transformation of economies. The reallocation of labour from traditional sectors such as agriculture to manufacturing and service sector may be delayed. Moreover, the existence of unchecked corruption may also hamper the objectives of decentralisation in many Eastern Africa countries and thus delay the structural transformation of service delivery as well as the structures and institutions that herald and oil the wheels of decentralisation. The existence of a very strong correlation between government control over corruption and Corruption perception indices implies the wide scope of governments to crack this governance malaise.

3.3. The Social Rationale for Decentralisation

The rationale behind decentralisation in Eastern Africa can be discerned from a review of each country's decentralisation policy bulletins and policy documents. In general, countries decentralise with the hope of improving service delivery, empowering local institutions and the citizens, to promote greater accountability, to sustain the fight against poverty and underdevelopment, to improve the reach of government institutions and to foster national unity. For the countries that were reviewed in the sub-region, the order of adopting decentralisation reforms is as follows: Ethiopia, Uganda, Rwanda and Kenya. This happened over a span of about twenty years as discussed below.

Ethiopia attained its decentralisation agenda through the establishment of regional and local governments and effected through a "series of policy proclamations which included Proclamation No. 7/1992 (TGE, 1992A) that established national-regional self-government, Proclamation No. 33/1992 (TGE, 1992B) which identified the sharing of revenue between the national/central government and the national/regional self-government, and Proclamation No. 41/1993 (TGE, 1993) which defined the powers, duties and responsibilities of the central and regional executive organs" (Egziabher, 1998: 33). The deciding moment was the overthrow of the military regime.

The next in line was Uganda, whose process of decentralisation was first revealed in October 1992 in a Presidential Policy Statement followed by publication in the Local Government (Resistance

Councils) Statute of 1993 and enactment into the Constitution of 1995 and operationalized in the Local Governments Act of 1997. The system of decentralisation is informed “by a five-tier pyramidal structure, which consists of the village (LC1), parish (LC2), sub-county (LC3), county (LC4), and district (LC5) in rural areas, and the village (LC1), ward or parish (LC2), municipal division and the city are the highest local government levels, while the sub-county, municipality, municipal division, town, and city division are referred to as lower local government levels” (Steiner, 2006: 7). In part, the decentralisation was informed by many years of instability and disruptive politics on account of oppressive military rule.

Following the infamous and unsettling 1994 genocide, Rwanda adopted its decentralisation Policy in May 2000 to “provide a structural arrangement for government and the people of Rwanda to fight poverty at close range, and to enhance their reconciliation via the empowerment of local populations” (Republic of Rwanda, 2012). Thus decentralisation was birthed by an internal conflict that was shocking in many ways including loss of life by many citizens.

Lastly, the promulgation of the Constitution on 27th August, 2010 ushered in the devolved system of governance in Kenya. The devolved system creates a two-tier government: the national and the 47 County governments listed in the First Schedule to the Constitution. Both levels of government are distinct and interdependent and are required to conduct their mutual relations on the basis of consultation and cooperation. It can be argued that one of the most critical events that triggered the decentralisation process in Kenya, despite several failed attempts, was the instability and unnecessary deaths of innocent civilians during the post-election violence that engulfed the country in late 2007 and early 2008.

3.4. Situating Public Participation within the Decentralisation Process

Unlike in centralised development planning, which was traditionally fashioned as the engine of faster economic development through modernization theory (Rostow, 1960); increasingly, a burgeoning literature is challenging centralised systems of development planning that emerged during the 1970s and 1980s and was concretized throughout the 1990s and 21st century development literature (Osei-Kufuor & Bakare, 2013). This literature has demonstrated the importance of decentralisation in fostering improved governance and responsive human development (The World Bank, 2000¹²; Cheema and Rondinelli, 2007; Osei-Kufuor & Bakare, 2013).

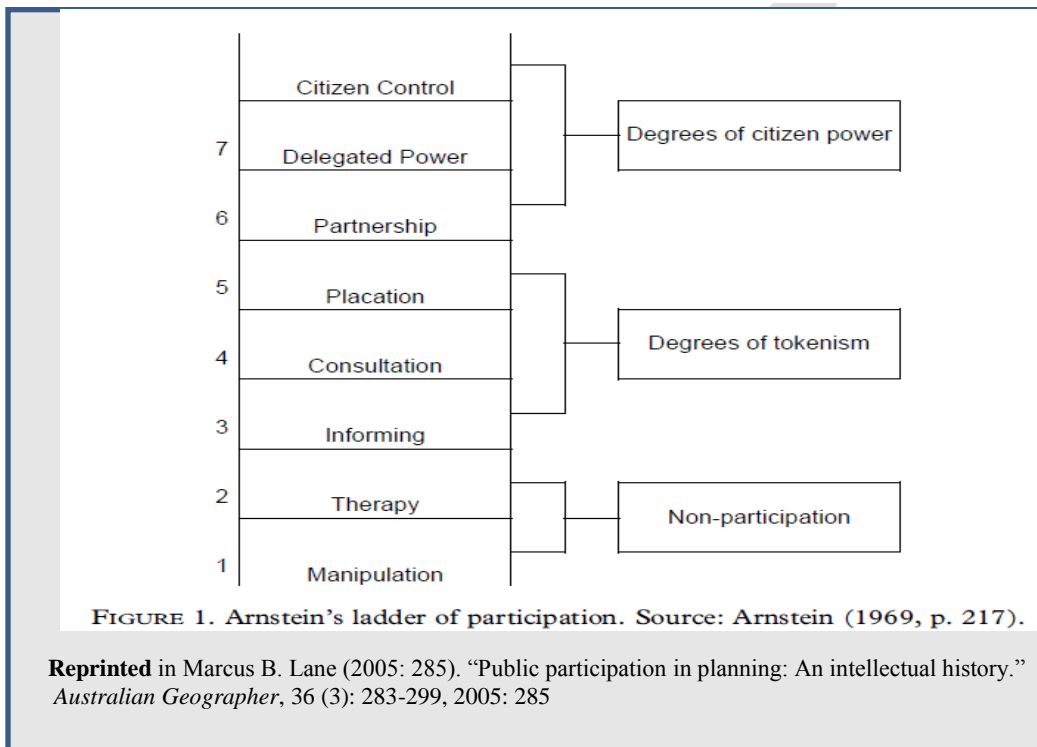
It is also argued that decentralisation promotes institutional reforms that allow for allocative efficiency and citizen participation at the lowest unit of administrative decision making (Lane, 2005). Broadly speaking, there are five major reasons as to why public participation is essential. Firstly, public participation enables decision makers to get to know the preferences of the citizens. Secondly, it improves the quality of public decisions. Thirdly, it advances fairness, justice and equity in decision making. Fourthly, public participation gives legitimacy to public decisions, and fifthly, public participation is a constitutional and legal requirement in many decentralising states (Innes & Booher, 2004).

¹² The World Bank (2000) Decentralisation: Rethinking Government, World Development Report 1999. New York, Oxford University Press.

Public participation is a core principle of good governance and democratic consolidation. Several studies have tried to ladder the levels of participation (Armstein, 1969; Renn et al., 1993; Bishop & Davis, 2002; Barnes et al., 2003)

In the Figure 8 below, Armstein (1969) provides an analysis of public participation that suggests that the highest degree of public participation is attained when citizens have delegated power, control, and partnership in the decision making arena. The author sees very little participation when citizens are just informed, consulted, and placated and refers this process as tokenistic.

Figure 8: The Ladders of Participation: A Conceptual Representation



3.5. Decentralisation and Structural Transformation

Decentralisation is a sure way of structurally transforming the way societies operate and in addressing the socio-economic and political systems and institutions to change societies. There is extant literature on how decentralisation has structurally addressed the problems of gender inequality, poverty, income inequality, environmental degradation, access to education, and improved health care (Work, 2002). Some scholars see decentralisation as a "superior good" whose demand around the world has increased considerably with the rise in income and "as countries become richer, they may demand more of it. If this assumption is correct, decentralisation will become even more popular in future years" (Tanzi, 2001: 2).

Public participation is a sure gateway to mainstreaming self-reliance and open dialogue and better working relationships between local populations and their elected leaders. For example, the Local Initiative Facility for Urban Environment (LIFE) programme in Tanzania has strengthened the civil society and local governance institutions and built capacity to resolve local problems.

Studies show that citizens are willing to pay for services and other taxes when their preferences are reflected in the use of local resources. Figure 9 below shows a summary of the transformation outcomes of devolution that was produced by the Centre for Devolution Studies at the Kenya School of Government, (2014).

Figure 9: How Public Participation Transforms Policy Outcomes

- Helps citizens to understand the roles and jurisdiction of county governments, services they are responsible for, and to channel issues to the appropriate level of government; understand the political and administrative environments and challenges facing the counties;
- Can result in additional revenue for local development;
- Can break down barriers between citizens and counties, improving mutual understanding, communication and trust in county government programs and projects;
- Makes infrastructure and services more relevant to the citizens;
- Creates opportunities for engaging, educating and empowering citizens to participate meaningfully in resource utilization;
- A cost-effective way of planning for scarce resources, and can unlock resource potential;
- Promotes transparency and helps the county to reduce corruption and bureaucratic inefficiencies;
- Enhances business community cooperation—by promoting transparency, reducing corruption and increasing efficiency, participation increases investor confidence;
- Provides opportunity for marginalized groups to be heard; and
- Provides a platform for ownership of projects thus ensuring sustainability.

Source: Centre for Devolution Studies (Kenya School of Government) “Kenya Devolution Working Paper 6, 2014: 1

The excerpt from the working paper clearly shows that dedentralisation offerses alot of transformational benefits. Granted, devolution is still at infancy in Kenya which means that some of the benefits are yet to be realised.

The literature on public participation in decentralized institutions also points to decentralisation as a cure for the problems of social exclusion and democratic deficit and voter apathy. According to Barnes et al. (2003) the process of public participation also permits for social inclusion and democratic renewal. In addition, public participation can increase the civic standing and legitimacy of government functionaries and elected officials as citizens see their preferences and local decisions being reflected in policy decisions and projects Barnes et al, 2003; Bishop & Davis, 2002). As a process of enhancing transparency and accountability of elected officials to the citizenry, decentralisation can markedly “satisfy the aspirations of citizens” (Bishop & Davis, 2002) through facilitation and involvement in policy making.

Declining trust in public institutions, the rise of social movements, public sector change and new expectations of service quality have made elected officials sensitive about legitimacy. Participation becomes an attractive strategy not just for policy improvement, but for drawing disaffected citizens back to the political mainstream (Bishop & Davis, 2002: 15).

The rationale for public participation is two-fold. First, public participation is the democratic right of citizens to be “involved in the public policy process” and, secondly, public participation produces “better’ policy outcomes” (Rydin & Pennington, 2010: 155). A desirable outcome is that engaged citizens become co-creators and co-producers of improved governance and responsive development.

Furthermore, the desire to increase popular participation in the planning and implementation of development programmes is sought partly as a means of making plans more relevant to local needs and, in some cases, enlisting local support in their implementation. This helps to improve the quality of rural development efforts (Conyers, 1983: 100).

Figure 10 below provides a basic qualitative analysis of arguments for and against decentralisation in promoting the social capital of citizens.

Figure 10: Arguments For and Against Decentralisation

Arguments favourable to decentralisation	Arguments against decentralisation
<ul style="list-style-type: none"> Local government have better information about local preferences, needs and the way local systems operate and can therefore allocate resources in a more efficient way Quality of service provision can be improved since local governments are likely to be more sensitive to variations in local requirements and open to feedback from service users Local governments are more accountable to local communities Decentralised governance increases the chances for the poor to access policy processes Local action can solve problems of collective action, providing sustainable use of common property resources Decentralisation makes governments more responsive to the demand of local people by promoting competitiveness between sub-national governments¹ Decentralisation may lead to more creative, innovative and responsive programmes by allowing local experimentation and by improving competitiveness of governments Decentralisation may make cost recovery less difficult for governments as people may be more willing to pay for services if such services respond to their priorities and particularly if they have been involved in the decision-making process 	<ul style="list-style-type: none"> Economies of scale at central level justify centralisation of services Agglomeration economies in attracting skilled civil servants to the centre justify centralisation Local governments are more subject to corruption and elite capture Local governments can be regressive – minorities may find it more difficult to organise locally Decentralisation can aggravate regional disparities in the provision of public services Decentralisation can make coordination of national policies more complex Decentralisation increases macro-economic risks of over-expanding the size of the public sector

Source: Cabral, (2011, p. 3). “Decentralisation in Africa: Scope, Motivations, and impact on Service Delivery and Poverty.” Working Paper no. 020. *Future Agricultures* www.future-agricultures.org

The lessons to draw from the above Figure relate to how public participation has been essential in decision making and the inherent improvement in the quality of decisions made from public input. The involvement of citizens generates ownership and also empowers citizens to be part of the problem solving equation. Empirical evidence suggests that societies that are democratic and that encourage citizens’ participation achieve faster economic growth and social transformation (Cabral, 2011). It is surmised that the solution to structurally transforming decision making processes and governance structures in Eastern Africa lies in improved citizen participation.

3.6. Constitutional and Legal Provisions for Public Participation

Given the importance of public participation in decentralised units, the study sought to establish whether there are constitutional and legal frameworks/mechanisms exist for citizen participation/involvement in decision making, planning and evaluation with Eastern Africa?

The review of constitutional and legal documents in Ethiopia, Kenya, Rwanda and Uganda show clear constitutional and legal mechanisms for public participation as indicated in Table7 below.

Table 7: Constitutional and Legal Provisions for Public Participation

ETHIOPIA
The Transitional Period Charter of Ethiopia, Proclamation Number 1/1991 and the Constitution of the Federal Democratic Republic of Ethiopia (1995) laid ground for citizen participation and involvement in governance. These two are formally provided for through the kebele which is the lowest administrative unit. A kebele consists of a large number of households in rural or urban neighbourhood and its major function is to co-ordinate socio- economic activities at grass-root level.
KENYA
Public participation is guaranteed in the Constitution of Kenya 2010 (Articles 10, 35, 118, 174, 201, 232) and the Acts of Parliament on Devolution (County Governments Act 2012, Sections 47, 89, 91, 94, 95, 96, 99-100; Public Finance Management Act 2012, Sections 125, 128, 131, 137, 207; Urban Areas & Cities Act 2011, Sections 21-22)
RWANDA
Public Participation guaranteed under the National Constitution of 2003 and the Decentralisation Policy (2000) and revised 2012-2015 to “enhance and sustain citizens’ participation in initiating, making, implementing, monitoring and evaluating decisions and plans that affect them by transferring power, authority and resources from the central to local government and lower levels, and ensuring that all levels have adequate capacities and motivations to promote genuine participation.”
Citizens participate in councils at various levels...village, cell, sector, districts and city of Kigali. Every citizen above 18 years is a member of the village council.
UGANDA
Launched in October 1992 through a Presidential Policy Statement; Local Government (Resistance Councils) Statute of 1993 and later in the Constitution of 1995 and the Local Governments Act of 1997. Chapter Eleven of the 1995 Constitution- Provides for Decentralised system and public participation is attained through Local councils all the way to the village level through the districts

Although a review of the literature shows that the constitutional and legal provisions guaranteeing public participation have structurally transformed the governance sector in the surveyed countries, it is was also shown that there is restricted space for civil society organisations to contribute to effective public participation. In many developed societies, the pluralist literature suggests that organised groups and other civil society organisations play a critical role in expanding the democratic space by providing civic education and empowerment (Cabral, 2011).

Increasingly, the granting of public participation in Eastern Africa has occurred within the heightened restriction of the operations of organised interest groups. A report by the International Center for Not for Profit Law (ICNL) shows that “in the last several years, countries including Ethiopia, Sudan, Uganda, Zambia, Sierra Leone, and Zimbabwe have considered or enacted legal measures and/or policies that restrict civic space” (ICNL, 2011)¹³. And indeed this study established that within the sub-region Kenya, Uganda, Ethiopia, and Rwanda are examples of countries that have various laws restricting the role of civic organisations.

In Ethiopia, civic organisations “must notify the regulatory authorities within seven days of a general assembly meeting” or any other major meeting in civic education and programming of events has taken place (ICNL, 2011). In Kenya, the Non-Governmental Coordination Board as a state corporation has published regulations designed to restrict the operations of civic organisations. The board issued a Notice order dated October 29, 2014 designed to cancel the registration certificates of 959 Kenyan NGOs. In 2013, the national government through the Ministry of Devolution and Planning published a bill-the Public Organisations Benefits Bill of 2013- intended to monitor and restrict the operations of NGOs. Section 27 A (2) stated that “A Public Benefit Organisation shall not receive more than fifteen per cent of its total funding from external donors.” The attempt to pass the Act t raised serious constitutional issues resulting in a legal fight between the government and civil society organisations.

In Uganda, the national government on April 10, 2015 “published in the official gazette the *Non-governmental Organisations (NGO) Bill, 2015*. Among other issues, the Bill grants the NGO Board broad powers to refuse to register an NGO, to issue permits with instructions that place conditions on the staffing of NGOs, and to restrict the employment of foreign nationals” (ICNL, 2015).¹⁴

Despite the above restrictions, it is evident that the legal provisions have empowered ordinary citizens to fight for public participation which has also changed how laws and policies are enacted throughout Kenya. For instance, a number of legal suits have been filed in court challenging national and county policies and legislations. And the High Court of Kenya has ruled in favour of public participation by annulling laws. For example, at the national level, the High Court declared 8 sections of the Security Amendment Bill of 2014 unconstitutional. In a major ruling concerning the affairs of county governments, the citizens of Kiambu County petitioned the High Court to declare the Kiambu Finance Act, 2013 null and void for not upholding the principles of public participation. In the ruling delivered on April 17, 2014 Justice George Odunga ruled that the County government failed to “involve” and “facilitate” public participation.

In my view public participation ought to be real and not illusory and ought not to be treated as a mere formality for the purposes of fulfilment of the Constitutional dictates. It is my view that it behoves the County Assemblies in enacting legislation to ensure that the spirit of public participation is attained both quantitatively and qualitatively. It is not just enough in my view to simply “tweet” messages as it were and leave it to those who care to scavenge for it. The County Assemblies ought to do whatever is reasonable to ensure that as many of their constituents in particular and the Kenyans in general are aware of the intention to pass legislation and where the legislation in question involves such important aspect as payment of taxes and levies, the duty is even more onerous-----

¹³ ICNL (June 2011). “Global Trends in NGOs Law” <http://www.icnl.org/research/trends/trends3-3.html>

¹⁴ “NGO Law Monitor: Uganda <http://www.icnl.org/research/monitor/uganda.html>

Accordingly, I hereby declare that the Kiambu Finance Act, 2013 gazetted vide Kiambu County Gazette Supplement No. 8 (Act No. 3) violates the Constitution and that the same is null and void (Justice Odunga, 2014).

The field work findings indicate that in Ethiopia, public participation in decisions and policy is however limited. One of the reasons for this state of affairs is the lack of a culture of dialogue, compromise and negotiations. There is also an inbuilt culture of centralised authority, perhaps as a result of many years of military and monarchy rule. In addition, the government's position is that the civil society has no constituency to represent the poor or marginalised. Moreover, potential complaints and criticism to the government may also be shielded by the high economic growth rate. Whilst regional governments also play a role to control complaints at grass root level, various development partners have stepped in to support citizen participation initiatives.

In Rwanda, the adoption of decentralisation was itself driven by public participation. The policy was "formulated after a series of dialogue sessions with citizens and consultations with experts on how Rwandans could turn their page permanently for the better in terms of good governance and wellbeing in which Rwandans themselves would be in-charge of their destiny" (Republic of Rwanda, 2012: 6). Rwanda has strong governance structures that ensure effective public participation such as the National Dialogue Council, Ministry of Local Government (MINALOC), Territorial Administration and Good Governance, the Rwanda Governance Board, and the Rwanda Association of Local Government Authorities (RALGA) created in 2003 after decentralisation policy was adopted is an association of all the 30 districts. It is a platform of the districts to share experiences and advocate their issues RALGA in representing local government of Rwanda, advocacy, and Capacity building.

The President of Rwanda holds a two day event annually in which ordinary people can call in and lodge complaints and seek executive assistance in resolving local matters. Decentralisation has structurally transformed governance and leadership in Rwanda as it has allowed new leadership platforms headed by women to youth to emerge. Other entities include the National Decentralisation Stakeholders Forum, Program Steering Committee, National Decentralisation Implementation Secretariat (now incorporated in Rwanda Governance Board), and Decentralisation Cluster as indicated in the Rwanda Decentralisation Framework (Republic of Rwanda, 2012).

Furthermore, there are decentralisation focal points in Ministries and Provinces, as well as Local Government Consultative Forum that complement MINALOC and RGB by bringing together other ministries, agencies and non-state entities. Rwanda has implemented wide ranging affirmative action programs to redress gender inequality and also supported stronger local government structures through reforms, performance innovations known as "*Imihigo*," community mobilisation, leadership accountability and transparency, and enhanced community participation (Republic of Rwanda, 2012: 6). Table 8 below shows the level of public participation based on the Citizen Report Card, 2010.

The citizen report shows very high participation levels in community work (93.2 per cent) and election of leaders (92.2 per cent). A poor score was reported on the participatory budgeting process at district level (11.2 per cent) and the formulation of: performance contracts (23.6 per cent); district development plans (11.7 per cent); and district council agenda (10.8 per cent).

Table 8: Levels of Participation in Different Domains in Rwanda

LEVEL OF PARTICIPATION IN DIFFERENT DOMAINS IN RWANDA		
No.	Area of Participation	Ranking
1.	Community work	93.2%
2.	Election of leaders	92.2%
3.	Financial contribution	84.8%
4.	Expression of views in different fora	82.2%
5.	Voluntary acceptance of responsibilities in leadership	66.4%
6.	Monitoring of services and holding leadership accountable	26.4%
7.	Formulation of performance contracts (Imihigo)	23.6%
8.	Formulation of District Development Plans	11.7%
9.	Participatory budgeting processes at District level	11.2%
10.	Formulating of District Council agenda	10.8%

Source: Rwanda Governance Board (2011). Citizen Report Card, 2010 as reported in Republic of Rwanda, 2012:13

The least ranking of the areas of “decision-making type” may be indicative of a capacity challenge among citizens who are likely to be more attuned to basic operational processes than intellectual activities. An overall average score of 50.3 per cent on citizen participation suggests a fair level of achievement.

In Uganda, the main challenge to effective public participation is the political monopoly and power of the National Resistance Movement (NRM) at national and district levels. There is lack of adequate financial resources to run local authorities as a result of the arrangement where local revenues are divided between national and the divisions with divisions retaining 50 per cent and forwarding the other 50 per cent of collected revenues to the national government (Stenier, 2006).

3.7. Conclusion

The quest for decentralisation remains vivid in Eastern Africa. Increasingly, the reasons behind decentralisation agenda have stretched from those driven by political interests to those seeking to improve governance and public service delivery. The analysis has shown that constitutional and legal frameworks/mechanisms exist for citizen participation/involvement in decision making, planning and evaluation with Eastern Africa. These mechanisms have indeed transformed the relationship between decision makers and the public. In addition, the legal framework has empowered citizens in countries like Kenya. This is revealed in the number of legal cases filed by ordinary citizens seeking to nullify national and county government rules and regulations that may not have adhered to the principles of public participation. The challenge observed is that there is serious need to build the capacity of both the state organs and the public on what really effective public participation entails. Also, citizen participation has been frustrated and hampered by unfavourable policies, laws and regulations on the media and civil society.

The study has established that governance challenges and especially corruption continue to be worrisome endemic Achilles’ heels in the sub-region. Poor scores by global indices on both government designs to curb corruption and the perception of corruption attest to the enormity of the problem. The answer to structurally transforming decision making process and governance in Eastern Africa may lie in improved citizen participation through effective decentralisation.

3.8. Key Take out Messages

- a) There exist fragmented rules and systems for public participation in Eastern Africa and without well-functioning systems, the benefits of public participation may not be realized.
- b) There is very limited capacity and resources geared towards public participation
- c) There is weak accountability and transparency in the region. Public participation from a pluralistic sense assumes the existence of highly liberal democratic state; however, most countries in the region are nowhere near true democracies.
- d) Although the majority of civil society organisations are vibrant, their activities may be perceived to be in conflict with government agendas.
- e) There is restricted space for civil society organisations to effectively contribute to public participation through education and empowerment as several countries have laws restricting the role of civic organisations.
- f) There is generally no concrete comparative empirical data on public participation within the Eastern Africa region.
- g) With the exception of Rwanda, which uses a citizen report card, there are no formal evaluation and reporting mechanisms for citizen participation in the sub-region.

3.9. Recommendations

- a) To ensure effective public participation, countries within Eastern Africa and their decentralised units need to develop and implement a minimum check list of what constitutes public participation and to operationalize these frameworks.
- b) There is need for joint national initiatives between the states in Eastern Africa in moving forward public participation in decentralised units. This is in line with the 2009 – mobilization.
- c) There is need at all levels to create multiple and accessible user-friendly communication channels to share information and best practices across the board.
- d) There is need to training of citizens and government officials on how to conduct and effect public participation.
- e) For effective public participation to take place, the citizens must access government documents. This realisation calls on decentralised units to provide effective public education, effective civic education, and provide documents to the citizens.
- f) In some areas, it may be necessary to provide incentives to high performing units as champions of effective public participation.
- g) There is need to create avenue and linkages between legally mandated oversight bodies and the citizens.
- h) There is need for technical expertise to build the capacity of institutions whose mandate is public participation at all decentralised units.
- i) The literature on public participation has lamented on the problem of “tokenistic forms of participation” and this should concern decision makers.
- j) It is recommended that clear policy implementation frameworks and strategies be developed. The challenge observed so far is that policy intentions exist; however, the unresolved issue is as to how those intentions and proclamations are to be implemented.
- k) There is need for unbundling and costing of functions between the various levels of assigned responsibilities in order to avert wastage and duplication while at the same time preventing jurisdictional overlap and coordination challenges.
- l) Finally, it is recommended that efforts be made to streamline intergovernmental linkages between political, administrative and technical roles across the board.

Technology is increasingly becoming a key enabler in strengthening linkages between national and subnational levels of government and between government and citizens'. The next chapter will therefore look at the role of technology and e-government in decentralisation.

CHAPTER FOUR

ROLE OF TECHNOLOGY AND E-GOVERNMENT IN DECENTRALISATION

4.1. Introduction

In their efforts to offer better services and interact with citizens, businesses and other stakeholders, governments employ various forms of information technologies. This said, rapid changes in technology require governments to keep pace with advances in communication in order to be effective and efficient. The nature and design of the increasingly popular governance model of decentralisation calls for fast, increased and quality interactions between the various levels of government, citizenry, private sector and civil society and other interest groups. This setting spells out a central role for technology as a key enabler for the provision of services, citizen participation and related functions. This chapter examines the role that technology, especially information technology (ICT), is playing in the sub-region to implement decentralisation with particular emphasis on service delivery and citizen empowerment.

4.2. What is E-Government?

E-Government (or Electronic government) can be defined as the “use of information and communication technologies to offer citizens and businesses the opportunity to interact and conduct business with government by using different electronic media such as telephone touch pad, fax, smart cards, self-service kiosks, e-mail /Internet, and EDI” (Almarabeh & Abu Ali, 2010). In its simplest form, it is the application of information and communication technologies (ICTs) to deliver public services (Holmes, 2001). To this effect, e-government can be viewed as the administration, rules, regulations and frameworks organized by a government for service delivery as well as to communicate, co-ordinate and integrate processes within itself (Almarabeh & Abu Ali, 2010).

Osborne and Gaebler, (1992) define e-government as the government’s use of technology, in particular, web-based internet applications to enhance access and delivery of government services to citizens, business partners, employees and other government entities. It is a way for governments to use the new technologies to provide people with more convenient access to government information and services, to improve the quality of the services and to provide greater opportunities to participate in our democratic institutions and processes”.

The World Bank, (2012) define E-government as “the use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government. These technologies can serve a variety of different ends: better delivery of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information, or more efficient government management. The resulting benefits can be less corruption, increased transparency, greater convenience, revenue growth, and/or cost reductions”.

Generally e-Government is the use of ICT and its application by the relevant government body for the provision of information and public services to the people. In simple terms, e-Government is the use of technology to enhance the access to and delivery of government services to benefit citizens, business partners and employees. It is the use of ICT to support government operations, engage citizens, and provide public services in a more efficient and transparent manner.

The aim of e-Government, therefore, is to provide efficient dissemination and management of information to the citizen; better service delivery to citizens; and empowerment of the people through access to information and participation in public and policy decision-making (Ntulo & Otike, 2013).

A worldwide revolution in information and communications technologies is occurring. The Internet, the personal computer, and the mobile phone are fundamentally changing our lives - affecting the way we work, learn and interact. And governments around the world are recognizing the value of e-Government. Properly designed and implemented, e-Government can improve efficiency in the delivery of government services, simplify compliance with government regulations, strengthen citizen participation and trust in government, and yield cost savings for citizens, businesses and the government itself. Not surprisingly, therefore, policymakers and managers are looking to adopt e-Government in countries around the world - ranging from the most developed to the least developed (Ntulo & Otike, 2013).

Osborne and Gaebler (1992) observes that “Government is the mechanism used to make communal ‘decisions’ that is, it is the way we provide services that benefit all people, such as national defence, environmental protection, police protection etc. It is the way we solve collective problems. The concept of e-Government can thus be explained unambiguously by adopting a definition of e-Government that includes all electronically executed transactions between government agencies and citizens.

Despite the citizen-centric focus, the definition of e-Government is not limited to a service-based view of offering electronic public services to citizens. It has been observed that e-Government in this information age has also become an inter-organisational phenomenon, and that technological improvements have implied more cooperative initiatives between government departments and organisations in complex, diverse and often divided political systems.

The reason for the sudden rise in e-government practices in the contemporary world is due to the fact that e-government systems have the capability of promoting better governance (OECD, 2003). E-Government helps in achieving greater efficiency in government performance by raising service performance, and service delivery, by eliminating inefficient processes and reducing bottlenecks and red tape in the service delivery process as much as possible (Mutula, 2008). Furthermore, it is important to note that e-government initiatives are also aimed at improving government service delivery and citizen participation.

Most of the times the necessity for e-government is driven by a country’s need for rationalization since e-government is considered to be cheaper, fewer people are needed to do the work and it is convenient. It is for this reason that Heeks (2006) talks about the 24/7 agency which implies that for 24 hours a day during the seven days of a week citizens of any country should have full access to government information at any moment and everywhere. This implies that the government should be fully available to its citizens (Heeks, 2006). Unfortunately, Mutula (2008) argues, traditional government systems are characterized by transactions that involve more manual physical filing activities burdened by profuse movements of correspondences, duplication, wastage of paper, difficulty in accessing and managing data, loss of data and general inefficiency of operations.

E-government can support more streamlined and responsive service, wider public participation, and more cost-effective business practices at every level of government. It ranges in complexity from basic access to official information to radically redesigned public processes.

Therefore, to envisage e-Government comprehensively, it is necessary to include the concept of e-administration, which implies the application of electronic media for the management of the internal public organisation. (Ntulo & Otiike, 2013).

4.3. Models of e-Government

E-government offers services to those within its authority to transact electronically with the government. These services differ according to users' needs, and this diversity has given rise to the development of different type of e-government. According to The World Bank (2002) and Jeong (2007) the e-Government delivery models can be briefly summed up as follows;

4.3.1 Government to Government Model (G2G)

According to Gregory (2007) G2G refers to the online communications between government organisations, departments and agencies based on a super-government database. Moreover, it refers to the relationship between governments. The efficiency and efficacy of processes are enhanced by the use of online communication and cooperation which allows for the sharing of databases and resources and the fusion of skills and capabilities. It renders information regarding compensation and benefit policies, training and learning opportunities, and civil rights laws in a readily accessible manner (Ndou, 2004).

The central goal of G2G development is to enhance and improve inter-government organisational processes by streamlining cooperation and coordination. Governments depend on other levels of government within the state to effectively deliver services and allocate responsibilities. In promoting citizen-centric service, a single access point to government is the ultimate goal, for which cooperation among different governmental departments and agencies is necessary. G2G facilitates the sharing of databases, resources and capabilities, enhancing the efficiency and effectiveness of processes.

In addition, G2G communication represents internal systems and procedures which form the backbone of public organisations. This involves sharing data and conducting electronic transactions between governmental actors. G2G also includes both intra and inter-agency interactions between employees, departments, agencies, ministries and even other governments.

In Ethiopia, the ministries offering sensitive services are linked to each other. This technological advancement has enjoyed massive funding from various sectors that are willing to assist the country in serving their citizens better. The government however is slow to provide for the non- governmental support and intrusion of the private sector to governmental transactions. Whereas this can be seen in the lenses of a less motivated citizenry who have low technological literacy, demand can be engineered among the citizens by providing the opportunity for the same.

Kenya has highly linked its government departments; which are well capacitated to link to each other. This has now been collapsed to the famous award winning Huduma Centres initiatives in the country that are one stop shops for service delivery. The model has been effective in enhancing departmental and ministry linkage as it improves the service delivery to the citizens. Kenyans are enjoying the e- government services in these one stop centres where services can be accessed at ease unlike previously where visits had to be made to different ministries.

Rwanda has also made significant progress in this regard as governments relate to each other electrically with a lot of ease. This has improved efficiency in government services and inter-ministerial linkages. Budgeting and performance contracting has been eased through this G2G linkage. For instance, it is now possible for services being rendered to citizens to be reflected in more than one ministry. In addition, personal details of citizen seeking passport services are also visible in several government departments. The future looks promising for G2G application in Rwanda.

Uganda has fewer ministry and departments linked to each other, in comparison to Kenya and Rwanda. It is noted that the country is low in its initiatives to link government departments despite the available potential for the process. The ongoing efforts in this direction require more impetus.

4.3.2 Government –to-- Business (G2B)

Government to business, or G2B, is the second major type of e-government category. Writers on technology opine that G2B can bring significant efficiencies to both governments and businesses. G2B include various services that are exchanged between government and the business sectors, including distribution of policies, memos, rules and regulations. The business services offered include obtaining current business information, new regulations, downloading application forms, lodging taxes , renewing licenses, registering businesses, obtaining permits, and many others. The services offered through G2B transactions also play a significant role in business development, specifically the development of small and medium enterprises (Pascual, 2003). Moreover, the opportunity to conduct online transactions with government reduces red tape and simplifies regulatory processes, therefore helping businesses to become more competitive.

Fung (2002) asserts that, G2B models have been receiving a significant amount of attention, partly because of the dynamic nature of commercial activities in general and the potential for reducing transaction costs through improved procurement practices. In support, Moon (2002) argues that G2B applications actively drive e-transaction initiatives such as e-procurement and the development of an electronic marketplace for government purchases; and carry out government procurement tenders through electronic means for exchange of information and goods.

In addition, shifting government transactions online provides the opportunities for companies to simplify regulatory processes, cut through red tape, keep legal compliance, and carry out operations faster and easier through electronic filing and statistical reporting. Rather than travelling to a government office to fill up paper forms, a contractor, for instance, will find it more convenient to apply for building permits over the internet. This creates opportunities for businesses and government to partner in offering a hybrid of public and commercial services under the same umbrella.

The G2B model was found dominant in Kenya and Rwanda. Other countries are at an early phase of it, with Uganda having the highest unexploited potential. Ethiopia has kept the private sector at an interaction distance mainly through a state monopoly on telecommunication services.

4.3.3 Government – to - Citizen (G2C)

G2C deals with the relationship between government and citizens. It allows citizens to access government information and services instantly, conveniently, from everywhere, by use of multiple channels. The model is designed to facilitate citizen interaction with the government with a focus of on customer centric and integrated electronic services where public services can be offered based on a “one-stop shop” concept. This implies that citizens can carry out a variety of tasks, especially those that involve multiple agencies, without initiating contacts with each individual agency.

A single access point also reinforces citizen participation in democratic processes since they can access administrative proceedings readily and articulate their needs more conveniently to public officials (Ndou, 2004).

While e-Administration initiatives improve internal government processes, e-Citizens and e-Services deal with improving communication and quality of service between government and citizens. Finally, e-Society initiatives concern interactions of government with businesses and civil communities. As each domain develops and progresses, e-Government initiatives may increasingly fall into overlaps. In applying the idea of G2C, citizens have instant and convenient access to government information and services from everywhere anytime, via the use of multiple channels.

In addition to making certain transactions, such as certifications, paying governmental fees, and applying for benefits, the ability of G2C initiatives to overcome possible time and geographic barriers may connect citizens who may not otherwise come into contact with one another and may in turn facilitate and increase citizen participation in government (Seifert, 2003).

Eastern Africa has made strong strides towards institutionalising e-government and integrating it into governance. Citizens in the region are on high reception mode of services online directly from their governments on; payment of government services, payment of rates and bills among others. This has been highly enhanced by liberalism of the mobile technology. Ethiopia trails the other countries and closely related is the yet limited liberalization of the Media and mobile technology. This explains Kenyan government's effort to partner with the private investors in the famous 'M-Pesa (a mobile banking facility run by Safaricom) innovation where the government is a major stakeholder.

4.3.4 Government –to- Employee (G2E)

Government to employee is the least sector of e-government in most of e-government research. Some researchers consider it as an internal part of G2G sector and others deal with it as a separate sector of e-government (Riley, 2001). G2E refers to the relationship between government and its employees. The purpose of this relationship is to serve employees and offer some online services such as applying online for an annual leave, checking the balance of leave, and reviewing salary payment records, among other things (Seifert, 2003).

G2E offers a combination of information and services by government institutions to their employees to interact with each other and their management. It is also a successful way to provide e-learning, bring employees together and to encourage knowledge sharing among them. It gives employees the possibility of accessing relevant information regarding compensation and benefit policies, training and learning opportunities, and allowing them access to manage their benefits online with an easy and fast communication model. In addition, G2E includes strategic and tactical mechanisms for encouraging the implementation of government goals and programs as well as human resource management, budgeting and dealing with citizens (Ndou, 2004).

4.4. Technological Readiness in Eastern Africa

Technology is increasingly becoming an integral and essential part of mankind and few can imagine living without. Technology has also become quite pervasive in our lives, spanning from the simple things such as how to keep in touch with friends, how to get news, entertainment to learning and access of learning materials to accessing services and transacting with government.

The private sector has also harnessed technology in order to be competitive in service delivery and to cut costs. Use of technology to advertise, to market and selling online is much cheaper than the traditional methods of doing so. Thus, some businesses have been put out of business due to competition for their refusal or delayed adoption of technology. Not only is adoption of technology important, equally important is keeping pace with it, thus while at some point telex, fax and typewriters were very current technologies at some point in time, the only survivors amongst its manufacturers and those who were very skilled in their use and operation, are those who quickly embraced newer technologies.

Several factors inform companies, individuals and service providers on deciding to invest in any region. They include availability of; appropriate transport infrastructure, support of communication and ICT technologies and social amenities such as education, medical and water. Other considerations are access to information and efficient government services. Ability to provide these critical factors in decentralised units of government is a key determinant of the success of service delivery. Indeed the youth who form the bedrock of creation of start-ups and innovative business ideas (most of which are in the field of technology) would hardly be attracted to a place where technological services are unavailable. It therefore must be acknowledged that technology is a critical variable for structural transformation that needs to be enhanced and prioritized by decentralised units because it forms the foundation of economic revolution among the largest populace comprising persons aged below thirty five years.

Governments have also experienced tremendous pressure from a service delivery perspective for the need to be transparent and offer quality services from its citizenry which can only be realized through automation and adoption and creation of e-Government platforms for providing access to information and for transacting business. Highly centralized states have been unable to offer timely and effective service to its citizenry. It is no wonder that agitation for decentralisation has majorly called for bringing services closer to the citizens. The adoption of decentralisation faces an uphill task in meeting the expectations of ensuring equitable development and provision of desired services where they are needed if technology is not embraced as a matter of urgency and priority in terms of budgeting and planning, both at the national and decentralised units level.

It is certain that the success of decentralisation in Eastern Africa will largely depend on how fast states facilitate the required infrastructure at both levels of governments- both for investment and social purposes. It is widely noted that from the onset, decentralised units seek to hurriedly bring at par various segments which were otherwise historically left behind on matters development due to the highly centralized system of resource allocation competition and negative politics.

This active reality puts to great risk the dream for the adoption of technological advances and provision of e-Government facilities in the decentralised units which have other pressing priorities that are easy to connect with the voters in a manner that they best appreciate and in the fullness of the nature and types of the population. It thus emerges that electronic government transaction which demands massive investments will have to compete with other citizen's demands which could equally be costly and of greater importance in relative and absolute terms.

Implementation of automated services to support operations and service delivery will at a minimum require hardware which consists of Server hardware and Storage System, communication and security. Secondly, it will require software to accommodate business application software, system software, office automation tools, security software, and relational database system and storage system. Thirdly, a data centre which is appropriate for hosting the servers will be required.

The data centre need to have high for power, air-conditioning, smoke and water sensors, appropriate access control. as of necessity, it must embrace primary sites and secondary disaster recovery sites. fourthly, network connectivity is required for local area network (for interconnecting users to the intranet), wide area network (where there are more than one site) and internet connectivity (for connecting to the internet).

A structural transformation endeavour calls for a new thinking in terms of traditional approaches to macro and micro economic models. Time is ripe for Eastern Africa states to rethink the place of technology and industrialization in their financial rating scale and upgrade the import of technology and industrialization as critical enablers of structural transformation. This is because massive resources are desired for high availability of technology alongside the prerequisite disaster recovery infrastructure that provides for a secondary site for handling services and hosting a back-up in the event of an outage or unforeseen events at the primary site. The national governments and the decentralised units must note that besides functionality and operational system, security of the applications and data need a rethink. Weak systems are often exploited to commit fraud both by internal staff and outside hackers. Implementing a very secure system however is an expensive venture and remains only a choice for a futuristic planning decentralised unit that purposes to transform its population

E-Government has become a global phenomenon. Industrialized and developing countries have been initiating E-Government strategies and projects, the latter typically with support from donor organisations such as the World Bank or bilateral donor organisations. Under the label “Information and Communication Technologies for Development”(ICT4D), these organisations are stressing the relevance of Information and Communication Technologies (ICT) in general, and E-Government in particular, as a way to promote development and reduce poverty. Expectations are high. E-Government is seen as strengthening the performance of government and public administration, and an efficient and effective state administration is a necessary prerequisite for economic and social development.

This issue is particularly relevant for countries in the Eastern Africa region, where public administration is characterized by inefficiency, limited capacity, and poorly-trained personnel. One could say that E-Government can, in general, contribute to solving administrative problems, but because E-Government and its related organisational concepts were developed in industrialized countries, it should not be assumed that this concept is automatically appropriate for developing countries. Thus, when promoting E-Government in the sub-region, it is expected that different and more far-reaching efforts will be necessary than in developed countries where governments are also implementing E-Government.

These efforts are not only focused on the question of digitalization in itself, but also on the reorganisation of public services and participation processes based upon new ICT. The term “ICT” is understood primarily as internet technologies and internet-based applications, but also includes network technologies, databases, and electronic work flow systems. Through these technologies it is possible to achieve temporal and spatial independence and flexibility because data, software functions, and processes are ubiquitously available. This means that work processes and public participation can be improved or redesigned. Thus, E-Government relates not only to the provision of public services (e-administration), but also directly to questions of democracy, because it makes new participation forms possible. This can include new information, consultation, or communication possibilities, for example, in regard to proposed legislation or in planning processes.

However, the main focus of E-Government is the reorganisation of service processes and citizen services. Correspondingly, the separation between front and back offices has become the most favoured E-Government service structure (Lenk, 2004, 2002). The front office handles specific office processes or service components, with a focus on certain target groups (Lenk & Traunmüller, 2001). The back office, which can be spatially separated from the front office, is the place where decisions are made, as well as where IT functions such as databases, applications, signature infrastructure are located. The institutional separation between the front and back offices not only requires a readjustment of working processes, but leads to or requires numerous institutional changes (Schuppan, 2007).

Especially important is the fact that this makes it possible to reduce or eliminate the institutional fragmentation of public administration because citizens can have access to public services from one location. As a result, through the separation between front and back office, it is possible to simultaneously realize efficiency and client orientation, which wasn't possible without new ICT exact ranking of the Eastern Africa countries with regard to the implementation of E-Government, is difficult because the countries of this region are rarely mentioned in relevant studies.

This is in no small part due to the fact that, to date, Sub-Saharan Africa has barely registered on the E-Government radar screen and thus hardly any measurable E-Government data is available. Relevant E-Government studies have been conducted, especially by large consulting firms (Accenture, 2006; Capgemini, 2006), by international organisations (UNDESA, 2005), and also by some universities (West, 2005). In any case, not only do these studies provide little information about the state of E-Government implementation in developing countries in general (or in sub-Saharan Africa in particular), but they often show also considerable methodical shortcomings (Bannister, 2007; Janssen, Rothier, & Snijkers, 2004).

Thus, E-Government is reduced to the extent to which public service processes are conducted online. Actual usage levels or the impact of electronic services are hardly measured. Organisational changes relevant to E-Government, such as the reorganisation of procedures and processes, are barely addressed as a central theme, or are only illustrated using randomly selected "best practice cases." In spite of the mentioned methodical shortcomings, the studies provide some information concerning the general state of development of E-Government in sub-Saharan Africa. It can be stated without a doubt that, from a global perspective, the countries of sub-Saharan Africa are particularly underdeveloped in the implementation of E-Government, with the exception of South Africa. In these countries, internet access is scarce and E-Government services are rare, although some advanced individual cases can be found.

In sub-Saharan Africa studies indicate that estimating the extent of E-Government implementation is difficult, because only a few benchmarks exist and these are exclusively focused on internet services. According to the web measure index from the UN's worldwide E-Government Readiness Report, countries such as Mauritius, South Africa, Uganda and Ghana are in the upper third; while countries including Zambia and Central African Republic do not statistically register on the scale (UNDESA, 2005).

Empirical studies have indicated that E-Government offers numerous opportunities to resolve some administrative problems. In view of the present difficulties facing many African countries, E-Government offers improvement potential in such areas as: the general provision of public services, statistical and information processes, finance management and tax systems, public participation, and formalization.

In the area of public service provision in the African context, it is first a matter of providing and setting up the processes and services necessary for state activities under the rule of law. Unfortunately, the necessary data is often non-existent or completely out dated. Examples include land registers, residential data or geographic data—so that services cannot be provided at all.

As a result, permit processes (such as building permits or property acquisition) can frequently span several years, and often no services can be received without “acceleration money.” In addition, citizens (especially those living in slum areas) often have no birth certificates (Akther, Onishi, & Kidokoro, 2007). These problems have immediate consequences for development objectives. Because permission processes are slow, or access to public services is non-existent, slum areas or informal settlements sometimes expand rapidly, with considerable consequences for the environment, public safety, and for the public budget. E-Government offers opportunity to improve these services, even in areas with low literacy rates. Access to public services can be facilitated, for example by kiosk systems with voice recognition- a system which has spread quickly in rural regions of India (Sharma, 2004).

In addition to citizens' services, statistical processes and information processes not directed at individual citizens have a fundamental importance to the state's effectiveness. It is a matter of obtaining information about different fields of activity, such as data about economic activities, medical data, or information about processes in public administration. A state collects such data and evaluates and interprets it so it can develop policies. Consistent (and up-to-date) data is a key requirement for development planning. In most sub-Saharan African countries, data relevant to development is hardly available in the quality required.

When authorities are unable to enforce existing tax laws, basic state functions can only be carried out insufficiently or not at all. Because of weak income tax systems, revenues may be disproportionately generated from exorbitant export duties or other tax sources. This practice may ultimately constrain economic development and increase poverty. Beyond service delivery, ICT use can make public administrations more democratic and responsive through new participation forms (e.g., via the internet), also contributing to legitimization. In many countries it is already possible to participate in processes such as the development of land-use plans or budgetary decisions.

Good starting points for such efforts often exist at the local level in particular, which is responsible for such planning decisions. Also, legislative drafts are available online in many countries, sometimes including the ability for citizens to discuss them. Such participation processes represent the chance for greater outward responsiveness and transparency. Decision making processes become easier to trace and understand through digitalization (so-called track and tracing function) which, considering the low trust the African population generally places in their public institutions, would be particularly valuable.

It must be noted that when implementing E-Government, it is important not to overlook the fact that the digitization of service processes also requires a degree of formalization, which may also serve as a mechanism to impose a certain level of formalization to facilitate administrative work. Informal, incomprehensible administrative behaviours which are not subject to controls are one of the essential problems facing African administrations and contribute to unequal treatment and corruption. In this context a certain potential can be also expected from electronic procurement. Electronic procurement is not only about combining purchases within an administration (thereby reducing expenditures), but also reducing (through standardized procedures) the possibility for manipulation in the tendering process.

E-Government offers a variety of possibilities for more efficient and effective administration and may also yield concrete development impacts. Especially those development projects executed through donor organisations should stress E-Government implementation and innovation. Assuming that many processes, registers, and data are limited in quantity and quality or do not exist at all, these can be built up through E-Government from the beginning, paving the way for additional E-Government solutions.

Nevertheless, it should be taken into consideration that achieving these potentials is risky in the context of pre-modern African administrative institutions and the special administrative culture which exists there. The risk of unintended effects. Because the use of IT is determined by the interests in power and takes place in the context of pre-modern or authoritarian administrative cultures and state structures, risks are unavoidable when implementing E-Government; in such a setting, unintended consequences are to be expected.

This is due to the fact that ICT, as such, has much less of a direct impact upon the organisation. Instead, its effect is utilized and transmitted by political actors whose rationalities reflect power interests. Therefore the IT also has an effect as an “attractor” on decision-makers (Van de Donk & Snellen, 1998) so that E-Government potentials are also implemented in new service structures. Solutions are possible because technology enables them.

E-Government can promote decentralisation through the use of new forms of networked collaboration between different bureaucracies and authorities, a concept which is closely compatible with the goals of contemporary development policy. However, networking different government organisations cannot only be used to implement more efficient and effective forms of work, but also to exercise more control of decentralised units.

This would mean that new E-Government solutions could reverse the decentralisation efforts of the last years, leading to the centralization of decision-making and increased concentration of power. The implementation of policy would be increasingly shifted to decentralised units, but political and administrative decision-making would remain centralised. Aggravating this problem is the fact that African bureaucracies tend to be highly insulated. Clientelism and neo-patrimonialism in particular promote vertical and hierarchical communication structures, hindering the formation of new networked processes and overall decentralisation. As a result, a more centralized, but not necessarily a more effective or more democratic, administrative structure could emerge.

4.4.1 Global Competitiveness: The Case of Technological Readiness in Eastern Africa

The World Economic Forum provided for Global Competitiveness Index that has served to assess country performance since 2004, a time frame that has seen great changes in the global economic landscape and also an exploration of new avenues in how we think about economic growth. The 2015 Report provides an overview of the competitiveness performance of 140 economies and thus continues to be the most comprehensive assessment of its kind with ranking on several areas including Technological readiness. The ranking of Eastern African countries in this respect are shown in Table 4-1 below.

Table 9: Global Competitiveness index on Technological Readiness

(9th Pillar of Competitiveness Technological Readiness in Eastern Africa		
ECONOMY	Rank	Value
Seychelles	71	3.8
Kenya	94	3.3
Rwanda	103	3.1
Uganda	117	2.8
Madagascar	129	2.5
Ethiopia	132	2.5
Tanzania	131	2.5
Burundi	139	2.1

Source: Adapted from the Global Competitive Index 2015-2016, WEF

The above illustration shows that Eastern Africa countries do not rank high on Technological readiness. With the highest possible score of 7 globally, the best country in the sub-region is Seychelles (value-3.8) followed by Kenya (value-3.3) with rankings of 71 and 94 (globally out of 140 countries), respectively. These unfavourable rankings underscore the huge technology deficit in the sub-region. On the downside, the scores imply that the Eastern Africa states may be unable to harness the potential of e-government in facilitating service delivery and citizen empowerment that are important pillars of decentralisation. The same fate befalls structural transformation.

The above indicates the need for policy makers to take strategic steps towards improving the Technological readiness to match high performing economies. Also, the existence of untapped potential of technology invites regional economies to make deliberate efforts to prioritize funding to this sector and integrate technological know-how into education systems across the region.

In recognition of the importance of technology for effective decentralisation and noting the relative under performance of the member states in this sector, further analysis of the indicators of Technological readiness was carried out for the selected study countries. The ranking in these indicators according to the 2015-2016 global competitive report are shown in Table 10 below.

The above illustration shows that across the seven indicators of Technological readiness the most competitive aspect for the selected countries is FDI flows and technology transfer with Rwanda ranked (31/140), Kenya (56/140) and Uganda (61/140). This is followed by availability of latest technologies in which the best ranked were Rwanda (45/140) and Kenya (50/140). Overall, the two least competitive indicators for the region are: (i) Fixed broad band and internet subscription/100 pop; where the lowest ranking are in Rwanda (127/140) and Kenya (120/140); and (ii) individuals using internet % with the least ranked being Ethiopia (135/140) and Rwanda (124/140). This clearly shows the areas that require policy attention in order to improve Technology readiness.

Table 10: Detailed Technological Readiness Indicators for Ethiopia, Kenya, Rwanda and Uganda

Indicator	ETHIOPIA		RWANDA		UGANDA		KENYA	
	Value	Rank/140	Value	Rank/140	Value	Rank/140	Value	Rank/140
Availability of latest technologies	3.9	119	5.2	45	4.2	102	5.1	50
Firm-level technology absorption	3.8	128	5.0	47	4.1	110	4.8	54
FDI and technology transfer	4.0	97	4.9	31	4.5	61	4.6	56
Individuals using Internet, %*	2.9	135	10.6	124	17.7	108	43.4	80
Fixed-broadband Internet subscriptions/100 pop.*	0.5	112	0.1	127	0.3	115	0.2	120
Int'l Internet bandwidth, kb/s per user*	5.0	118	8.5	102	4.0	122	25.2	80
Mobile-broadband subscription /100 pop	7.5	120	11.1	112	14.7	103	9.1	116

Source: NESC Illustration (Adapted from the Global Competitive Index 2015, WEF)

Among the four selected study countries, Ethiopia was the lowest ranked (132/140) in Technological readiness. This is mainly explained by the state monopoly over telecommunication, low literacy levels and the expansiveness of the country. However, Ethiopia is implementing an ambitious strategy to attain middle income status by 2025; this may propel the country to higher levels of technological readiness.

In Technological readiness Kenya was ranked higher (94/140) in the region (albeit still low globally) and has, among other things, uploaded e-government into the various institutions and processes. Her citizens are now able to access many government services online resulting to substantial efficiency in service delivery and technological empowerment of citizens. The government has further established a full pledged Ministry of ICT which presents a huge promise to the country that has started operationalising a unique decentralisation model –devolution.

Rwanda ranked at position 103 in Technological readiness and ranked the best in availability of latest technology, firm level technology absorption as well as FDI and technology transfer. This makes Rwanda a high potential country in terms of operationalising e-government principles and putting the country's institutions on the path of structural transformation. The country has done comparatively well in integrating ICT into the socio-economic and political institutions and embraced latest technologies to help revolutionise the economy. Indeed, a number of basic services can be accessed by citizens through the mobile technology. The country has further enhanced service delivery effectiveness and lowered the turnaround time of services to the citizens.

Ranked in position 117, in Technological readiness, Uganda was less competitive on most indicators in this pillar except for FDI and technology transfer. This undermines the country's ability to facilitate structural transformation through the decentralisation system. The deficit suggests the need for appropriate strategic and policy interventions.

4.4.2 Impact of Technological Readiness

Modern information and communication technologies (ICT) have had a significant impact on existing management systems. The first impact is that it enables easier acquisition of information anywhere, anytime and by anyone authorized to do so. Thus, people working in different businesses are able to share and process information and perform their duties even though they may be in far off geographical locations by using databases and computer networks, such as the Internet.

The second impact is that control and coordination of various business activities can be done at the lower tiers of the managerial hierarchy, that is, the level closer to the operational aspects. Information can be processed horizontally as well. It is also not necessary to hand information up and down, tier by tier, for the sake of transferring it to other divisions. Hence, the traditional pyramid model and structure is no longer justifiable or even necessary when ICT is applied.

The third impact is that decisions can be decentralised and made by any authorized person who has adequate information and knows the criteria of the decision-making process. In practice, this can be done by means of a networked personal computer and a decision-making system which does not require requesting approvals from each level of the hierarchy of the traditional pyramid.

The fourth impact is that the development of a sophisticated 'knowledge-base', using modern information technology, further increases the possibility of decentralising decision-making. With the assistance of a knowledge-base, the capacity for decision-making by government staff at the lower tiers is strengthened. The staff become increasingly knowledgeable, and, accordingly, increasingly competent decision-makers. Within this context, the larger middle-tier of management and administration in traditional government gradually loses its role and becomes overstaffed, which renders the pyramid model of traditional government less effective and efficient, and consequently becomes out-of-date. Therefore, the collapse of the pyramid modality of the traditional industrial organisational structure is unavoidable. This is a significant boost to decentralisation.

The choice between centralisation and decentralisation has received considerable attention in theories and practices of management science. It is clear though that the use of modern information technology enables decisions to be taken close to where an activity takes place; but at the same time, management is still able to keep centralized control of relevant information. With increased availability of the Internet and the advent of a networked economy, the modality of management is shifting from a pyramid to a networked structure which goes well with service delivery and citizen empowerment.

Correspondingly, the new organisational modality of government, relevant to the information age, is a relatively flat, horizontal and networked structure. This enables all the elements of society to be connected, supports the sharing of information and knowledge as well as eases communication.

4.5. Key Take Away Messages

The findings in this study indicate that E- government has great potential to support and fast track the adoption of decentralised government systems, with obvious benefits of increasing service delivery and the participation of citizens. However, the study has established that the Eastern Africa sub-region is not competitive in Technological readiness and therefore is missing the transformational potential of using technology to assure efficient and effective information management systems. The main factors that inhibit the use of E-government in the sub-region are outlined below.

4.5.1 *Infrastructural Aspects*

Infrastructural aspects remain the main challenge for e-government and a significant barrier to the provision of government services and transactions online. Unreliable IT infrastructure further degrades the e-government performance. Unfortunately, the digital divide in developing countries makes it difficult to effect the deployment of ICT infrastructures which are appropriate for implementation of e-government.

This, together with computer security, privacy and confidentiality of personal data poses a challenge to the implementation of e-government as most of developing countries (the sub-region included) lack appropriate laws which protect citizen privacy.

4.5.2 Financial Aspects

The most important themes found under this group are funding and cost for e-government services. The main source of finance in public sector organisations is the central government. This makes it hard for decentralised units to control and plan sustained e-government initiatives. Moreover, the Internet cost, cost of e-government services amongst other financial constraints poses a challenge to the successful implementation of e-government initiatives.

4.5.3 Leadership and the Political Situation

Leadership and political situation are the dominant themes here. It is important for government leadership to support e-government initiatives because leadership is one of the main driving forces of every new and innovative project or initiative. This is because the implementation of an e-government initiative requires complex and large scale changes. Unfortunately, due to the fact that some government officials view e-government as a serious challenge and threat to their position power and viability, they become resistant to the idea of online transactions. Such lack of support from politicians and high level bureaucrats poses a challenge for e-government and its sustainability, leading to underdeveloped e-government platforms. It can also be argued that the lack of appropriate policies and laws on e-government in developing countries is possibly because of the lack of political will as politicians see this as a threat to their position as mentioned above.

4.5.4 Organisational Aspects

The most relevant themes found under the organisational aspect are leadership and change management. In order to maintain the values, visions and values of all stakeholders in an e-government initiative, there is need for organisational skills and effective communication. This poses a problem for countries in the region where endemic corrupt practices steer away the use of ICTs to the wrong purposes. This is true especially considering that government agencies in developing countries might view this as a threat to their viability and power, making them reluctant to promote the true objectives of e-government.

4.5.5 Socio-economic Aspects

According to Transparency International (2015), majority of the countries in the sub-region are ranked among the most corrupt countries in the world. The combination of corruption with high poverty levels in the region portends serious development challenges. Moreover, relatively high illiteracy levels and substantial language barriers in the sub-region crown the socioeconomic challenges to adoption of e-government.

4.5.6 Human Aspects

An analysis of awareness and training and capacity building, which are the two dominant themes under the Human aspects, reveals that the lack of ICT skills in the public sector is a major challenge for e-government initiatives. This is the case especially in developing countries which are characterised by chronic shortage of qualified staff and inadequate training facilities.

It is noted that whereas, some governments may have IT staffs, most of their training may not equip them to program industry-strength web-enabled applications because the factors influencing the success of ICT implementation tend to be situation specific or contingent.

4.6. Recommendations

- a) E- Government should be a key aspect of decentralisation. In this regard, all decentralised units should be given the required funding and capacity endowments to enhance the implementation of e-government as a key factor in structural transformation;
- b) E- government must be embraced by all, both at the individual and at the institutional level for it to be a success;
- c) E- Government must attract the attention, concern and funding of the donors , private sector and the civil society for it to make any meaningful impact;
- d) Governance must integrate E-government as a crucial tool for efficiency and effectiveness of service delivery and identified as part of components of performance evaluation of all government sector institutions; and
- e) Appropriate policies, laws and regulations should be developed to support the implementation and sustainability of e-government in all the sub-region.

As discussed above, one of the key aims of citizen participation and eGovernment within decentralization in any country is to effectively deliver services to her citizens. Chapter five presented next examines service delivery within the context of decentralization in the region.

CHAPTER 5

SERVICE DELIVERY WITHIN THE CONTEXT OF DECENTRALISATION

5.1 Introduction

It is acknowledged that the performance of the public function in decentralised systems is an important consideration for structural transformation to occur. Based on the premise that one of the key tenets of decentralisation is an improvement in service delivery to the citizens, a critical consideration in decentralisation discourse must be how functions are shared between the centre and the sub-national units. This chapter examines service delivery within the context of decentralisation and how such arrangements facilitate or hinder structural transformation. Among other services, special attention will be paid to health, education, security, agriculture, and infrastructure. An important question that will be addressed in these discussions is whether decentralisation in the Eastern Africa region has resulted in improvements in services delivery.

5.2 Decentralisation and Service Delivery

Although, the bulk of decentralisation efforts in Africa were driven by “political motivations” and “consisted mostly of de-concentration of administrative functions, rather than true devolution of powers” (Cabral, 2011:2), empirical evidence suggests decentralisation has made significant contributions to the way governments and their agencies provide service at the lowest possible units. The push towards decentralisation is largely driven by the desire to improve the delivery of public service and to eradicate problems of poor service, poverty, high dependency, and inefficient public systems. However, as illustrated in Table 11, poverty remains a great challenge in Eastern Africa with a majority of the citizens living below the international poverty line while income inequalities show up in skewed distribution of consumption.

Table 11: Poverty and Income Distribution Indicators in Eastern Africa

5		National poverty line*	International poverty line		Gini Coefficient**	Share of Consumption (%)
		Population below the poverty line (%)	Population below the poverty line (%)			
COUNTRY	Survey year	National	Survey year	Below 1.25 USD	Index	Lowest 10%
Burundi	2006	66.9	2006	81.3	33.3	4.1
	2004	44.8	2004	46.1	64.3	0.9
Congo, Dem. Rep.	2005	71.3	2006	87.7	44.4	2.3
Djibouti	...	...	2002	18.8	40.0	2.4
Eritrea	1993	69.0	...	...	...	...
Ethiopia	2011	29.6	2011	36.8	33.6	3.2
Kenya	2005	45.9	2005	43.4	47.7	2.0
Madagascar	2010	75.3	2010	87.7	40.6	2.6
Rwanda	2011	44.9	2011	63.0	50.8	2.1
Seychelles	2006	37.8	2007	0.3	65.8	1.6

5		National poverty line*	International poverty line		Gini Coefficient**	Share of Consumption (%)
		Population below the poverty line (%)	Population below the poverty line (%)			
Somalia	...	...	...	...	...	...
South Sudan	2009	50.6	...	...	...	...
Tanzania	2012	28.2	2012	43.5	37.8	3.2
Uganda	2009	24.5	2013	37.8	44.6	2.5

Notes: * The national poverty line is defined as two-thirds of the average consumption.
** The Gini coefficient is defined on income distribution.
Sources: Domestic authorities and World Bank, Online Database, Country DHS.

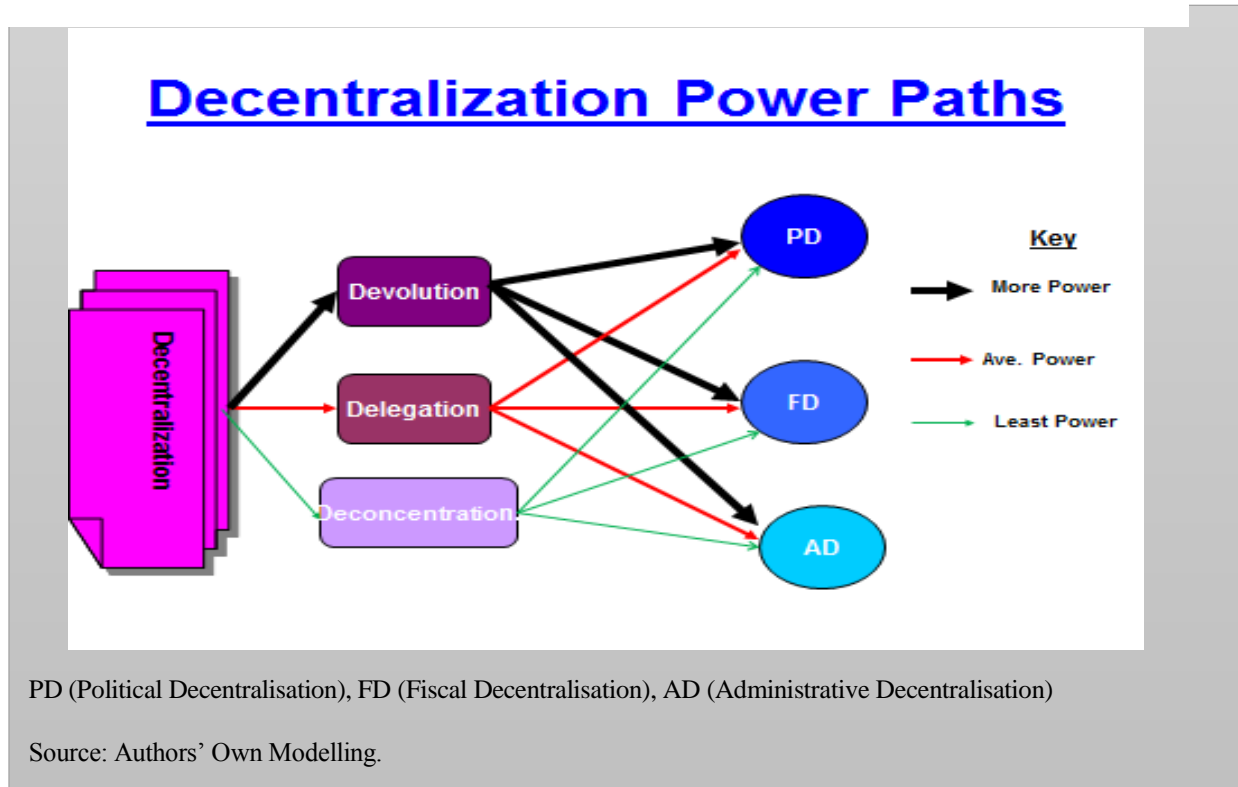
The countries with the largest percentage of the population living below the international poverty line of \$1.25 per day were Madagascar (88 per cent), Congo, Democratic Rep. (88%) and Burundi (81 per cent). Unequal distribution of income is also prevalent with substantial gini coefficients in Seychelles (66 per cent) and Comoros (64.3 per cent) in which the share of national consumption by the lowest 10 per cent (of the population) is estimated at 1.6 per cent and 0.9 per cent, respectively. The reported high levels of poverty among a large part of the population combined with substantial income inequalities poses a moral question of equity; presents a potential for political instability and suggests lack of depth in structural transformation.

Informed by above challenge, many countries have implemented administrative decentralisation to address critical governmental functions such as improving governance, equity, increasing accountability and transparency, and in the provision of public goods and services (Cohen & Peterson, 1997; Smoke, 2003). According to Khan et al. (2014: 1) “decentralisation is meant to improve public services”. The question to ask is therefore, has decentralisation improved public service delivery given the existing poverty levels?

In the area of fiscal decentralisation, several studies show a significant increase in investments in education, housing, sanitation, urban transport, rural agriculture, health, nutrition, agriculture, and water services when these services are decentralised (Faguet, 2004; Arze del Granado, Martínez-Vázquez, & McNab, 2005; Shelton, 2007). In practice, resources follow functions, and empirical evidence suggests decentralisation may generate economic efficiency of the public sector particularly when preferences are heterogeneous enough across jurisdictions and local public officials respond to local demands. It appears decentralised units likely identify with the choices and preferences of local citizens than the leviathan central government (Basley & Coate, 1999).

In order to shed more light on the major forms of decentralisation it is important to examine the relative power that each portents. This involves measuring the power paths of the various forms of decentralisation strategies, namely, devolution delegation, and de-concentration. The result is a continuum of political decentralisation, fiscal decentralisation, and administrative decentralisation whereby devolution emerges to be the most far reaching and consequential form of decentralisation as depicted in Figure 11 below.

Figure 11: Decentralisation Power Paths



Despite the promises of decentralisation in bringing about efficient and effective public services closer to the people, there is ample literature that suggests several bottlenecks and challenges including undefined intergovernmental systems, inadequate coordination mechanisms, and inappropriate “strategy for implementing decentralisation” (Smoke, 2003: 13). Decentralisation may not necessarily cure public service delivery problems unless decentralised units’ institutional capacity and staff development are up graded to meet the new expectations. In many cases, decentralised units may be overwhelmed by increasing local demands and local elite capture. In addition, decentralisation in many countries is driven largely by political imperatives to consolidate the ruling party’s hold as seen in Ghana, Nigeria, Uganda, Cote d’Ivoire, Kenya, Tanzania and Zimbabwe (Cabral, 2011). Furthermore, these countries have not undertaken economic costing of decentralisation leading to significant policy implementation and evaluation gaps, duplication, wastage, intergovernmental conflicts, economic imbalances resulting from ballooning wage bills, fiscal and monetary indiscipline and inefficient and ineffective resource utilization (Tanzi, 1996, Prud’homme, 1995).

Similarly, Oates (1985) argued that greater decentralisation results in the loss of economies of scale and may increase administrative costs and the size of government. The other enduring challenge is whether the decentralised civil service possesses the skill and capacity to provide transformative services that can drive structural change at the service provision level and as to whether there exists a sound and robust public governance decentralisation system (Gaule, 2010). Skill and capacity are directly linked to access to quality education and whether the potential workforce has qualifications beyond primary education. A basic indication of the skills potential is the literacy level which can be ascertained from the data in Table 12 below.

Table 12: Basic Education Indicators in Eastern Africa Region

	Estimated Adult Literacy Rates, 2006-2012 (%)		
	(people over 15)		
COUNTRY	Total	Male	Female
Burundi	86.9	88.8	84.6
Comoros	75.9	80.7	71.2
Congo, Dem. Rep.	61.2	76.9	46.1
Djibouti	...	...	...
Eritrea	70.5	80.1	61.3
Ethiopia	39.0	49.1	28.9
Kenya	72.2	78.1	66.9
Madagascar	64.5	67.4	61.6
Rwanda	65.9	71.1	61.5
Seychelles	91.8	91.4	92.3
Somalia	...	...	...
South Sudan	...	...	...
Tanzania	67.8	75.5	60.8
Uganda	73.2	82.6	64.6
Africa	62.0	70.7	53.6

Source : AfDB Statistics Department; UNESCO Institute for Statistics (UIS) database Dec 2014 and Domestic Authorities

The challenge of insufficient education services in Eastern Africa remains a real as depicted in Table 12 above. The data reveals that the literacy level for those aged over 15 years for most countries is below 80 per cent. The exceptions to this rule are Seychelles (91.8 per cent), Mauritius (89.2 per cent) and Burundi (86.9 per cent). This is indicative of low literacy levels especially for women who are the majority in the population and are involved in agriculture which is a key sector for structural transformation. For countries to structurally transform, the uplifting of women and girls through increased education opportunities is critical. Although there has been some progress in the standards of education across the board female access to education remains limited except in Seychelles.

There is need to increase access to education across Eastern Africa in order to generate a skilled population that will promote structural transformation of the region. Whereas the regional average of about 74 per cent is above the Africa's figure of 53 per cent, Ethiopia is an exceptional outlier on the lower end with overall literacy rates of 39 per cent. Also, the breakdown shows a significant gender imbalance: the literacy rate for men is 49.1 per cent while that for female is 28.9 per cent. It is therefore apparent that literacy levels in the region have not been lifted sufficient high to match level where structural transformation has occurred.

Another area of focus is the availability of utilities such as electricity, water and sanitation. This is displayed in Table 13 below.

Table 13: Access to Services (Electricity, Water Supply and Sanitation

COUNTRY	Access to electricity		Water supply coverage			Sanitation coverage		
	Electricity consumption							
	(KWh - millions)		Total %	Urban%	Rural %	Total %	Urban %	Rural%
	2006	2011	2012	2012	2012	2012	2012	2012
Burundi	148	234	75	92	73	47	43	48
Comoros	49	41	...	...	97	...	...	...
Congo, Dem. R.	6 219	7 740	46	79	29	31	29	33
Djibouti	306	381	92	100	65	61	73	22
Eritrea	252	321	...	...	...	...	...	4
Ethiopia	2 894	4 558	52	97	42	24	27	23
Kenya	7 270	7 786	62	82	55	30	31	29
Madagascar	1 139	1 417	50	78	35	14	19	11
Rwanda	215	395	71	81	68	64	61	64
Seychelles	243	317	96	96	96	97	97	97
Somalia	300	330	...	...	...	...	...	...
South Sudan	...	...	57	63	55	9	16	7
Tanzania	3 616	5 354	53	78	44	12	25	7
Uganda	1 619	2 526	75	95	71	34	33	34
Mauritius*	2 308	2 686	100	100	100	91	92	90
Africa	569,510	671,344	67	85	56	39	52	30

*: Mauritius was included for comparison
Source : AfDB Africa Economic Outlook (Electricity : United Nations Statistics Division, Energy Statistics Database—online database; Water: WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation 2013 Update Domestic Authorities)

The data on access to electricity as well as water supply and sanitation coverage shows that the region lags behind in these respects. This does not bode well for the productivity and general health of the population as many Africans die of highly preventable waterborne diseases such as typhoid, dysentery, and cholera. In addition, the lack of proper sanitation contributes to water pollution and unhealthy living environments and just like in the rest of the developing world, open defecation remains a health challenge.

This leads to the issue of health which is an important indicator of social services that impacts the wellness of individuals and a society. Table 14 below illustrates basic health statistical indicators that include life expectancy, food availability, health expenditure and number of health personnel. The tabulated data indicates that Eastern Africa, like the rest of Africa is not doing well in this respect with an average of 60 years life expectancy at birth ranging from 54.5 years in Burundi to 74.2 years in Seychelles.

Table 14: Basic Health Indicators in Eastern Africa

Basic Health Indicators in Eastern Africa ¹⁵								
COUNTRY	Life expectancy at birth (years)		Food availability	Total health expenditure		Health personnel		
				as %		(per 100 000)		
		With	(Kcal/person/day)	of GDP	Private			
	2014	AIDS			(%)	Survey year	Nurses & Midwives	Physicians
	2010-2015	2011	2012					
Burundi	54.5	51.1	...	8.1	40.5	2004	19	11
Comoros	61.1	...	...	4.5	44.1	2004	94	55
Congo, Dem. Rep.	50.3	48.9	...	5.6	48.7	2007	52	42
Djibouti	62.3	58.5	2 526	8.8	40.3	2006	81	22
Eritrea	63.4	62.2	...	2.6	52.5	2007	49	2
Ethiopia	64.2	60.0	2 105	3.8	51.6	2008	25	78
Kenya	62.2	58.0	2 189	4.7	61.9	2011	107	15
Madagascar	65.2	...	2 092	4.1	39.3	2007	30	17
Rwanda	64.5	55.8	2 148	10.7	42.7	2009	686	192
Seychelles	74.2	...	2 426	3.4	91.9	2004	769	440
Somalia	55.4	...	1 696	...	...	2006	11	4
South Sudan	55.9	...	...	2.6	61.3	...	...	...
Tanzania	62.1	59.3	2 167	7.0	60.7	2006	24	1
Uganda	59.7	54.7	2 279	8.0	76.1	2005	132	12
Sources: AfDB Statistics Department, Life expectancy at birth and HIV/AIDS: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects, The 2012 Revision.								
Undernourishment prevalence and food availability: FAO, Food Insecurity Online Database								
Total health expenditure and public health expenditure: WHO Online Database.								

The range together with the computed regional average of 60 years though higher than the Africa average of 58.1 years is way below global rates. Also, the number of physicians 100,000 people is significantly low ranging from 1 in Tanzania to 81 in Djibouti except for Rwanda and Seychelles with 192 and 440 respectively. The regional average of 63 physicians per 100,000 people is dwarfed by Mauritius at 418. Part of the reasons for these outcomes is the low expenditures on health or other factors that compromise access and quality of health care such as affordability. In addition, as mentioned earlier corruption, poor governance and ethics deprive citizens of basic services such as rural access roads, habitable public housing, basic health and education, maternal and infant nutrition programs, access to clean and safe water, and many other in-demand public goods. Decentralisation and increased citizen participation may open opportunities for improved access to quality basic services.

¹⁵ <http://www.africaneconomicoutlook.org/en/statistics/table-16-basic-health-indicators/>

Reflecting on the foregoing, Brosio (2000: 28) observes that “given the low levels of access to education which translate into low skill capacity levels in Africa is the danger of overburdening ill-functioning decentralised institutions”. This clearly demonstrates a need to attend to the question of capacity building of the requisite personnel to support decentralisation.

More worryingly, decentralisation in much of Africa: Has been essentially used to consolidate alliances with local elites and thereby reinforce central power, rather than to pursue pro-poor policies. Institutional weaknesses and fiscal constraints have also limited the success of decentralisation in Africa. Therefore as an overarching governance process, decentralisation may have limited chances of success without a more structural transformation in African societies which reduces the polarisation of power and gives the median voter greater agency. Institutional weaknesses and fiscal constraints have also limited the success of decentralisation in Africa (Cabral, 2011:2).

5.3 Objectives of Decentralisation in Eastern Africa

Drawing supported conclusions on the linkage between decentralisation and public service delivery within the framework of structural transformation requires clarification on the objectives of decentralisation in the selected study countries. The objectives of decentralisation in these countries are provided below to provide linkages to participatory service delivery and structural transformation.

<p>5.3.1 Objectives of Decentralisation in Ethiopia</p>
<ol style="list-style-type: none"> 1) Achieve regional and local economic growth; 2) Redress development inequities between regions and achieving spatial equity; 3) Promote civil or political stability through increased participation of the local community in development.
<p>5.3.2 Objectives of Decentralisation (Devolution) in Kenya</p>
<ol style="list-style-type: none"> 1) To promote democratic and accountable exercise of power; 2) To foster national unity by recognizing diversity; 3) To give powers of self-governance to the people and enhance the participation of the people in the exercise of the powers of the State and in making decisions affecting them; 4) To recognize the right of communities to manage their own affairs and to further their development; to protect and promote the interests and rights of minorities and marginalized communities; 5) To promote social and economic development and the provision of proximate, easily accessible services throughout Kenya; 6) To ensure equitable sharing of national and local resources throughout Kenya 7) To facilitate the decentralisation of State organs, their functions and services, from the capital of Kenya; and 8) To enhance checks and balances and the separation of powers. <p style="text-align: center;">Source: Constitution of Kenya 2010, Article 174</p>
<p>5.3.3 Objectives of Decentralisation in Rwanda</p>

- 1) To enable and reactivate local people to participate in initiating, making, implementing, and monitoring decisions and plans that concern them, taking into consideration their local needs, priorities, capacities, and resources by transferring power, authority, and resources from central to local government and lower levels,
- 2) To strengthen accountability and transparency in Rwanda by making local leaders directly accountable to the communities they serve and by establishing a clear linkage between the taxes they pay and the services that are financed by these taxes,
- 3) To enhance the sensitivity and responsiveness of public administration to the local environment by placing the planning, financing, management, and control of service provision at the point where services are provided and by enabling local leadership to develop organisation structures and capacities that take into consideration the local environment and needs,
- 4) To develop sustainable economic planning and management capacity at local levels that will serve as the driving motor for planning, mobilization, and implementation of social, political and economic development to alleviate poverty,
- 5) To enhance effectiveness and efficiency in the planning, monitoring, and delivery of services by reducing the burden from central government officials who are distanced from the point where needs are felt and services delivered

Source: Cheema and Rondinelli, 2007, p. 78-80

5.3.4 Objectives of Decentralisation in Uganda

- 1) The transfer of real power to local governments with aim of reducing the load of work on remote and under-resourced central officials,
- 2) Bringing political and administrative control over services at the point where they are actually delivered, thereby improving accountability and effectiveness, and promoting people's feelings of ownership of programs and projects executed in their local governments
- 3) Freeing local managers from central constraints and enabling them to develop effective and sustainable organisational structures tailored to local circumstances in the long term,
- 4) Improving financial accountability and responsibility for establishing a clear link between the payment of taxes and the provision of services they finance
- 5) Improving the capacity of local authorities to plan, finance, and manage the delivery of services to users

5.4 The Distribution of Functions between Various Levels of Government

In Section 5.3 above it has been established that the objectives of decentralisation by the selected countries have a strategic focus on service delivery and citizen participation. This section builds on these findings to plot the distribution of functions and responsibilities between the different levels of government at the point of service delivery. Also, in order to explore the role of decentralised service delivery in bringing about structural transformation in Eastern Africa, it is important to catalogue the distribution of functions between the various levels of government and examine whether there are salient lessons across the board. This permits an understanding as to whether there exist clear legal frameworks on the distribution of functions and responsibilities between the national government and the sub-national entities.

The literature on decentralisation and public service delivery clearly indicates that the decentralisation movements across the world have focused primarily on improving the delivery of public service (Smoke, 2003; Steiner, 2006; Cheema & Rondinelli, 2007; Osei-Kufuor & Bakare, 2013). Furthermore, the provision of public service requires clear legal and constitutional mandates on who is responsible for what, at what stage, under what conditions, and how do you pay for the delivery of that service?

There is ample documentary evidence on the distribution of functions and responsibilities in Ethiopia, Kenya, Rwanda, and Uganda. As outlined in Tables 15-18 there are constitutional and legal stipulations on the roles and responsibilities of function and service delivery across the region which serves as a good bench mark on the transformation of the structure of government institutions in the distribution of functions in selected countries.

Many of the countries within the region have clear constitutional and legal charters mandating decentralisation. Ethiopia, Kenya and Uganda have constitutions that mandate decentralisation.

Table 15: Distribution of Functions in Ethiopia

National Government	Local Governments
<ul style="list-style-type: none"> • National government is defense, foreign affairs, economic policy, citizenship, declaration of state of emergency, deployment of army, printing currency, establishing and administering major development establishments and communication networks 	<ul style="list-style-type: none"> • Regional governments roles are to establish regional administration on the basis of self-determination and establish a democratic system; • Formulate and execute the regional constitution; • Formulate and execute the economic and social development policies and strategies; a • Administer land and natural resources on the basis of the federal law; • Determine taxes and collecting revenue from regional sources; • Formulate and execute laws concerning civil servants administration and work conditions in the region; and • Maintain peace and order in the region and establishing regional police forces
<p>Source: Egziabher, 1998: 38</p>	

Table 16: Distribution of Functions in Kenya

National Government	County Government
<ul style="list-style-type: none"> • 35 Functions key among them Defense, Security, immigration, Foreign affairs, police, courts, national economic policy, national guidelines/policy for health, agriculture, veterinary, energy, public investment, tourism, capacity building 	<p>14 Functions:</p> <ul style="list-style-type: none"> • county health services, • agriculture, • pollution control, • cultural activities, • county transport, • trade, • pre-primary education, • county public works, • county planning, • fire services, • control of drugs and pornography, • county public participation
<p>Source: Fourth Schedule of CoK, 2010</p>	

Table 17: Distribution of Functions in Rwanda

National Government	Local Governments
<ul style="list-style-type: none"> • Presidency /Cabinet Affairs • Policy formulation and coordination • Environment, and Land, issues • Foreign affairs • Finance and Economic Planning • Judicial • Legislature • Defense • Security • Spatial planning and Physical Infrastructure • Trade and investment 	<ul style="list-style-type: none"> • Territorial Administration • Immigration Services • Agriculture • Health, • Education • Water & environment • Community development and socialAffairs
<ul style="list-style-type: none"> • Labour and Public service 	
Source: Republic of Rwanda (2004)	

Table 18: Distribution of Functions in Uganda

National Government	Local Governments
<ul style="list-style-type: none"> • Defense, Security, Foreign, Relations, National guidelines for sectoral policy-making, • 	<ul style="list-style-type: none"> • Local Public goods and Services, • Manage facilities, • Education services except tertiary education, • all health services except referral hospitals, and for water services; <p>Urban councils are in charge of:</p> <ul style="list-style-type: none"> • street lighting, • ambulance services, and fire brigade services; <p>Lower local governments councils are in charge of:</p> <ul style="list-style-type: none"> • provision of nursery and primary education, • Agricultural ancillary field services and the control of soil erosion.
Source: Steiner, 2006: 8	

Before the adoption of the Constitution of Kenya in 2010, the 1963 constitution provided that the staff of the local governments were also employees of the central government through the Ministry of Local Government and by extension they often advanced the interests and programs of the central government as opposed to the preferences and welfare of local residents; however, the adoption of devolution has ushered in “democratic values such as accountability, transparency, representation and diversity” in Kenya, and the civil service at the county level is accountable to the ordinary citizens (Kobia & Bagaka, 2013/14: 18). The Constitution of Kenya 2010 consequentially enacted devolution and outlined in the Fourth Schedule the distribution of functions between the national government and the 47 county governments.

In Rwanda, decentralisation is designed to “enhance *effectiveness and efficiency* in the planning, monitoring, and delivery of services by promoting joint development planning between central and local governments” (Republic of Rwanda, 2012: 9). Writing on Uganda, Steiner (2006: 9) observes that decentralisation was “originally established for political reasons and not with the

aim of improving service delivery or reducing poverty”. This position is however not supported by the findings in this especially the objectives outlined in sub-section 5.3.4 above.

In view of the foregoing, it is necessary to probe whether and how decentralisation of service delivery has impacted structural transformation within Eastern Africa. Clearly and without doubt, decentralisation has altered and transformed the structure of public administration in Eastern Africa; however,

The rapid growth from countries such as Rwanda and Ethiopia over the past decade or so, is not from the modern, tradable industries that could energize domestic productivity growth, but was powered by non-tradable services and public investment in construction. The productivity dynamism needed to spur structural transformation could not be ignited because of the absence of a modern industrial sector in most African countries. The continued economic expansion, over the past decade, that failed to generate the needed high quality jobs to the teeming youths has raised unnecessary expectations in many countries (Oduola, 2014: 10).

At the functional level, the initial qualitative evidence from Ethiopia, Kenya, Rwanda and Uganda underscores that change has occurred when one looks at who is the mandated *public service provider*. For example, in Kenya, from the 1960s and onwards, the central government was the sole provider of public services with a bureaucracy that operated from the president’s or prime minister’s office in the capital city all the way to the lowest administrative unit. As Kobia and Bagaka observe:

The devolution experiment in Kenya has brought with it some renewed energy in the management of public affairs. Powers that were originally centralised in one arm of the government have been dispersed to other levels of government and even within arms of the same government these powers have further been dispersed. This dispersal of powers has greatly enhanced the system of checks and balances, and promises to foster democracy in the management of public affairs (Kobia & Bagaka, 2013/14: 17).

5.5 Has Decentralisation Improved Public Service Delivery in Eastern Africa?

The test of the success of any decentralisation effort in regards to public service delivery is to show that the provision of that service has improved using a baseline of the previous level of satisfaction or supply. Unfortunately, due to the lack of quality data and a clear monitoring and evaluation system, it is not easy to establish whether public service delivery has improved. A look at the prevailing literature suggests that many decentralisation enthusiasts were disappointed throughout the 1980s and 1990s as decentralisation did not lead to better public service (Rondinelli, Cheema & Nellis, 1983). As Khan et al. (2014) posit there have been very few studies that have irrefutably proven a positive correlation between decentralisation and improved public service delivery. Although a few studies (Piriou-Sall, 1998; Manor, 1999; Smoke, 2001) have suggested such a positive link; the quality of evidence and the methodology employed has come under attack (Tanzi, 2001; Conyers, 2007; Khan et al., 2014).

As noted by Dabla-Norris (2006), the challenges arising from decentralisation are monumental and unless there are strong institutional frameworks, impressive economic development returns, prudent economic and political reforms, upgraded technical and administrative capacities, as well as, favourable macroeconomic, demographic, and geographic conditions, and sound intergovernmental relations, decentralisation may not necessarily bear fruit.

In general, institutional reforms that minimise adverse incentives and promote transparency, predictability, and accountability are key to an effective decentralised system. However, in the absence of strong institutional capacity and firm and transparent rules that regulate intergovernmental relations, forcing subnational governments to provide an adequate level of

services and maintaining a sustainable decentralised system can pose a formidable challenge (Dabla-Norris, 2006; 130).

The answer to the research question posed previously as to whether decentralisation has improved public service delivery in eastern Africa is mixed. For example, decentralisation in Ethiopia has led to an increase in the range and level of service delivery to the citizens. Accordingly “decentralisation improved net enrolments in education, access to basic services in health such as antenatal care, contraception, vaccination rates, and deliveries by skilled birth attendants, and contributed to greater agricultural productivity in cereals, vegetables,.. coffee and fruits” (Khan et al., 2014: 1).

A marked improvement in Ethiopia as a result of decentralisation has led to an increase in the range and level of service delivery to the citizens through the zones, woredas and kebeles. The success of service delivery has, however, been hampered by the Government’s retention of key institutions that offer or facilitate the provision of services to citizens. To the extent that the Government continues to do most things and on account of its poor comparative advantage, the quality of services delivered remains poor.

Box 2: The Story of Ethiopia

“Ethiopia has achieved impressive development results in recent years. That progress includes rapid and significant improvements in basic service delivery indicators. An Overseas Development Institute study (2010) noted that Ethiopia is making the third-fastest improvements of any country towards reaching the Millennium Development Goals (MDGs). The latest Ethiopia Demographic and Health Survey data show that child mortality rates have fallen from 123 per thousand in 2005 to 88 in 2010, and primary net enrolment rates rose from 68 per cent in 2004/2005 to 82 per cent in 2009/2010. Such progress on basic service delivery is coupled with an impressive growth record over the past decade. GDP grew on average 11 per cent per year during 2004/5-2009/10, according to official estimates. Initially led by agriculture, growth has become more broad-based, with a rising contribution from the mining, services and manufacturing sectors” (Khan et al 2014:4).

In Uganda, empirical evidence suggests difficulties “of financing important sub-national expenditure responsibilities in a non-federal setting” (Brosio, 2000: 22). Furthermore, the monitoring and evaluation system is unstructured and the major challenge in decentralisation is that key political decision emanate from the top party organs of the NRM to be cascaded down wards through the elaborate party structure. Besides, the decentralisation units were politically established and the districts created for political interests rather than service delivery. They generally lack the financial and technical resources to self-sustain and deliver effective public service. Indeed, in adequate financing of sub-national governments renders quality service provision impossible in Ethiopia, Kenya, Rwanda, and Uganda. A snap shot of the problems faced in decentralising service delivery is presented in Table 19 below. This summary was compiled from the field visits made to selected countries in Eastern Africa for this study.

5.6 Challenges Faced in Service Delivery within Decentralisation

The evidence from field missions as tabulated in Table. 19 below shows that the regional governments in the visited countries have serious constraints including; lack of adequate financial and human resources to effectively carry out the management of decentralised administration and development. To address this challenge, efforts should be made to build the capacity of lower administrative units to enable them cater to the needs of people at grass root level.

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Table 19: Challenges Faced in Decentralisation and Service Delivery

<p style="text-align: center;">Ethiopia</p> <ol style="list-style-type: none"> 1. Democracy is still at a young age- politics have a lot of influence on the functions of government. 2. The collection of taxes is weak and focuses mainly on the formal sector. This is partly because of low incomes; a large informal sector and the fact that taxation requires services and representation. Except for Addis Ababa and Dire Dawa, the central government, 3. In addition, review of the responsibilities and resources of the regions indicate that the responsibilities are far in excess of the revenue that can be generated from the identified sources. This makes the regions heavily dependent on federal resources and therefore limits the gains of decentralisation provides up to 80 to 90 per cent of the budget of regions through grants. 	<p style="text-align: center;">Kenya</p> <ol style="list-style-type: none"> 1. The costing and unbundling of functions and responsibilities is not yet complete, 2. Conflicts and intergovernmental strife between national government and county governments, 3. Duplication of functions as national line ministries continue to retain devolved functions, 4. Overreliance on national revenues by devolved units, 5. Huge wage bill at both national and county governments consuming much of the budget leaving little for service provision and development 6. Weak capacity at devolved units 7. Lack of a clear monitoring and evaluation framework
<p style="text-align: center;">Rwanda</p> <ol style="list-style-type: none"> 1. Capacity problems including lack of skilled staff 2. Number of staff inadequate due to budget limitations 	<p style="text-align: center;">Uganda</p> <ol style="list-style-type: none"> 1. Policy conflicts between the central government and local government, 2. Unwillingness of central government line ministries to relinquish certain services to local government, 3. Uganda lacks an elaborate decentralisation reform agenda – most of recent reforms have been reactive and piecemeal, 4. Over-reliance on central government transfers has eroded autonomy, 5. Increased administrative cost due to politically created districts, 6. Donor funding channeled through sectorial initiatives thereby by-passing local government 7. Democracy is perceived as not fully entrenched - politics have a lot of influence on the functions of government. 8. Lack of a clear monitoring and evaluation framework

Source: Field Interview responses

Finally, to further examine the question of improved public service, there is also need for a well- informed civil society and public that will demand better service. As proposed by Osei-Kufuor and Bakare (2013) the newly decentralised units need effective capacity building in order to meet the new demands.

5.7 An Informed civil society and public that will demand better service

In order for decentralisation and local government reforms to provide quality service, there is need to empower the public to first know who is responsible for providing the service, and secondly, what should be the level of service provided. Increasingly, anecdotal evidence in Kenya suggests that the public is not aware of who is responsible for providing certain services. Clearly, few Kenyans are aware of the distribution of functions and responsibilities as itemised in the Fourth Schedule of the Constitution.

As discussed in chapter three, in Ethiopia, the participation of civil society in decisions and policy is limited due to lack of a clear feedback mechanism between citizens and government within the decentralisation framework. On the other hand, in Rwanda there are effective mechanisms for the citizen and civil society to give input in service provision through the various levels of dialogue. First, at the cell level where all citizens above eighteen are members they can give input to services in their locations. Second, through all the other levels of governance (sector, district or city) where citizens are represented. Finally through the National Dialogue forum citizens can call in and demand for accountability of their leaders and certain services.

5.8 Conclusion

The quest for decentralisation remains vivid in Eastern Africa. Increasingly, the reasons behind decentralisation agenda have stretched from those driven by political interests to those seeking to improve governance and public service delivery. This study has shown that there exists constitutional and legal frameworks/mechanisms for the distribution of functions and responsibilities between the different levels of government. This has altered the point of service delivery and thus restructured the governance and administrative systems. However, there remain great challenges to the effective delivery of service as outlined in Table 19 above on the challenges facing decentralisation. The most pressing and common challenge that was observed is that there is shortage of skilled personnel to support decentralisation which calls for serious efforts to build the capacity of decentralised units in providing public service.

5.9 Key Take Away Messages

- a) There exist fragmented rules and systems for public service delivery in Eastern Africa and without well-functioning systems, the benefits of decentralisation may not be realized.
- b) There is very limited capacity and resources geared towards public service delivery under a decentralised government system
- c) There is weak accountability and transparency in sub-government units. Effective sub-government from a pluralistic sense assumes the existence of highly liberal democratic state that is transparent and accountable; however, most countries in the region are nowhere near true democracies.
- d) There is little coordination between decentralised units across the board. These fragmented initiatives may undermine effective public service delivery.
- e) There is generally no concrete comparative empirical data on public service delivery in Eastern Africa. No one country can truly tell its state of affairs

5.10 Recommendations

- a) To ensure effective public service delivery, countries within Eastern Africa and their decentralised units need to develop and implement a minimum check list of what constitutes quality public service and to operationalize these frameworks.
- b) There is need for joint national initiatives between the states in Eastern Africa in moving forward regional public service provision in line the regional integration agreements,
- c) There is need at all levels to create multiple and accessible user-friendly communication channels to share information and best practices across and between decentralised units.
- d) It is recommended that efforts be made to train citizens and government officials on how to assess effective public service.
- e) In some areas, it may be necessary to provide incentives to high performing units with performance grants as champions of effective service delivery.
- f) There is need to create avenue and linkages between legally mandated oversight bodies and the citizens.
- g) There is need for technical expertise to build the capacity of institutions whose mandate is public service delivery at all decentralised units.
- h) It is recommended that a clear policy implementation framework and strategies be developed addressing public service delivery. The challenge observed so far is that though public service policy intentions exist there are unresolved issues regarding how those intentions and proclamations are to be implemented.
- i) There is need for unbundling and costing of functions between the various levels of assigned responsibilities in order to avert wastage and duplication while at the same time preventing jurisdictional overlap and coordination challenges.
- j) It is proposed that intergovernmental linkages between political, administrative and technical roles across the board be streamlined.
- k) There is need for effective process leadership and management at decentralised units;
- l) There is need to empower all stakeholders and to achieve their commitment to promote reforms;
- m) The objectives of decentralisation in many countries as stated in their official documents does not compare well with the strategies being implemented across the board. This calls for harmonisation of the same.
- n) The setting of targets and formation of the decentralised units is not meeting the objectives of decentralisation, hence the need to re-align the institutional, technical, and financial systems to the stated objectives of decentralisation in each country, environment in which the objectives,
- o) There is need to develop functional monitoring and control mechanisms;
- p) There is need to build the capacity of decentralised units to deliver effectively on their mandate;
- q) Efforts should be made to ensure that service delivery responsibilities and corresponding public expenditure are undertaken at the lowest levels possible.

Effective service delivery within decentralisation requires quality policies and institutions that can spur economic growth in the regions. The next chapter presents an analysis of the quality of policy, institutions and economic performance in the Eastern Africa region.

CHAPTER 6

THE QUALITY OF POLICY, INSTITUTIONS AND ECONOMIC PERFORMANCE

6.1 Introduction

The pursuit of higher economic performance is undeniably an overarching policy agenda for many governments largely because citizens with higher incomes have access to a wider choice of goods and services. It is also unquestionable that “public policy has the potential to dramatically improve people’s lives and to achieve multiple social, economic, and political objectives” (Morse & Struyk, 2006:3). With respect to the Eastern Africa sub-region, this chapter examines the linkages between policy design, behavioural economics, decentralisation and institutional quality to structural transformation. The indicators of structural transformation that are examined include per capita income as well as growth, size and composition of economic output.

6.2 Quality of Policy Design in Eastern Africa

It can be argued that policy design is a fundamental activity in the performance of government functions, and hence delivery of services, because it entails a clear understanding of the context within which the guiding principle is made; it considers the targets to be achieved; and requires that the concept is fleshed out and understood by the policy sponsors, implementers, beneficiaries and various stakeholders. This yields public policies that are in effect efforts by governments to change aspects of their own or social behaviour in order to carry out some end or purpose and are comprised of complex arrangements of policy goals and policy means.

Since the era of the Structural Adjustment Programmes (SAPs) in the 1980s and 1990s that were driven by the International Monetary Fund (IMF) with the attendant liberalisation and economic reforms, Africa, and that includes Eastern Africa, has witnessed a variety of political, constitutional and socio-economic reforms. The end of the cold war and the opening of the region to the world compelled governments to design policies that were aligned to the international global requirements and demands. Some cases in point are, for instance, poverty reduction strategies and millennium development goals. The open-government has also presented a new paradigm in policy design on account of wide availability of data. Adach (2011: 64) puts it thus;

As is well known, public policy design is no longer the sole province of governments, which have the responsibility of formulating and preparing policy drafts and implementing and managing policies approved by parliament. Today, political parties, think tanks, industrial organisations, citizen groups, non-profit and non-government organisations, journalists, policy scholars, and diverse other actors are also involved in public policy design and serve as policy advocates.

Supporting the use of home country experts and a public private partnership approach to policy design, Mbaku (1997:32) opines that “pre-arranged reforms such as those provided by the IMF and World Bank and other international organisations are not likely to be effective”.

The attraction of external experts and expertise to policy makers is that they bring in scientific knowledge in policy making that ought to yield positive results because it facilitates informed policy making.

Another recent development is that scholars and policy makers prefer market-based policy instruments, because they are, at least theoretically, more effective and efficient compared to command and control instruments. However, scholars on policy design are also looking into the complex behavioural and bidirectional relation between trust, informal institutions and public policies. They argue that effectiveness in implementation of public policies depends on the level of social and institutional trust and on the ways of doing that what is called by economist North (1990), "informal institutions"

Some of the key policies that have been designed in the sub-region include regional integration which has significant political, economic and social implications. In this case,

The East African Community Treaty which was signed on 30 November 1999 brought together Kenya, Tanzania and Uganda and later on 1 July Rwanda and Burundi. The five countries cooperate at the sub-regional and regional levels in all fields of human endeavours to raise the standards of living of East African peoples. To this extent the EAC countries established a Customs Union in 2005 and a Common Market in 2010. The regional integration process is at a high pitch at the moment. The next phase of the integration will see the bloc enter into a Monetary Union and ultimately become a Political Federation of the East African States. Muhinda & Bizoza, (2013:4)

Other major policies are various transformational long term development strategies such as Rwanda's Vision 2020, Tanzania's Vision 2025, Kenya's Vision 2030; and Uganda's Vision 2040. In addition, economies in the region have also focused on achieving food sufficiency through increased investment in agriculture as well as growing exports and maintaining macroeconomic stability. As discussed widely in this report, decentralisation has also been a flagship policy reform in the region. In the selected countries, relevant legislation that was passed to effect this major political reform were as follows: Ethiopia in 1992; Uganda in 1995; Rwanda 2000; and Kenya 2010. During the last fifteen years, the policy designs by member states have also been informed by the need to reduce poverty and achieve the millennium development goals. To a large extent, the adoption of market-oriented policies has seen a reduction of government in business and the granting of more central role to the private sector as the engines of growth. A key acid test for the quality of the policy designs is to look at what extent the governments have been able to transform the economies and improve the welfare of the citizens through these new policies. This question is answered in section 6.4 below.

6.3 Institutions and Decentralisation in the Eastern Africa Region

6.3.1 Decentralisation

Ethiopia, Kenya, Rwanda and Uganda, in common with most member states Eastern Africa block, have been reforming their economies in the 2000s. In this respect the countries established institutional frameworks to ensure that decentralisation succeeds. Every country's political and social system has affected its decentralisation efforts. It is therefore important to understand the extent and nature of decentralisation in each of these countries especially in regard to national government/state

control of decentralised units, whether politicians and bureaucrats are independent of one another, fiscal decentralisation and whether citizens and other stakeholders in decentralised units have risen to the challenge of participating in decision making. It is also important to understand the level of trust among the populace as opposed to forced trust.

In Kenya, devolution has shifted resources and people and spurred the provision of public services. It is well established that structural change has been higher in countries with better governance, more effective schools and more competitive exchange rates (Herrendorf, Rogerson & Valentinyi 2013; Duarte & Restuccia, 2010). In spite of the arrival of positive structural change during the last decade, Eastern Africa countries need a lot more effective transformation to create economic structures that can provide good jobs and income for the growing population;

Structural change has undoubtedly played a substantial role in boosting productivity levels in developing countries and in the Eastern Africa region as well. According to Duarte and Restuccia (2010) countries that have realised the most rapid growth rates have typically reallocated the most labour into high productivity manufacturing, allowing aggregate productivity to catch up. The period starting around 2000 marked the beginning of Africa's "growth miracle", coinciding with a period of intensified globalisation marked by the opening up of the largest developing country in the world – China – and a boom in commodity prices, (McMillan and Rodrik 2011).

It was noted during the key informant interviews that Ethiopia, Kenya, Rwanda and Uganda have endeavoured to reform their economies through a number of national policies and legislative frameworks. The instruments employed include but are not limited to constitutional provisions and long-term development strategies commonly called Visions. It is instructive that remarkable efforts have been made in implementing these policies. It was noted that in all the countries, political influence has significantly impacted the decentralisation and institutional structures.

In Kenya, commitment of the national government and hence the political system through the ruling coalition, have ensured that the decentralisation provisions for devolution have been respected almost to the letter. One of the main points of contention between the national government and devolved county governments has been how much national revenue should be availed to the decentralised units. Thus fiscal decentralisation is a major headache in Kenya's decentralisation.

Another challenge for Kenya's devolution has been the authority and superiority of the national assembly vis-a-vis the senate. This is in spite of the constitutionally separate mandates of the two entities: the national assembly deals with national legislative matters while the senate legislates and protects the devolved government. A case in point is the law on mining that is of both a national nature and impacts county governments where the minerals are found and mined. Where deadlock is reached, the two houses have had to take recourse to the judicial arm of government-the supreme court- for a final determination of the dispute.

Another arena of institutional conflict is the power of the senate to supervise and exercise an oversight role over the devolved county governments. In deadlocked situations, the judicial arm of the government has also been used to provide the way forward. It is to be noted that the political system

and executive play little or no role at all in resolving institutional disputes. Thus, the Kenya case illustrates that where administrative and political decentralisation has been effective, the centre cannot really interfere with the decentralised units that have produced powerful local politicians.

The Uganda situation illustrates a case of failure in decentralisation policy on account of political interests. An otherwise good decentralisation policy was over shadowed by the creation of additional districts that could not even be funded adequately – political expedience and capture of policy by powerful politicians in the strong ruling party.

The Rwanda case agrees with theory that where strong political parties exist, decentralisation can proceed relatively smoothly and avoid unnecessary bumpy rides. An important lesson that can be learned from the Rwanda experience is that decentralised units can work well where political capture does not interfere with the policy directives as contained in the legislation.

Mauritius and Ethiopia cases are similar in some sorts. Both countries have strong national governments controlling the decentralisation with a commitment to the policy. The irony is that whereas in Ethiopia this control is exercised through a tightly controlled federal state system comprising nine regions, similar central control is affected through a de-concentration form of decentralisation where the centre retains all the power and authority over the local authorities.

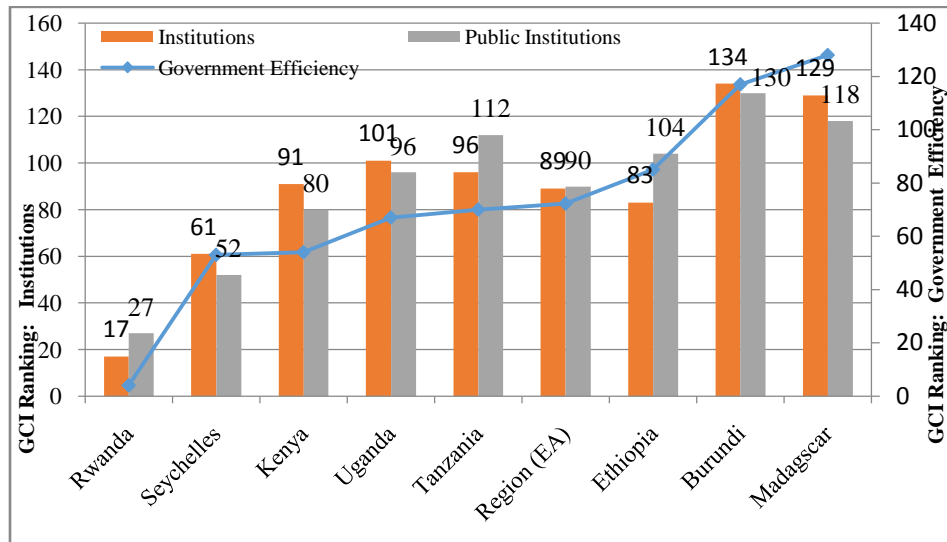
It was noted that the comparator country, Mauritius had achieved impressive and structural transformation mainly because of consistency in its policies and institutional frameworks. The country has a decentralisation form close to what is known as de-concentration. As a benchmark for decentralisation, institutions and transformation of the economic development in Eastern Africa, the decentralisation initiatives in Mauritius have been analysed and compared with those in the region in order to gain a better understanding of ways in which the region can match the successes of a growing economy that is consistent in its economic policies and institutional frameworks.

6.3.2 Institutions

The widely-used global competitiveness report provides a useful framework that can be applied to consider the quality of Eastern Africa institutions and how this relates to structural transformation. The relevance of the index is found in the definition of competitiveness-“as the set of institutions, policies and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be reached.” (World Economic Forum, 2014-15; p4). A further clarification by the report is that the productivity level also determines the rates of return in an economy, which are the fundamental drivers of its growth rates and the well-being of its citizens. Thus, a more competitive economy is likely to grow faster over time.

Rankings in the competitiveness index follow a logical order in which the most competitive economy is ranked number one while the worst is ranked last. In Figure 12 the global competitiveness report 2015-16 is used to probe into the performance of the Eastern African region with respect to institutions (represented by bars) and government efficiency, an outcome that is the subject of close scrutiny and considerable interest.

Figure 12: Country Ranking of Institutions



Source: Data derived from Global Competitiveness Report 2014-2015.

Analysis of the GCI 2014-2015 as shown in Figure 12 reveals that out of 144 countries, the eight Eastern African countries whose institutions were evaluated ranked on average 89/144, almost similar to an average ranking of 90/144 with respect to public institutions and a better ranking of 72/144 for government efficiency. The pattern that emerges of a close association between the GCI ranking on institutions and government efficiency suggests that policies that target institutional reforms are likely to lead to improvements in the efficiency of government in service delivery and thus contribute to structural transformation.

The better ranking of government efficiency suggests that the various public sector reforms have had a positive impact on service delivery. Within the region, Rwanda is by far the highest ranked country in all aspects of institutions and government efficiency followed by Seychelles and Kenya. This good ranking of Rwanda was corroborated by the key informant interviews: leaders in various institutions in Rwanda were found to be knowledgeable and focused on service delivery. Specifically, the citizen score card is an important tool to support service delivery.

The least scores in the competitiveness ranking of institutions and government efficiency are Burundi, Madagascar and Ethiopia. Within, the region and among the ranked economies, these three countries had the lowest per capita income in 2014. This implies a positive relationship between citizen incomes and the quality of institutions- the latter would precede the former.

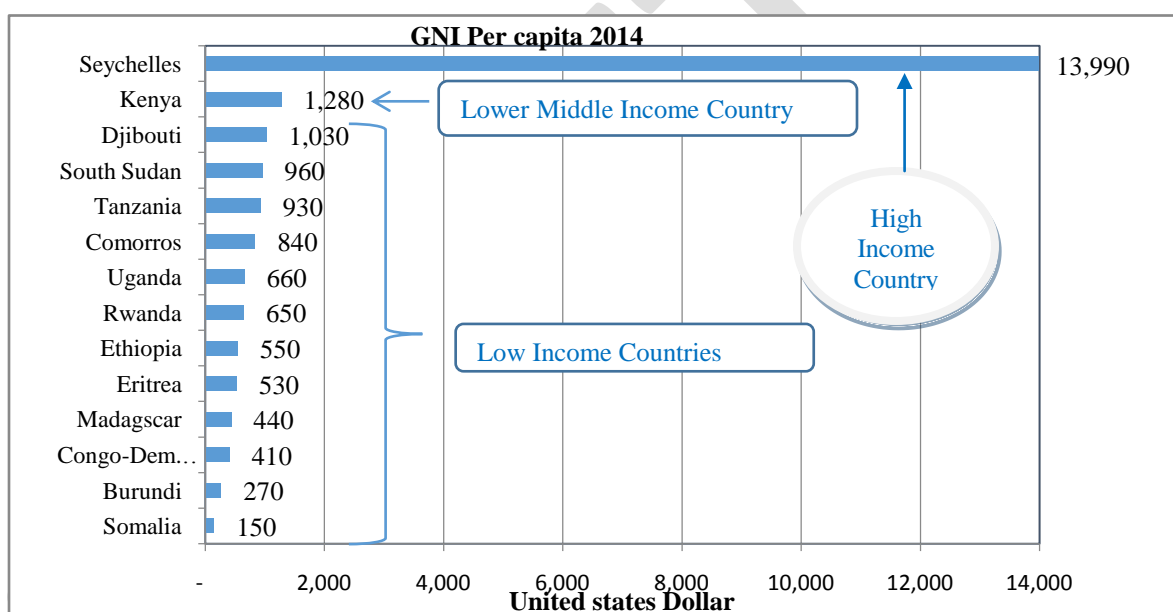
6.4 Economic Performance and Structural Transformation in Eastern Africa

This subsection examines the economic performance of the sub-region with regard to transformation. The main dimensions that are analysed are per capita income, composition of economic output and exports.

6.4.1 Gross National Income

A country's per capita income which captures the productivity, economic strength, needs and the standards of living enjoyed by the average citizen offers a useful metric for assessing the transformation of an economy. A commonly observed fact is that people living in countries with high gross national income (GNI) per capita tend to live longer, are more educated and have access to clean water. For this reason, a number of countries in Eastern Africa- Ethiopia, Kenya and Rwanda- have included in their long term development plans the specific goal of attaining a middle income status. Specifically, the desired upper middle income status starts at a GNI per capita of USD 4,126 nominal basis. The region's performance in terms of per capita income and income classification is shown in figure 13 below

Figure 13: Income Comparison and Classification of Countries in the Region



The analysis on Figure 13 shows that based on 2014 economic performance, most (86 per cent) of the countries in the region are classified as low income on account of a GNI per capita income that is below USD 1,045. The only exceptions are, Seychelles that is classified as a high income country, and Kenya- low middle income. Mauritius, the comparator country, falls in the upper middle income country with a GNI per capita income of USD 9,710. A possible interpretation of these findings is that the ongoing reforms in the region have not been successful in lifting the average citizen out of poverty. It can also be argued that targeted policies and innovative initiatives are necessary to propel the majority of the countries and citizens from the current state of deficiency. Realistically though, a case can be made that the benefits of recent reforms have not have been realised yet because the impact of most policies is gradual.

6.4.2 Composition of Economic Output

Previous research has shown that agriculture is by far the least productive sector in Africa and that income and consumption are lower in agriculture than in any other sector. This is the same case in

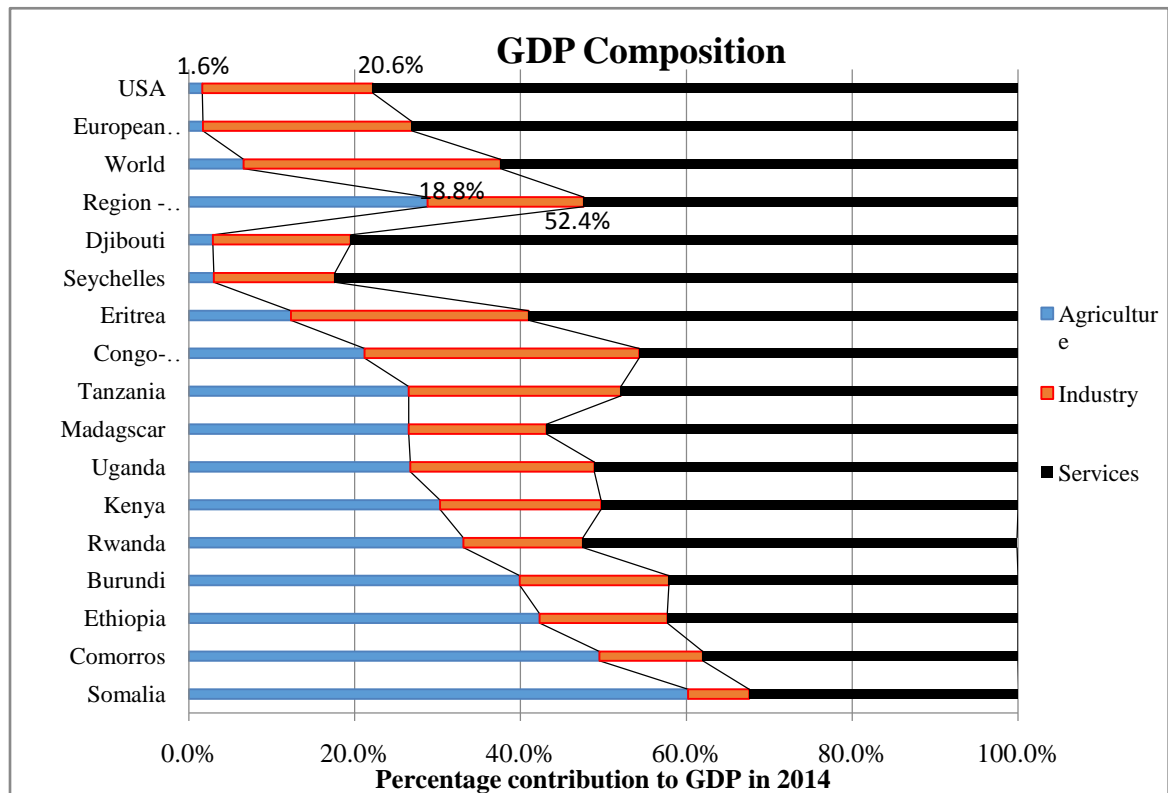
many of the Eastern Africa economies. McMillan and Horgatten (2014) argue that the ‘African growth miracle’ can be traced to a significant decline in the share of the labour force engaged in agriculture. They support their position through empirical evidence indicating that between 2000 and 2010 the share of the labour force employed in agriculture, in Sub-Saharan Africa, declined by about 10 percentage points. The researchers further report that this decline in the share of employment in agriculture was matched by a 2 percentage point increase in the share of the labour force engaged in manufacturing and an 8 percentage point increase in services.

Related development literature suggests that for structural transformation to occur, the percentage contribution of agriculture to a country’s GDP should decline as the contribution of industry and services rises¹⁶. And indeed, in advanced nations, services are the main contributors to GDP followed by industry- agriculture is largely insignificant and a distant third. In the case of Eastern Africa, analysis of estimated composition of GDP in 2014 shows that the region has yet to achieve transformation in this respect as shown in Figure 14 below. For comparison purposes, a simple average is computed and shown for the Eastern Africa region together with European Union, United States of America and the World.

The data shows that the simple average composition of GDP for the region is as follows: agriculture 29 per cent; industry 19 per cent; and services 52 per cent. The comparative shares for European Union, which is a fair surrogate for advanced nations, shows agriculture at 2 per cent; industry at 25 per cent; and services at 73 per cent. The economy of the comparator country, Mauritius, which has a substantially high per capita income compared to most countries in the Eastern Africa region, is similar to that of the European Union with agriculture accounting for 4 per cent of GDP, industry 22 per cent while services are the largest at 74 per cent.

¹⁶ Agriculture includes farming, fishing, and forestry. Industry includes mining, manufacturing, energy production, and construction. Services cover government activities, communications, transportation, finance, and all other private economic activities that do not produce material goods

Figure 14: Regional Composition of GDP in 2014



Source: NESC Analysis of data from the World Fact Book, 2014 (Data for South Sudan not available)

A quick review of the above illustration reveals that, within the region, cases where services dominate agriculture is an outcome that is generally by dint of nature rather than policy design. For instance, little agriculture is practiced in Djibouti and Eritrea due to the unfavourable climatic conditions while Seychelles has very little land that is suitable for farming.

The foregoing implies a need for targeted policy and institutional reforms to achieve a substantial shift of economic activity from low productive agriculture to highly productive sectors. It is encouraging to note that the AfDB (2010) report singled out the regional economies among those that pursued good economic policies to weather the financial crisis and hence encourage structural transformation. The factors have been given as;

- a) Cautious macroeconomic policies that were adopted and pursued prior to the crisis
- b) Appropriate counter-cyclical measures adopted especially in the EAC,; focusing mostly on removing supply-side bottlenecks (infrastructure)
- c) Increased trade and linkages with Asia, especially China, and other emerging economies
- d) In the Eastern Africa region especially in the EAC, more intensive regional integration

Timely financial support from multilateral financial institutions, including the AfDB, also helped prevent large pro-cyclical cuts in fiscal expenditures (AfDB, 2010). These observations suggest that the success of the region in achieving sustainable development will depend a lot on how the issues identified above are factored and integrated into regional and national policies.

Also, in order to realise the transformation potential of such policies it is necessary that these initiatives are backed by sufficient political will, requisite financial resources and appropriate human capital. These measures are necessary to pass up the “death valley” of most well-intended national plans.

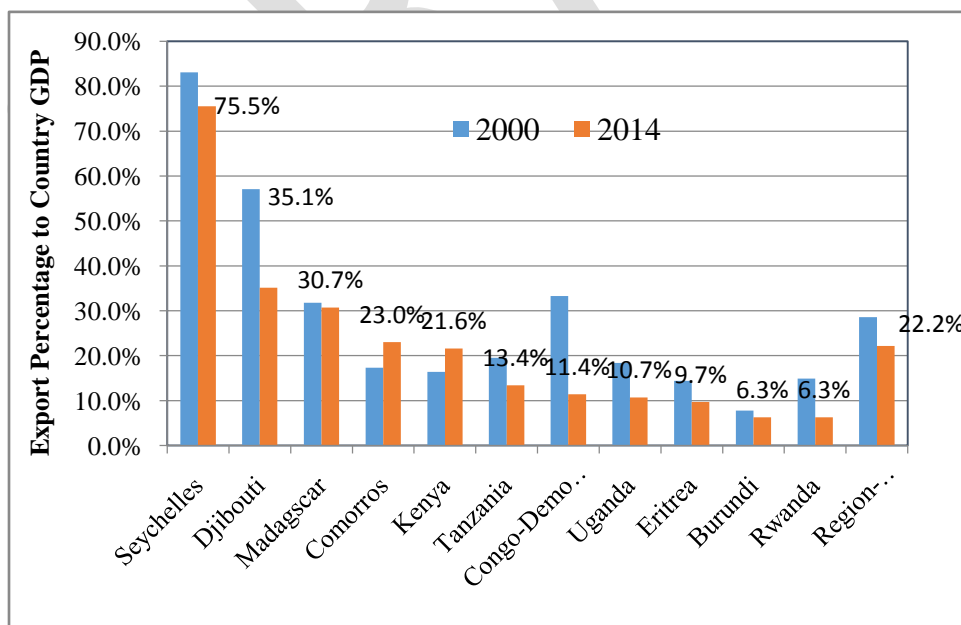
The periodicity of development is aptly captured by McMillan and Rodrik, (2011 who note that 2000 marked the beginning of Africa’s “growth miracle”, coinciding with a period of intensified globalisation marked by the opening up of the largest developing country in the world – China – and a boom in commodity prices. It is instructive that the Eastern Africa economies have enjoyed the growth associated with the miracle consistently over a substantial period of time. The sectors that have witnessed substantial expansion include construction, transport and communications, wholesale trade, and public administration. Much of this development is credited to political and economic reform. If commitments to policy, legislative and institutional reforms continue with vigour there is hope that the economies in the region will maintain their growth projectile.

However, an important policy question is whether the impressive growth has benefitted a wide section of the society given the increasing population, rapid urbanization and skewed distribution of income in most of the countries. Substantially high Gini coefficients-which imply large inequality in incomes-ranging from 2.8 in Madagascar to 5.4 for Rwanda suggest the need to examine how equitably the national cake is shared.

6.4.3 Export of Goods and Services

The ability of countries to grow their exports of goods and services is regarded as a candidate indicator of structural transformation. Export statistics for the sub-region that were obtained from the World Bank database in Figure 15 below indicate that the percentages hare of exports to GDP over the last 15 years has not increased.

Figure 15: Eastern Africa: Exports of Goods and Services as percentage of GD

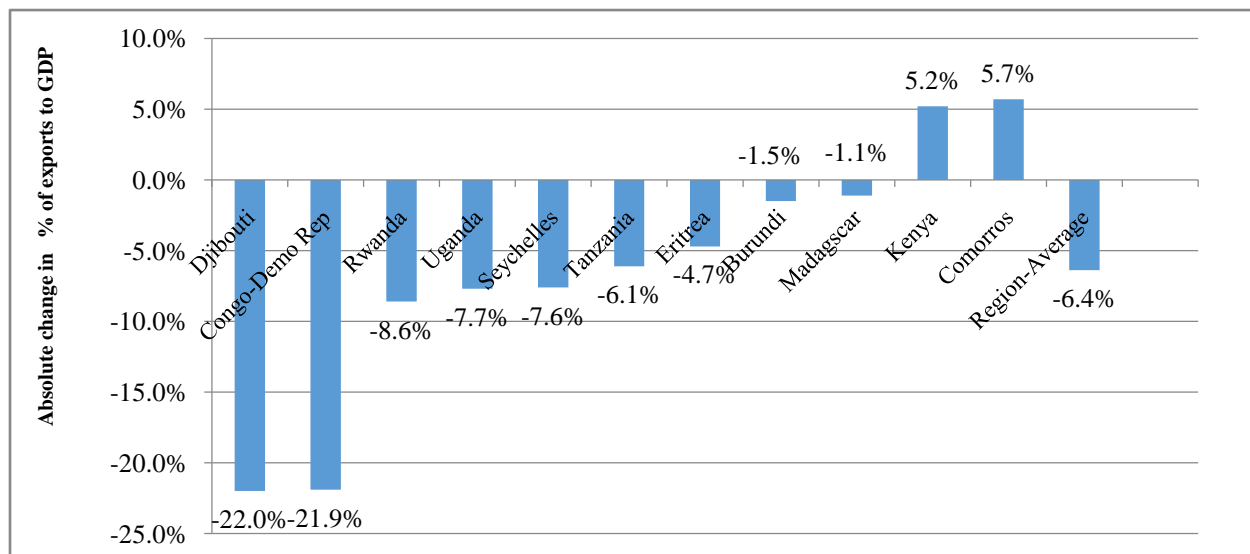


Source: NESC calculation based on World Bank data base

Comparative data for a shorter time frame-2010 to 2014- in Figure 16 shows that the export share of GDP generally decreased over the four year period.

The failure to grow export share of GDP may imply that the region did not achieve reasonable increases in productivity and competitiveness-conditions that are associated with structural transformation. Further analyses of the absolute changes in percentage share of exports to GDP as shown in Figure 16 yields more insights.

Figure 16: Eastern Africa: Change in Exports of Goods and Services as percentage of GDP

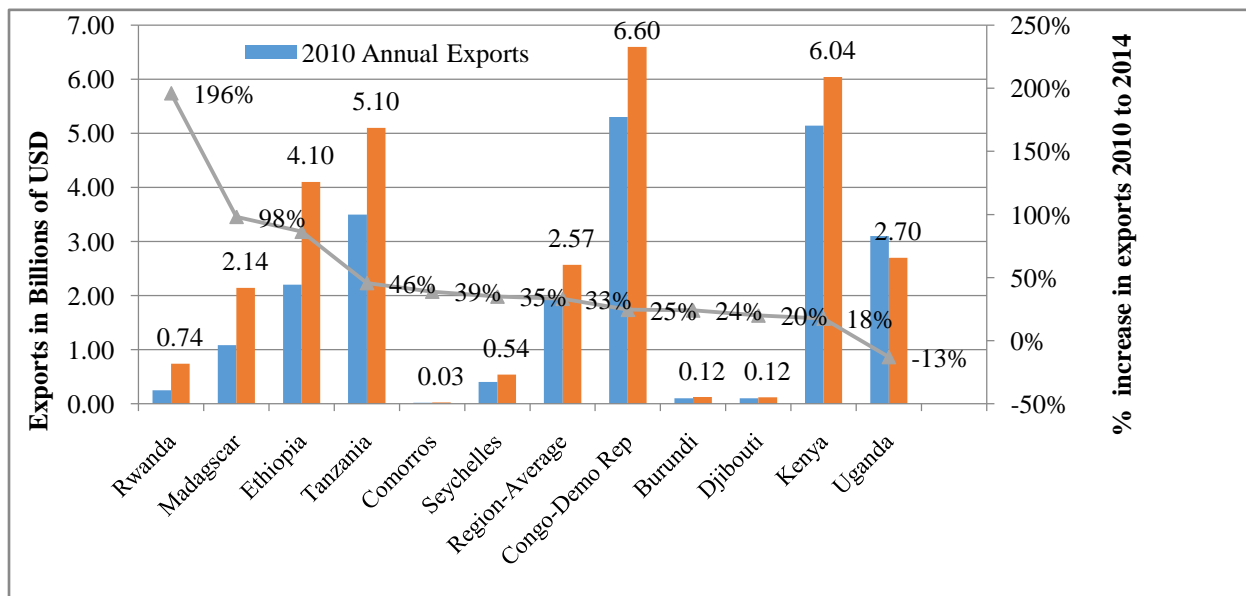


The data in Figure 16 above reveals the magnitude of the “relative contraction” of exports in the region. The region’s average absolute percentage share of export (of goods and services) to GDP declined in the last fifteen years by 6.4 per cent. Most of the countries in the region suffered this fate with Djibouti and Congo, Democratic Republic being the hardest hit. Only Kenya and Comoros recorded an absolute increase in the ratio of exports to the GDP over the fifteen years. Outside the region, Mauritius recorded a 10 per cent absolute increase in the ratio of exports to GDP over the same period. The negative trend in the region may also be indicative of the increased importance of consumption as a driver of growth as shown in figure 6-67 below.

Quantitative analysis in Figure 17 below reveals that the monetary value of Eastern Africa exports grew substantially in the five year period, 2010 to 2014, by 33 per cent. The compounded annual growth rate of 7.5 per cent implies some benefits of structural transformation over this period. The highest increase in the monetary value of exports was noted in Rwanda at 196 per cent followed by Madagascar and Ethiopia at 98 per cent and 86 per cent, respectively. However, Uganda, recorded a decrease of 13 per cent. The percentage increase in the monetary value of the region’s exports compared favourably with a 37 per cent increase that was recorded by Mauritius.

However, in their report titled “Governing development in Africa-the role of the state in economic transformation” ECA (2011) notes, that Africa’s exports are not diversified and are heavily weighted towards natural resources and primary commodities. Accordingly this reliance exposes the continent to unique risks that relate to natural resources such as exhaustibility, negative externalities associated with their extraction and consumption as well as price volatility.

Figure 17: Eastern Africa: Annual Exports of Goods and Services in USD Billions



6.5 Summary and Key Messages

The Eastern Africa region, like other developing countries has witnessed major policy reforms in the last twenty years. Whereas some international demands have informed these policies, majority of them have been internally driven. Specifically, the quest for sustainable development has resulted in the development of ambitious aspirational long term strategies that, when implemented successfully, are likely to have transformational impact on the structure of the economies. Decentralisation is one of the major policies that have been implemented and the results so far indicate that these forms of government have revolutionised government administration and increased the level of services. However, the structural transformational benefits are yet to be realised: per capita incomes have remained low; the share of services and industry in the economic output has not improved and exports have not expanded significantly.

It is recommended that policy reforms to support and deepen decentralisation as well as strengthen institutions are formulated and implemented. These reforms are likely to result in higher productivity and increased incomes through the indirect effect of more citizen participation, enhanced governance and improved service delivery.

The foregoing discussions are put into perspective by ECA (2014) report which attributes the resurgence in Africa's productivity in 2000's to macroeconomic and institutional policy reforms that provided the right environment for increase in total factor productivity. This makes institutions and policies to be key instruments for increasing productivity, growth and structural transformation. The report recommends that these institutions and policies should establish the norms needed to promote macroeconomic stability and a regulatory environment as well as incentives to attract increased investments, foster trade and address issues such as human capital and technology transfers.

Finally, after discussing and analysing the various aspects above, conclusions and policy recommendations are presented in Chapter seven below.

CHAPTER 7

CONCLUSIONS AND POLICY RECOMMENDATIONS

7.1 Summary

The overall objective of this study was to provide an understanding of the role of 'institutions' and decentralisation in structural transformation among the Eastern Africa member states. An evidence-based approach was adopted in which secondary data was supplemented with observations and informed opinions on the state of play in selected member states. Sufficient theoretical literature that was examined provided the necessary conceptual bases for the study. Relevant secondary data relating to the region's institutions, decentralisation process as well as the natures and outcomes of structural transformation initiatives was gathered. Additional primary data was gathered for the selected sample of four Eastern African countries: Ethiopia, Kenya, Rwanda, and Uganda. In addition, inferences were made by comparing the region with a neighbouring country, Mauritius, whose development record has been remarkable.

This study has documented how central governments in the Eastern Africa have ceded political, legislative and fiscal authority and responsibility to sub-national units through various forms of decentralisation in order to bring "government" closer to the citizens. Another focus of attention was the institutions-both formal and informal as well as public, private and civil society-that have been designed as part of the on-going reforms to improve service delivery and achieve sustainable development. The study also explored the nexus between structural transformation on the one hand and both institutions and decentralisation on the other hand.

In addition to ascertaining the various forms of decentralisation and institutions that exist in the region, specific attention was made on the question of service delivery, citizen participation and the broader issues of policies and economic performance. The conclusions and key policy recommendations arising from this study are discussed in sections 7.2 to 7.3 below.

7.2 Conclusions

In regard to the role of Institutions, Decentralisation, related aspects such as service delivery, capacity of decentralised units and fiscal issues, and hence Structural transformation in the Eastern Africa Region the conclusions on these issues and others are captured below.

Role of Institutions, Decentralisation, Lessons for service delivery and Structural transformation in the Eastern Africa Region

7.2.1 Decentralisation policy

The study interrogated the basis for decentralisation initiatives in the selected countries. This discourse rested on the key principle underpinning decentralisation; the need to transfer administrative, financial and political power to the local level in order to enhance the efficiency and effectiveness of government.

The same was also informed by the common argument that a decentralised government allows greater citizen participation in local development and permits the government to respond quickly to local needs. In the Eastern Africa region constitutions and other policy and legal frameworks have established decentralisation with the aim of promoting democratic and accountable exercise of power, giving powers of self-governance to the people and enhancing the participation of the people in the exercise of the powers of the State and in making decisions affecting them.

The study established that governance has been a key focus for governments in the region. This is important because governance describes the process of decision-making and the procedure by which decisions are implemented. For this reason governance ensures that stated purposes are achieved, and that there is proper accounting for the conduct of affairs, the use of resources, and the results of activities.

Evidence obtained in the study shows that the general reasons that are cited for adopting a decentralisation policy include the need to:

- a) promote democratic and accountable exercise of power;
- b) foster national unity by recognizing diversity;
- c) give powers of self-governance to the people and enhance the participation of the
- d) people in the exercise of the powers of the State and in making decisions affecting them;
- e) recognize the right of communities to manage their own affairs and to further their development;
- f) protect and promote the interests and rights of minorities and marginalized communities;
- g) promote social and economic development and the provision of appropriate, easily accessible services throughout the country;
- h) ensure equitable sharing of national and local resources throughout the country;
- i) facilitate the decentralisation of State organs, their functions and services, from the capital cities of each of the countries where the seat of government has always been situated; and;
- j) enhance checks and balances and the separation of powers.

It was noted that the quest for decentralisation remains alive in Eastern Africa. Increasingly, the reasons behind decentralisation agenda have stretched from those driven by political interests to those seeking to improve governance and public service delivery. This study has established the existence of constitutional and legal frameworks/mechanisms that facilitate citizen participation/involvement in decision making, planning and evaluation with Eastern Africa. In addition, anecdotal evidence shows that these mechanisms have contributed to the transformation of the relationship between decision makers and the public. In Kenya, for instance, the new legal frameworks have empowered citizens considerably as evidenced by the number of legal cases that ordinary citizens have filed in court seeking nullification of national and county government rules and regulations that are deemed to go against the principles of public participation. Notwithstanding the above positive outcome, the deficiency of institutional and human capital to support effective public participation is a worrisome challenge that requires special attention. There is also lack of clarity among state organs and the public on what really effective public participation entails.

7.2.2 Fiscal Decentralisation

Issues of reliability, adequacy and sustainability of various sources of finance at the local levels or decentralised units were found to be critical in evaluating the extent of structural transformation in the region. This based on the fact that the mode of financing of decentralised units depends on the fiscal policies and legislation adopted by national governments and the discretionary powers that the devolved/decentralised bodies have to plan and raise locally generated revenues.

It was found that most of the countries under review have entrenched fiscal and financial decentralisation components in their national decentralisation laws, policies and implementation strategies. The design and practice is that decentralised units in the region rely less on local revenue sources and more on Central Government transfers, grants and external financing sources. An observation that flies against the tenets of fiscal decentralisation is that in all the countries, the decentralised units raise less revenue than the former local authorities. While this may be as a result of lack of capacity it also raises the issue of the commitment and trust of citizens on decentralised governments. Furthermore, it was also noted that decentralised units tend to have a larger service envelope than their revenues can support.

A number of Development Partners play a significant role in financing decentralised units, especially through support to Government-led reform initiatives, capacity development, and direct funding of community development initiatives. For example, UNDP, USAID and DFID were actively involved in the study countries. This was also the case in Mauritius.

Although vulnerable to external shocks, the capacity of African countries to mobilize resources and raise investments has improved considerably since 2000, (ECA, 2012). In order to create a foundation for shared growth and inclusive development, African countries should optimize the various channels of mobilizing resources and improve the mechanisms for using and distributing resources. This can be achieved by exploiting the strong demand for their resources and the opportunity arising from fundamental changes in the geopolitical landscape.

7.2.3 Institutional Issues

The study observes that introduction of decentralisation in most of the countries in Eastern Africa is a top-down process, mostly led and managed by national government agencies, with varied implementation approaches. Whereas the top-down approach has merit of political will and executive ownership, a nagging issue that lingers in such situations is how to get citizen buy-in and grass root participation.

The legislative framework that anchored the decentralisation initiatives among countries comprised constitutional provisions and other policy initiatives (Ethiopia, Kenya, Mauritius, Rwanda and Uganda). This clarity of purpose and elevation of the decentralisation is a big plus for the region because it bolsters the sustainability of decentralisation process and the legitimacy of the institutions.

With regard to implementation, the study established that in some countries, the decentralisation programmes were internally driven with donor support as part of a reform package, or both, to improve governance and service delivery. However, a common challenge that was noted was in establishing sustainable structures that are locally owned and self-perpetuating.

In many of the countries politicians at the local level were more concerned with immediate results-that would ensure that they were re-elected to office-but not long term strategic interventions for the development of their areas. An unwelcome consequence of this short-termism is incessant conflicts between the executive and the legislative arms in those decentralised units. For example, in Kenya there were stand offs between the two levels of county government in several counties leading to budget cut offs.

The levels of decentralisation differ from country to country; Kenya, Uganda and Rwanda have introduced two levels of government, while Ethiopia and Mauritius have federal systems. Conflicts between the executive and the legislative arms of government were noted in all forms of decentralised governance. In the case of Ethiopia, Rwanda and Mauritius these conflicts were less pronounced partly due to clear policy commitments on the implementation of decentralisation agenda and strong political control from the centre.

7.2.4 Inclusive Service Delivery

The countries studied in the Eastern Africa region had clear legal framework stating that the decentralised were mandated to provide a number of specified services to the citizenry within their jurisdictions. This arrangement engenders order and reduces areas of confusion and conflict. Unlike in the East African region, the decentralised units in Mauritius, had very little to do in the local areas as the government ministries took responsibility for nearly all the functions. Some of the many services that decentralised units in the Eastern African countries were mandated to provide were as shown below:

- a) provision of social services such as education, health and housing;
- b) planning; infrastructure development and maintenance;
- c) waste management and environmental conservation;
- d) facilitate local economic development;
- e) security for people and property; and
- f) Judicial services to some extent.

In all countries, it was clear that the range, cost and promptness of service delivery has improved in the recent past. One of the main drivers of this outcome is the transfer of services for a “distant” central government to a local unit that is within easy reach of the citizens and also that is staffed with local officials-who are likely to understand the local issues better.

The major challenges in regard to service provision appeared to be accessibility and adequacy of these services, and particularly in ensuring equitable, gender responsive, participatory and sustainable service delivery; partial decentralisation of some services (e.g. in Kenya); and inadequate capacity of the people and other stakeholders at the local level to participate adequately in decision making (Kenya, Uganda and Ethiopia). These operational challenges were aggravated by inadequate financing from the central government and inability to raise revenues at the local levels.

Service delivery needs and requirements vary depending on the contexts and setting. Indeed, each setting has its own unique dynamics. Some of the key issues that were noted for inclusive service delivery include:

- a) establishment of an enabling legislative and legal framework for inclusive service delivery;
- b) strengthening enabling institutional arrangements and having clear policy commitments;
- c) building the capacity of decentralised units to engage effectively with a wide variety of local stakeholders in service planning and delivery;
- d) improving the skills of the staff and especially community participation skills in decentralised units;
- e) defining a clear role for local development stakeholders; and
- f) enhancing the monitoring, evaluation and community feedback and redress mechanisms.

7.2.5 Decentralised Governments' Capacity

A common challenge that was repeatedly cited by stakeholders in decentralised units and government officials in the study countries, is the lack of critical capacity to develop and coordinate local stakeholder engagement mechanisms. For example, in Kenya, the Public Private Partnership (PPP) frameworks had not been properly customised for the devolved units. In nearly all the study countries, the cost of participation was not factored in decentralisation implementation plans leading to under-funding and under-investment in the implementation programmes. In response to this problem, several Development Partners have taken up the capacity building funding to increase citizens' participation (e.g. in Kenya, Uganda and Mauritius).

Information gathered in this study leads to the conclusion that the success of any decentralisation implementation effort is dependent on continually building and sustaining adequate levels of the decentralised units' capacities in terms of:

- i. building the capacity of staff and political leaders;
- ii. introducing and implementing transforming leadership and change management training;
- iii. enabling governance, policy and legislative framework;
- iv. human capital development;
- v. financial resources and planning;
- vi. enabling institutional structures;
- vii. communication channels; and
- viii. inclusive service delivery mechanisms, among related issues

7.2.6 Structural Transformation

The study affirms that there has been remarkable progress with respect to decentralisation in the Eastern Africa region. In the post-global crisis period, starting from 2010, a relatively higher level of growth than the rest of Africa and the global average has been achieved by Ethiopia, Kenya, Rwanda, Tanzania and Uganda. This growth has been anchored on policy and legislative frameworks that have been enacted in pursuit of economic growth and development. Moreover, the adoption and implementation of various decentralisation frameworks has seen the countries open up

to different stakeholders including citizens, communities, Development Partners and the private sector.

Other factors that have fuelled the growth are adoption of new trading regimes and paradigms that saw increases in export trade as well as business diplomacy that endeared the countries to the Asian economies and especially China in new trading arrangements with support for economic development. Suffice to note that this growth has been driven largely by services and construction-the countries have small mining sectors; relatively small manufacturing base whose contribution to GDP has, in some cases, been declining.

The general structure of the economies in the Eastern Africa region is still relatively overweight on low productivity agriculture, which is in contrast with developed economies and in conflict with structural transformation theory. This leads to a conclusion that structural transformation of the region's economies is still lacking.

Despite the recent impressive growth rates of the economies in the region, an unsettling observation is that the average incomes of the citizens have remained low. Thus most of the economies have remained in the unenviable classification of least developed countries. Moreover, the global competitiveness rankings of most countries, except for Rwanda and Seychelles are poor, which suggests that these economies have low ability to achieve higher productivity for increased economic output.

It can therefore be inferred that the economies in the region have not yet achieved reasonable structural transformation with regard to their institutions, policies and factors that determine the level of productivity of a country. This position was observed in ECA (2011: p116) that "Up to the present, the extent of structural transformation and diversification in output, exports and employment has been limited in most African countries. This has contributed significantly to the apparent inability of African economies to achieve high and sustained economic growth rates and social development, as well as to their high growth volatility and unemployment rates".

An important question that begs an answer is whether the positive trend in economic growth can be sustained for a longer period. One can argue that a lot will depend on the continuation of the good policies that have worked e.g. greater integration as witnessed in the East African Community; appropriate stabilization policies; increased industrialization including development of value addition in the agricultural sector (meaning the need for appropriate support in transforming agriculture); infrastructure development and growth in services, among other considerations as discussed in this report.

According to ECA (2015), there is need to ensure that growth translates into sustainable development through transformation of the economies from high reliance on rudimentary agriculture and traditional services, that only support limited growth. The strategy that is advocated in various editions of the Economic Report on Africa is to exploit the comparative advantage in commodity-based industrialization and add-value to these resources using the region's abundant human capital.

The foregoing observations and conclusions provide a sound basis for suggesting appropriate policy reform measures targeting institutions and decentralisation process in order to promote economic growth and development and hence structural transformation in the region. The specific policy recommendations that countries in the Eastern Africa region may consider in this respect are discussed in section 7.3 below.

7.3 Policy Recommendations

7.3.1 Public Participation

To ensure effective public participation, in structural transformation efforts it is important to recognize that citizens have an important role to play in decisions that affect economic development in their areas. Decisions may range from agricultural interventions to the encouragement of the development of light industries especially those geared towards value addition in agriculture. The public is always aware of changes that might engender economic development and growth in their geographical areas. Engaging them in decision making is critical. The Eastern Africa countries should consider developing a comprehensive framework to guide orderly and informed public participation. This framework should be accompanied by an appropriate strategies and programmes for operationalisation. Joint national initiatives between the Eastern Africa states can provide a strong drive.

Such public participation framework will address the following challenges that were noted in the study:

- i. There is little coordination between civil societies across the board leading to fragmented initiatives that undermine effective public participation;
- ii. There rules and systems that govern public participation are fragmented- this denies the countries substantial benefits of public participation.
- iii. Despite citizen participation being an important pillar of effective decentralisation, this segment is characterised by very limited formal capacity and resources;
- iv. There is generally no concrete comparative empirical data on public participation within the Eastern Africa region.
- v. The literature on public participation has lamented on the problem of “tokenistic forms of participation” and this should concern decision makers.
- vi. Effective public participation from a pluralistic sense assumes the existence of highly liberal democratic state; however, most countries in the region are nowhere near true democracies.

7.3.2 Governance and accountability

There is a need to develop clear policy to support implementation frameworks and strategies in the region. This will help to address the observed problem of good policy intentions and proclamations that are not implemented. Some mileage can be gained if Eastern African member states could work together as a bloc to improve local governance and inclusive service delivery in their efforts to reduce poverty and achieve structural transformation. This effort should help deal with the region’s poor scores on areas of transparency and governance such as government efficiency, corruption, rule of law and so on.

7.3.3 *e-government and technology*

There is need to create multiple and accessible user-friendly communication channels to share information and best practices across the board. This is because technology is increasingly becoming an integral and essential part of mankind and is defining many processes. In this respect, the provision of a robust management information system and the acquisition of information by decision makers and citizens are important issues that e-government developments can anchor in order to support structural transformation. The study found that e-government has been deployed with notable service delivery success in Rwanda which was in sharp contrast to Ethiopia where the state still controls the only telecommunication company. It is also, the case that countries that are open have a better chance of attracting private investments which in turn can drive growth and structural transformation. Again, Rwanda has performed quite well in attracting substantial investments on account of a technology-enabled open economy.

7.3.4 *Institutional Reforms and Capacity*

There is need for appropriate technical expertise to strengthen the capacity of institutions to deal with the demands of decentralised government that entail many touch points with citizens in terms of elections, fiscal matters and holding the public sector to account. This requires that citizens have access to government documents. To support this scheme, decentralised units should consider providing effective public education, effective civic education, and provide documents to the citizens. Evidence from the literature reviewed and key informant interviews shows that existing institutions are not able to cope with the demands of decentralisation. The capacity of decentralised units needs to be enhanced in every country in order to accelerate structural transformation.

Development scholars show that high-quality institutions and economic growth are closely associated with each other, (ECA, 2014). It is therefore crucial that African governments create pro-growth and inclusive political and economic institutions that can be a path way to more specific institutional reforms and economic renewal. Such institutions should be context-specific for each country in order to address its unique situation.

7.3.5 *Capacity Building*

According to ECA (2015), human capital is central to innovation while technical and technological progress and entrepreneurship that is linked to knowledge creation and the educational system is the kernel of a social development strategy aligned to a structural transformation agenda. Therefore a social development strategy is necessary, anchored within national long term plans whose objective is to strengthen the productive capacities of the labour force through high quality, equity-based education and health policies.

An appropriate policy is needed to guide the delivery of a needs-based capacity building framework for training citizens and government officials at all levels on how to conduct and effect successful public participation.

This need is premised on a widely observed dearth of skilled staff in the region where essential technical staffs are in great demand to service the expanded public service following decentralisation. It is also noted that the capacity of the labour force has a critical impact on success of decentralisation and transformation of an economy.

7.3.6 Fiscal Decentralisation

There is need for countries to re-evaluate their fiscal decentralisation policies in order to align them with their resource generation capacity and service mandates. This will involve unbundling and re-costing the functions between the various levels of assigned responsibilities in order to avert wastage and duplication while at the same time preventing jurisdictional overlap and coordination challenges. An aspect that requires attention in this respect is streamlining intergovernmental linkages between political, administrative and technical roles across the board.

As proposed by ECA (2012), the policy reforms should target improvement of public resource management and increase in the participation of domestic stakeholders. Specific areas of focus include the deployment of new found resources in social development and adoption of mechanisms to reduce the volatility of resource flows. Some of the lines of action include purposeful investments to diversify and transform the economic structures; deepening the financial markets and strengthening the capacity of the financial institutions; creation of stabilization or development funds; and divorcing public resource management from politics.

7.3.7 Supporting Decentralisation

In recognition of the benefits associated with governments whose functions and services are properly decentralised it is suggested that regional bodies like Economic Commission for Africa design comprehensive programmes to encourage and support decentralisation policies and programmes in the Eastern Africa region. Such initiatives should address some topical issues such as the relationships between the national government and the decentralised units, power centres – bureaucracy, media and civil society- role of legal and policy frameworks that have significant influences on structural transformation. Granted, each country's politics and social context affects the nature and form of decentralisation that suits it best. Initially, a periodic meeting of ministries that are responsible for decentralisation among the member states can be a useful forum to grow the initiative of shared learning. A related engagement would be to provide support for political and legal reform processes geared at anchoring decentralisation in the constitutions of all the member states.

7.3.8 Development State

The role of the African state in achieving rapid and sustained economic growth and social development combined with deep structural transformation should be based on a developmental state. This requires disciplined planning, where social and economic policies are interwoven in a complementary and mutually reinforcing manner, ECA (2011). Also, this planning and implementation process should be driven by an autonomous and competent institution comprised of impartial representatives from the public and private sector, civil society, academia and other key stakeholders. It is expected that this arrangement will engender inclusivity and shield the transformation process from negative political influence and inefficient bureaucracy.

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Annex I Terms of Reference

Institutions¹⁷, Decentralisation and Structural Transformation in Eastern Africa

1. Background

The Sub-Regional Office for Eastern Africa (SRO-EA) is planning to hold the Twentieth Session of the Intergovernmental Committee of Experts (ICE) in February/March 2016 in Kenya. The ICE is the statutory organ of SRO-EA. It includes representatives of the fourteen member States served by the office as well as Regional Economic Communities (RECs) and Intergovernmental Organizations (IGOs) of the sub-region, development partners, research centres and other stakeholders. It meets annually to define and monitor the implementation of the work programme of the ECA Office in Eastern Africa and to discuss key issues and challenges pertaining to the economic and social development of the sub-region with the view to making appropriate recommendations to address them.

The 20th ICE will examine the role of institutions in promoting growth and structural transformation in Eastern Africa. This will include a review of processes and mechanisms to ensure the formulation of shared visions, promote effective leadership, manage expectations, enshrine good governance, strengthen public participation in decision-making and build social capital and cohesive pacts for transformational change.

Prior to the 20th ICE meeting, a background study will be undertaken to assess the relevance and effectiveness of institutions and decentralised political systems of governance as a means to building strong nations, balancing national and local interests, enhancing social equity and national unity for development, legitimising markets and generating a 'fair deal' for all. In addition, the study will analyse incentive schemes and capacity requirements for effective decentralisation. This will be informed by case studies from Africa and beyond. It will discuss the limitations and potential of decentralisation processes in the context of strategic planning, decision making, management and allocation of resources, delivery of services, and programme implementation. A special focus will be given to the role of institutions in building domestic lead firms.

2. Objectives

The overall objective of this background study is to provide an understanding of the role of 'institutions' and decentralisation in structural transformation through an evidence-based approach. This will be done with a view to examining the depth of structural transformation in Eastern Africa and identifying strategies that could bridge the gap between the current impressive economic growth rates witnessed by most countries in the sub-region and the deficiency in the improvement of socio-economic development indicators, particularly, poverty alleviation.

Specifically, the study will seek to:

- provide theoretical perspective (s) and a conceptual framework linking the concepts institutions, decentralisation and how these can facilitate rapid attainment of structural transformation in Eastern Africa.

¹⁷ For the purpose of this study, institutions are defined as "Formal and informal systems, structures and mechanisms of social order and interaction that enable or constrain behaviour, and govern human interaction and activity. They include overt and implicit rules, informal social order and organisation, and formal organisations of government and public services as well as for political rule-making and enforcement. Institutions enable ordered thought, expectation and action by imposing form and consistency on human activities."

- identify challenges that member States face and opportunities that exist to create robust institutions, embrace various forms of decentralisation in their respective efforts to balance national and local interests, enhance social equity and national unity for development, legitimise markets and generate a 'fair deal' for all.
- draw from various types of institutional frameworks and examples of decentralisation amongst member states in Eastern Africa, and identify appropriate best practice case studies from Africa and across the world that have led to rapid structural transformation.
- propose appropriate policy recommendations that will facilitate the establishment of robust institutions, which will in turn support the various forms of decentralisation practiced by member states in Eastern Africa towards the attainment of structural transformation.

3. Methodology

Literature Review

As proposed in the TOR, a comprehensive literature review will be undertaken to complement the secondary and primary data which will be collected and analysed within the thematic areas of the study. The literature review will provide a clear understanding of the theme and the theoretical perspectives and conceptual framework that should inform the study.

Data Collection

Likewise, different sources of secondary data such as reports and institutional documents will be used to facilitate production of case studies both quantitative and qualitative data collection. Data collection will be carried out in Kenya and in four other countries selected on an agreed criteria. To ensure effective primary data collection procedure/s, appropriate sampling techniques including purposive methods, will be used targeting key stakeholders in the target countries that will be drawn from public and private sectors, intergovernmental organizations, members of the local communities, academia and civil society organizations, who would be familiar with the theme.

Interviews

Key informant interviews will be conducted using both structured and semi-structured interviews to ensure an in-depth qualitative data collection. In addition self-administered questionnaires will be sent to selected key stakeholders to enrich the data.

Peer review

A panel of experts will be identified to peer-review the draft study report and provide input and feedback.

Stakeholder validation

The stakeholders' comments and inputs provided during the 20th ICE will be analysed and integrated into the study where appropriate as a basis of producing the final report.

4. Proposed outline of the study

The proposed outline of the study is as follows:

Abbreviations

Acknowledgements

Executive Summary – Capturing the key message of the report.

1. Introduction - - Framing the issues, background, aim/objectives of the study, Methodology, definitions, theoretical perspective/s and conceptual framework.

What are institutions?-This section will offer a working definition of institutions, both formal and informal

2. Decentralisation and fiscal federalism – This should cover the various form of decentralization in the region and the fiscal management. This will cover resource mobilisation, generation, and distribution (including allocation frameworks) within the context of decentralisation

3. Social dimension within the context of decentralisation – This should cover participatory governance and planning including citizen empowerment in decision-making, development planning and results evaluation.

4. Role of Technology and e-Government in Decentralisation (Devolution Portal) - e-citizen and empowerment

5. Service delivery within the context of Decentralisation – Public functions within decentralization frameworks - - health, education, security, infrastructure etc

6. The Quality of policy design, institutions and economic performance - Linking Policy Design, Behavioural Economics, Decentralisation and Institutional Quality to Structural Transformation

7. Conclusions and Policy Recommendations (including key messages)

5. Description of tasks

Under the guidance of the SRO-EA, the National Economic and Social Council (NESC) of Kenya will undertake the following tasks and activities:

- Review the provided draft outline of the background study and offer **feedback** within a week of commencing the project.
- Develop a **work plan** in the first week of the project which should include field missions to four member states in Eastern Africa (a clear rationale for the selection will be necessary) within the timeframe specified in section IV for approval by SRO-EA.
- **Design appropriate data collection instruments** which should be approved by SRO-EA before execution.
- **Undertake the background study and submit draft report** within the timeframe specified in section IV.
- Revise the draft study report based on peer review comments.
- Develop key messages from the background study for onward dissemination to key stakeholders including media;
- Finalize all changes and incorporate suggestions, and submit the final report within the specified timeframe in section IV.

6. Study team

The study will comprise a team of experts working under a Team Leader. The team may include the following experts: an economist; governance and decentralization expert; and a social scientist/institutional expert. This team may be supported by a panel of experts to consult on specific issues and peer-review the draft report.

7. Timeframe

The assignment is expected to last 3 months in 2015 (June to October) and one month in 2016 to incorporate the reviews and comments after the 20th ICE in February 2015 to finalize and submit final study.

The proposed activities will be carried out as below:

	Activity	Month	Remarks
1	Review the provided draft outline of the background study and offer feedback within a week of commencing the project	August 2015	
2	Develop a work plan in the first week of the project which should include field missions to four member states in Eastern Africa (a clear rationale for the selection will be necessary) within the timeframe specified in section IV for approval by SRO-EA.	August 2015	

3	Design appropriate data collection instruments which should be approved by SRO-EA before execution	September 2015	
4	Undertake field missions to four member states in Eastern Africa	September 2015	
5	Undertake the background study and submit draft report within the timeframe specified in section	August-September 2015	
6	Limited Peer Review	September 2015	
6	Revise the draft study report based on peer review comments	October 2015	
7	Develop key messages from the background study for onward dissemination to key stakeholders including media	October 2015	
8	Finalize all changes and incorporate suggestions, and submit the final report within the specified timeframe in section	February 2016-March 2016	

8. Deliverables and other provisions

The following are the deliverables of the assignment:

- i. Draft background study report of the 20th ICE
- ii. Key messages document
- iii. Power Point Presentation during 20th ICE
- iv. Final study report in March 2016.

Annex II STUDY TOOL

GUIDELINE FOR KEY INFORMANT INTERVIEWS

1. Decentralization and Fiscal Federalism

- Nature and form of decentralization adopted in the Country and why.
- Is it anchored in the Constitution or other instruments? Name the instruments.
- Institutional frameworks for implementation and how these have enhanced or limited structural transformation
- Processes (informal as well as formal) by which decisions are made regarding resource mobilization, generation and distribution (including allocation frameworks, actual use, not just plans or budgets)

2. Social Dimension/Participatory Governance

- What frameworks/mechanisms are there for citizen participation/involvement in decision making, planning and evaluation? (mechanisms and forms of participation: formal and informal, incl. who participates)
- What are the strengths and or challenges faced in citizen participation
- What are the governance & accountability institutions in the decentralization framework in the Country?
How would you rate the institutions in in terms of their capacity to discharge their mandates including;
 - i. Organizational capacity issues, financial capacity issues, preparation and publication of budgets and audited accounts.
 - ii. Role of civil society organisations in participation / accountability, who they represent
 - iii. What groups may represent the interests of the poor, and how?

3. Role of Technology and e-Government

- What is the e-government and extent of its decentralization to various units?
- Please explain the extent of information available to the public, and how it is disseminated.
- What are the strengths, challenges, opportunities and threats of implementing e-government (e-citizens)?

4. Service Delivery within the Context of Decentralization

- What framework is there for division of functions between the central (national) and the decentralised unit (regional/local)?
- Lists the public functions/services that are decentralised (public administration, health, education, security, infrastructure, water & environment, trade and Industry, housing etc). Comment on whether fully or partially decentralised.
- How would you rate the quality of the decentralised services in terms of:
 - i. Policy adequacy.....
 - ii. Implementation including M&E
 - iii. Financial management and budget adequacy
- What are the lessons learnt and challenges faced in service delivery?

5. Quality of Institutions and Economic Performance

- Overall how would rate the quality of institutions within the decentralization framework.
- How have decentralization and related institutions impacted structural transformation (economic/social and political) in your country?

6. Policy Recommendations

What policy reforms would you recommend to strengthen Decentralization and Structural **transformation** in your country/sector?
