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# **LOCAL GOVERNANCE**

**Report of the United Nations Global Forum  
on Innovative Policies and Practices  
in Local Governance  
Gothenburg, Sweden, 23-27 September 1996**

NOTE:

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## FOREWORD

Discussions about innovative aspects of the relationship between central and local government (with a view to decentralization and strengthening the mobilization of civil society) are critical to the practical implementation of the Agenda for Peace and the Agenda for Development which have been proposed to the Member States by the Secretary-General. There is a special need to review the process of local governance since, in the Resolution adopted by Member States following the Resumed Session on Public Administration and Development in April of 1996, one of the critical areas identified for further attention is the issue of transfer of power to local government and the empowerment of civil society.

Today's local administrators have a vital role in maintaining an active social fabric which will ensure a balance between the dangers of excessive central government and the irresistible atomization of individuals. Local governments that have real power can more effectively address local interests as well as exercise a check on operations at higher levels of authority.

Managing the innovation process requires negotiation, agreement and implementation. Many obstacles have to be overcome. Lack of communication, unexpected delays in development stages, incompatible organizational funding and cost over-runs are all familiar occurrences to those involved in such processes.

Institutional leadership is critical for creating a cultural environment that fosters the establishing of organizational strategies, structures and systems to facilitate innovation. To develop such infrastructure an organization must do three things: accept negative feedback; adopt an experimentation approach which enables it to learn how to detect and correct errors; and preserve the maximum flexibility and diversity present in the environment.

This monograph is based on and draws insights from discussions which took place at the Global Forum on Innovative Policies and Practices in Local Governance held in Gothenburg, Sweden 23-27 September 1996. The Forum was organized by the United Nations and Swedish International Services. In the Executive Committee for the Forum the United Nations was represented by Mr. Guido Bertucci, DDSMS, Ms. Itoko Suzuki, DDSMS and Mr. Thord Palmlund, UNDP. Swedish International Services was represented by Mr. Arne Svensson, President, Professional Management AB.

The Global Forum highlighted innovations in local governance from all over the world. Because of the difficulties of initiating and sustaining significant innovations, it is all the more important to find out how these innovations were brought about and what is the potential for their replication and sustainability. We hope that by publicizing these experiences, we shall provide incentives for more innovations at the local level. This is most assuredly a sine qua non for improved national governance.

The production of this monograph was the joint responsibility of the United Nations Development Programme (UNDP), the United Nations Department for Development Support and Management Services (UNDDSMS) and Swedish International Services. A draft for the document was produced by Professor Allan Rosenbaum, Director of the Institute for Public Management and Community Service, Florida International University (and a participant in the Forum) and Mr. Arne Svensson, Chairperson of the Global Forum.

We strongly believe that more imagination and innovation is needed in the world of municipal governance if we are successfully to meet the challenge of providing citizens everywhere with a better life in the 21st century. The report of the Global Forum is a contribution to that endeavour.

The United Nations expresses gratitude to the Swedish Government and to supporting authorities and organizations in Sweden. The City of Gothenburg provided excellent host facilities for the Forum.

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## CHAPTER ONE

### **Introduction**

*Our experience is that decentralization is good both for democracy and for efficiency. We have not experienced even far-reaching decentralization which has created unacceptable differences between municipalities.*

Mr. Jörgen Andersson, Minister of the Interior, Sweden

Local self-government has a long and venerable tradition in many countries. In some it is a young and sensitive plant, and in others it really has not yet been seriously tried. Concern about the strengthening of local government is not, however, a new phenomenon. Its philosophic roots go back at least as far as the writings of the French philosopher Jean Jacques Rousseau, who, impressed with the emerging Swiss democracy, wrote of local government as the training ground for democratic development. Further attention was called to the significance of local government with Alexis DeTouqueville's famous visit to the United States and his discovery of the importance of local citizens and their emerging municipal governments in sustaining and nourishing the newly formed North American democracy.

Recent concerns for the strengthening of local government can be traced to the process of democratization in countries undergoing the transition from authoritarian to democratic governance. To the extent that issues of decentralization and the strengthening of local government are increasingly central all around the world (and its clear that they are), international donor organizations rank alongside grass-roots citizens' demands as major causal factors of this phenomenon.

The emphasis which has been placed upon the strengthening of local government is undoubtedly a reaction to years of frustrating experience with highly centralized national governments. It is also, in part, a consequence of the work of scholars who have focused upon the need for local civic action as a means of sustaining democratic governance. Equally important has been the creation of locally based nongovernmental organizations (NGO's) as vehicles for the implementation of development activities.

This focus upon NGO's as the vehicles for the development of democratic institutions has tended to call particular attention to local governance issues and the need for strong municipal capacity. As democratic governance has emerged in various parts of the world, both the international donor community and, to a lesser extent, newly democratized governments have become increasingly concerned about the creation of more open, responsive and effective local government and the enhancement of community based citizen participation. For many governments this has meant a very dramatic turn around since, in the past, efforts to suppress locally based political and government institutions and independent citizen participation have

been the historic norm.

In any effort to look at local government from a world-wide perspective it is important to begin with a clear recognition of the very great diversity involved in these institutions. The tasks of local government are very different from country to country. The sources of local government revenue are equally diverse. In some countries, the principle source is the income tax and/or user fees; while in other countries, it is the tax on property or block and/or special-purpose grants from the central government. Often, the relations between the State and local government are based on very different fundamental principles from country to country. For many young emerging nations with fragile levels of democracies and development, rural-urban migration is a very common feature and, consequently, local governance structures are in a constant state of change. Indeed, it is difficult to find two countries with precisely the same organizational structures for local governance

The report of the Global Forum does not offer one model of development suitable for all countries. On the contrary, there are many ways to finance, steer, regulate, structure, organize, manage and operate local public sector activities. There is no single reform sequence which will fit all governance systems or economies. For those seeking to remake their systems, a number of the models, examples and cases cited in this monograph can provide inspiration and may serve as sources of guidance. Nevertheless, cultural background, available resources, traditions and other conditions all have to be taken into account. If reform is to succeed, any new system has to suit the country and its situation. While external models or examples can be very useful, any transfer of them from one country to another must be highly sensitive to local practice, traditions and mores.

### **The Innovation Impulse**

The process of reform in public sector management has highlighted the fundamental dilemma of upholding the government's dual role as promoter of change and insurer of stability and consensus. Creating conditions in the public sector which promote a culture of continuous improvement, foster innovation and capitalize on individual and team performance is in itself an ongoing challenge for governments. However, governments are also required to constantly maintain stability while stimulating change and innovation. The current worldwide movement from monopolized to pluralistic service provision involving private sector and non-profit agents must be properly managed to ensure effectiveness and adequate feedback into the policy process. Opportunities for economic expansion for increased efficiency must always be weighed against the risks involved in losing political control and abdicating responsibility for the welfare of the citizens. Institutional and policy innovations need to be based upon some measure of societal consensus.

Lack of confidence and willingness to take the risks necessary to innovate is a major problem in over-centralized systems. Local government initiative is therefore a key element in the political systems of liberal democracies. It is often the most appropriate level for effective government

intervention to meet a variety of public welfare needs and to stimulate economic efficiency. It also serves as a vehicle to permit such variation in the mix of government delivered services as is necessary to respond to local needs and diversity. Local government is therefore central to the establishment and maintenance of responsive government and the sustaining of the democratic process.

The changing relations between central and other levels of government is an increasingly important consideration in developing and transitional countries. As a country's income grows, the amount of its social services usually increases. Governments very often need to do more in those areas where markets alone cannot be relied upon. Above all, this means investing in education, health, nutrition, family planning and poverty alleviation; the building of social, physical, administrative, regulatory and legal infrastructures of better quality; the mobilizing of resources to finance needed public expenditure; and, the providing of a stable macroeconomic foundation. It is important for all governments, including local, to see these expenditures as investments for a more positive and prosperous future.

The Copenhagen Declaration, and its accompanying Programme of Action, provide a context and a challenging agenda for government officials and public administrators as they seek to play a key role in the implementation of social development objectives. A number of critical issues remain to be examined as regards how to achieve the broad goals agreed to at the Summit. One of them and a most important one is how change can be managed in a way that empowers people to improve their conditions. Promoting change through system reform requires shared visions and the active participation of a wide range of actors in implementation. These include: politicians; government officials; business and labor representatives; private and non-profit sector organizations involved in public service delivery; and the general public.

The movement to decentralization and the enhancement of local self-governance capacity is not just seen in the public sector. Indeed, in the private sector, the general development tendency which has most affected the organization of work in recent decades is also decentralization.

Management by Results (MbR) as a management philosophy is a natural consequence of the decentralization of an organization, which in turn leads to a clear focus on unit results. Responsibility for results means that some definite objectives are to be achieved within a given financial frame or that payment is made according to actual performance.

### **The New Orientation**

The demand for public accountability has often meant that many government services focus upon issues of routinization. Today, an increased orientation towards the market, performance-linked incentives and new management information systems has meant that government operations have begun to adapt more rapidly to changing needs. Performance management strategies, which involve a shift from a traditional procedural approach to a more results-oriented culture, where priority is given to outcomes, are being increasingly introduced into the public sector. The aim is to move from a mode of operation based on ex-ante control of

resources, extensive regulation to prevent abuse and ex-post inspection to insure compliance with legal standards, to continuously monitored service delivery and management with accountability for results in all dimensions of performance (economy, efficiency, effectiveness, service quality, financial performance).

In the process of decentralization that is to say, the redefinition of structures, procedures and practices of governance to be closer to the citizenry the importance of a general sensitization of the public and a heightened awareness of costs and benefits, especially for direct stakeholders, both at the central and local levels, has to be emphasized. The process of decentralization should be understood from such a perspective, instead of being seen in the over-simplistic, and ultimately inaccurate, terms of a movement of power from the central to the local government. The reality is that government capacity is not a simple zero sum game. In fact, experience shows that strengthening local government inevitably produces enhanced capacity at the center as well.

Any significant reform effort will require the involvement and support of top political leadership. The role of politicians in the making of policy and the initiating of reform is always complex. It involves the task of representing many legitimate interests while resolving potentially destructive conflicts of interest. Development of democratic forms to accommodate this need is an important issue at all levels of government and even in the private sector. Multiple interests must be brought into a participatory policy-making process, without jeopardizing the capacity to govern. A market economy is a sensitive organism that requires a firm, stable democratic system in order to thrive and achieve its full potential. Local self-government creates a link between the state and civil society which can provide the basis for the effective building of democracy and the most strategic use of a society's resources. Consequently, well-established local democracy is a prerequisite for building a stable productive society.

These efforts need to be woven into a framework in which the central capacity to govern is enhanced. An appropriate balance needs to be struck between central direction and local discretion where the interests of many policy actors are considered, and where democratic accountability and openness is insured and protected. Traditional public sector values of neutrality, integrity, and equity must also be married with today's demands for value-for-money and quality of service.

Therefore, the challenge facing local governments is to gain or re-gain political strength by being more explicit when defining goals and more consequential in achieving them. Quality improvement and cost-effectiveness should be encouraged by using market mechanisms when and where appropriate. Only by applying these strategies can local governments solve the dilemma of assuming a new relevance through simultaneously juggling the complexity of protecting stability and consensus while seeking to achieve significant change.

Today, throughout the world there is a broad-based movement towards greater decentralization.

At the same time, however, there is still real debate about whether decentralized governance can be an effective means of achieving the critical objectives of sustainable human development: improved and more equitable public access to services and employment, increased popular participation and enhanced government responsiveness. Consequently, there is an increasingly urgent need to review the structure and processes of local governance in light of the growing recognition that good local governance is a sine qua non for improved national governance.

A large number of developing and transitional countries have embarked on some form of decentralization programmes. This trend is coupled with a growing interest in the role of civil society and the private sector as partners to governments in seeking new ways of service delivery. The practice of decentralization has so far produced cases of both success and failure. In many instances, the slow pace of implementation and organization of decentralization reforms have frustrated the promise of increased efficiency, of more effective popular participation and greater private sector contributions. Innovative approaches and further analysis of concepts and experiences, are therefore necessary to understand fully the potential outcomes of different local government systems in public service delivery and in private sector development.

### **The Global Forum**

It was within this context, and with these as some of the key issues, that the United Nations organized a Global Forum on Innovative Policies and Practices in Local Governance in Gothenburg, Sweden, on the 23-27 September 1996. The Forum was supported by the Swedish Government and Swedish Public Sector Organizations (The City of Gothenburg, the County Councils of Bohus, Alvsborg and Skaraborg, the Federation of Swedish County Councils, the Swedish Association of Local Authorities, the Swedish Union of Local Government Officers and the Swedish Municipal Workers Union).

The objectives of the Forum were to:

- identify emerging issues and innovative experiences in decentralized governance achieved in specific countries and cases,

- analyze the relevance and application of these cases and to examine result-oriented strategies and priorities of management reform and capacity development with a view to broadening the options open to each country when designing institutional strengthening policies and organizational innovations at subnational levels,

- develop broad guidelines and strategies on how such policy instruments, programmes and cooperation modalities can best be designed and implemented to enhance improvement in service delivery to the public.

The following major issues were addressed:

The Policy Framework for decentralization and the strengthening of the institutions of local governance involving strategies, concepts and processes; roles, structures and functions of national and local governments, markets and civil society, regulatory policies and framework of inter-governmental cooperation and partnerships.

Mobilization of Civil Society entailing various approaches and measures to encourage local participation in public policy making, including options to improve accountability and transparency in local governance, as well as innovations in working with private sector agencies.

Public Service Provision entailing how decentralization and enhanced local government capacity provides new options for service delivery.

Strengthened Management of Local Government including innovations in management systems and practices, capacity building, systems for implementing change and measuring performance and results.

Improved Fiscal Management involving systems for efficient, accountable and transparent inter-governmental financial transfer and creative mechanisms to mobilize, collect and manage local financial resources.

The Plenary Sessions were followed by field visits to counties and local authorities in and around Gothenburg, and a working session to permit detailed exchanges on the issues raised and in-depth analyses of specific country case studies. The programme is attached as Appendix A. This monograph is based on the documentation from the Global Forum. The papers presented at the Forum and the country papers are listed in Appendix B.

Chapter 2 contains a discussion of key policy issues. The role of local government in relationship to and in the mobilization of civil society is the subject of Chapter 3. In Chapter 4, there is a description of new approaches to public service provision. Management of local government is highlighted in Chapter 5. Chapter 6 addresses financial management issues. In a final Chapter we focus on the process of achieving the reforms necessary to sustain local government.

Each of the chapters includes one or two short case studies designed to illustrate the issues being discussed. The case studies are drawn from the many highly informative papers presented at the Global Forum. In fact, papers, case studies and country reports from over thirty countries were presented. Many of these provide rich documentation of the vigour that is currently to be found in the worldwide movement to strengthen local government, enhance citizen participation and insure government accountability and transparency. Issues of space imposed a limit on the amount of material used.

## CHAPTER TWO

### The Policy Framework Decentralization and the Strengthening of Local Government

*Decentralizing key authorities and functions of government from the center to regions, districts, municipalities and local communities, is an effective mechanism for enabling people to participate in governance .... Is therefore a major determinant of whether a nation is able to create and sustain equitable opportunities for all of its people.*

Mr. G. Shabbir Cheema, Director, MDGD/UNDP

The speed of institutional transition has steadily accelerated throughout the course of the twentieth century. Quite clearly, history will look back upon the last dozen years of the twentieth century as a time of extraordinarily dramatic change in governmental and economic systems. Indeed at least three very important world-wide institutional transitions occurred. They include;

A considerable movement towards political democratization and enhanced government accountability. From the growing independence of legislative branches, to the increasing mobilization of neighborhood organizations, to the growing citizen demands for openness in government, progress is being made in making governments all around the world more responsive to popular will.

Second, the placing of increasing emphasis upon free market solutions to economic problems. This has included, among other things, the lowering of trade barriers, privatization of public monopolies and government deregulation. Taken together, these reforms have dramatically spurred economic growth, although it remains unclear whether they have had a significant impact on eradicating worldwide poverty because of the renewed growth in inequality that they seem to have fueled.

The third of these worldwide transitions has involved a rapidly growing interest in the decentralization of previously highly centralized governments and a broadening and strengthening of local governance capacity. From Bolivia, where a new popular participation law is designed to encourage the movement of the poor into the nation's political mainstream through the development and strengthening of local institutions, to the Peoples Republic of China, where the granting of substantial degrees of municipal autonomy to selected local governments has produced, for example, in Shanghai, a major economic boom that includes the largest amount of new construction activity in a single urban area in human history, one witnesses the stirring of new leadership and creativity at the local level.

The third of these transitions is of special interest in terms of its significance in sustaining and further encouraging the first two transitions. The historically highly centralized and very concentrated nature of political and economic power in the economically less developed world has represented perhaps the major structural impediment to both development of democracy and sustainable economic development. Despite this, one can still today routinely hear central government ministers expressing their concern that the decentralization of governmental power will have a negative impact upon their ability to manage macro-economic policy. The reality is that centralized control of the economy as a means to enhance economic productivity is, at best, a short-term solution to what are essentially long term economic problems. Post-conflict countries, for existence, need a central government power to unify the disintegrated divisions of a nation.

### **Economic Productivity and Decentralization**

To promote sustained economic growth, decentralization is probably the better strategy. As Gabriel Aghon, who studies Latin American public finance for the United Nations, has reported, economically highly developed European and North American countries, spend in excess of 40 percent (in Sweden it is 70 percent) at the subnational or local level. In economically less advanced Latin America, Aghon notes that the figure is often more on the order of 10 to 20 percent. This is very true of many parts of Asia and Africa as well.

Indeed, data provided by the Economic Development Institute of the World Bank further confirms the differential capacity of subnational government in the westernized economies as opposed to those in the developing economies. The comparative figures, which reflect the financial strength of local government, indicates that in North America and Europe, 57 percent of all public sector employment is at the subnational level; while in the case of Africa, the comparable figure is 6 percent; in Latin America, 21 percent; and in Asia, 37 percent. In essence, those countries with the most highly developed economies have the highest proportion of their public employees and public expenditures occurring at the subnational government level.

### **Decentralization and Democracy**

Not only has the over-concentration of business and political power been a problem in holding back worldwide economic development, it has also helped foster corruption and dictatorship. A century ago, the British political commentator Lord Acton noted that power corrupts, absolute power corrupts absolutely. This maxim has been demonstrated all too frequently. Indeed, much of the recent emphasis placed on the strengthening of local governance has been motivated by a desire to break the grip of sometimes quite corrupt national bureaucracies on the development process. Indeed, in many cases, the single most important rationale for the strengthening of systems of local governance is the need to disperse the monopolization of power that is held by many national governments.

It is critically important to ensure the existence of a system of multiple checks and balances on the exercise of political power. In that respect, the single most important form of checks and balances in any society is the dispersal, or fragmentation, of political power. Without question, the creation of strong regional and local governments is critical to that development.

In both the North and the South, there is presently an obvious interest in strengthening local governance, encouraging the decentralization of public functions, stimulating citizen participation and enhancing government accountability and transparency. A case in point is Latin America during the course of the past decade. As many commentators have noted during this period of time, Latin America has moved from having major governments dominated by dictatorships of one kind or another to a situation where almost every country in the hemisphere has elected its leaders through democratic processes. Coincident with this major movement to democracy has been a major movement toward decentralization of national governance, strengthening of local government, the enhancement of citizen participation and even increasing transparency in government.

International donor organizations the various United Nations agencies, the World Bank and the regional development organizations are paying increasing attention to these issues. Even more importantly, in many countries around the world national initiatives have been undertaken to enhance and strengthen local governance capacity. Whether it is through constitutional reform, as was the case in countries like Hungary, India, Paraguay and the Philippines; or through legislative action, as has been the case in a host of other countries including several OECD Countries and Latin American countries such as El Salvador and Bolivia, the past decade has witnessed increasing concern about these mutually intertwined issues.

Many, if not all, societies in Africa, Asia and Latin America have, at one time or another in their history, possessed strong traditions of local and regional governance through tribal or community self-help traditions. In many countries, these traditions have long been suppressed, in part as a result of external colonial rule, and in part as a result of the highly centralized nature of many, if not most, post-colonial political regimes and governance systems. Encouraged by the emphasis which the international donor community has been placing during the past decade upon the reassertion of local self-help and the strengthening of local institutions of governance, these indigenous traditions have in many parts of the world begun to reassert themselves.

Decentralization of governance and the strengthening of local governing capacity is in part also a function of broader societal trends. These include, for example, the growing distrust of government generally, the spectacular demise of some of the most centralized regimes in the world (especially the Soviet Union) and the emerging separatist demands that seem to routinely pop up in one or another part of the world. The movement toward local accountability and greater control over one's destiny is, however, not solely the result of the negative attitude towards central government. Rather, these developments, as we have already noted, are principally being driven by a strong desire for greater participation of citizens and private sector organizations in governance.

## CASE STUDY

### **Developing Local Government in Bangladesh\***

*Local government in Bangladesh has a history and tradition going back to medieval times. The modern local government system, however, was introduced by the British. With the passage of the Bengal Local Self Government Act in 1885, village organizations were identified as important local government bodies. From the inception of the Act, however, there was conflict between those who viewed local government bodies in urban and rural areas as self-governing and those who conceived of them as mere adjuncts of the colonial administration.*

*The Father of modern Bangladesh, Mujibur Rahman, was firmly committed to the development of a local government system. The 1973 Constitution provided for the legal basis and powers of local government bodies in an independent Bangladesh. Article 59 of the Constitution laid down that (a) local government in every administrative unit of the Republic shall be entrusted to bodies composed of persons elected in accordance with law and (b) every body such as is referred to in clause (I) shall, subject to the Constitution and any other law, perform within the appropriate administrative unit, such functions as shall be prescribed by Act of Parliament which may include functions relating to (I) administrative and works of public offices (II) the maintenance of public order and (III) the preparation and implementation of plans relating to public services and economic development.*

*Article 60 of the Constitution provided that, for the purpose of giving full effect to the provision of article 59, Parliament shall by law confer powers on the local government bodies including powers to impose taxes for local purposes. With the sudden change in government in 1975, the democratic aspiration to build a network of strong local government bodies received a serious set-back. Constitutional provisions notwithstanding, no strong representative or community based bodies emerged at the village level.*

*In the nineteen-eighties, an effort was made to create a regional governance structure, with the introduction of the Thana, but this is now only a co-ordinating body dominated by government bureaucrats. Currently, in Bangladesh, the structure of sub-national government is as follows:*

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*Level*

*Local Body*

*Manner of election*

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\* This Case Study was excerpted from the presentation made at the Global Forum by the Honorable Minister for Local Government, Rural Development and Cooperatives of the Government of the People's Republic of Bangladesh, Mr. Zillur Rahman.

1) Village (Total Number, 68,000)	None	None
2) Union Parishad Combination of Villages (Total 4,443)	Union Parishad	1 Chairperson and 3 members elected from each of 3 wards
3) Thana (Combination of Unions)	Thana Parishad 460 in number	Ex-Officio Chairperson and members
4) Zilla	Zilla Parishad 61 in number	Same as above

*The current Awami League Government, under the leadership of Prime Minister Sk. Hasina, views the strengthening of local government as a means to complete the process of democratization started through the elections of June 1996. An essential part of this process is the establishment of a local government system that is democratically elected, accountable to the people, transparent in its functioning and has adequate powers. The policy of decentralization and devolution of powers included in the election manifesto of the Awami League is based on the conviction that day to day administrative functions and many development activities can be carried out most effectively at the grass root levels with people's participation.*

*The local government system should also serve as an institutional mechanism to ensure people's participation in the democratic governance system in the country. In order to make the existing local government bodies more representative, each of the 9 wards of the union parishads will elect a ward member from much smaller, single-seat constituencies.*

*In addition, based on a national policy to encourage decentralization and the devolution of powers to representative local government bodies, the government has set up a prestigious Commission to make recommendations about the structure, formation, functioning, responsibility and administrative and financial powers of subnational government bodies at the various tiers. The Commission includes Members of Parliament, university professors, civil servants and NGO Representatives. The Commission has been empowered to recommend the strengthening of the existing local government system, as well as setting up needed new structures, particularly at the village level.*

*The scope of its recommendations are to cover areas like relations between national and local government, relations among local government bodies and the functions, responsibilities and administrative and financial powers of local government. The Commission currently is in the process of eliciting public opinion on various issues relating to local government. It is felt that a local government*

*system based on public awareness and consensus will be more stable and responsive to the needs of the people.*

### **A Note on Sweden and the United States**

The Swedish tradition of local government goes back to the Middle Ages. The country's first local government legislation was passed in 1862 and remained more or less intact until the 1950's. An important reform was to reduce the number of municipalities from about 2,500 to a more manageable 288.

Today, approximately 70 percent of the Country's public sector expenditures are in the hands of municipal governments and county councils. By law, the municipalities are responsible for primary and secondary education, social services, public utilities, local planning and enacting and enforcing building regulations. The County Councils are responsible for health care programmes (including hospitals) and public transportation. The national government, in contrast, is concerned with social security and national pension systems, housing policy, higher education and other nationwide services such as the administration of justice and the maintenance of public order and security.

The Swedish system obviously contrasts in terms of its clearly distinct patterns of responsibility with, for example, the United States system in which there is an equally strong commitment to decentralization but, where there is no clear pattern in the distribution of responsibility for public services. Indeed, in the United States, all three levels of government local government, state government and national government are likely to be involved in the delivery of most of the important public services such as education, health and welfare. Indeed, very often policy in areas such as education is intentionally designed to involve all three levels of US government.

While Sweden and the United States possess frameworks of decentralized governance which have evolved over long periods of time, other countries are currently experimenting with the introduction of such institutional arrangements. Some are doing it with a focus on sectoral decentralization, while others emphasize the development of levels of decentralization. Perhaps one of the most interesting experiences going on any place in the world is currently occurring in Bolivia where efforts have been initiated to create a national policy/framework that simultaneously encompasses administrative and fiscal decentralization, the development of local government and the facilitation of vigorous citizen participation.

### **CASE STUDY**

### **Bolivia: Building Local Democracy Through National Initiatives\***

*One of the most ambitious recent efforts by a national government to facilitate the strengthening of local government, the enhancement of citizen participation and the mobilization of civil society can be found in the Bolivian experience since the enactment of its Popular Participation Law on April 20, 1994. Historically, Bolivia has been a very highly centralized country with government service concentrated in and upon a relatively small number of the nation's larger urban centers. The Popular Participation Law was designed both to establish a framework for decentralization and accountability and to refocus people's attention from the sectoral vertical top down delivery of services to a territorial structure of local governance that links citizens much more closely to accessible governing institutions which are at hand.*

*Indeed, for many Bolivian citizens, local government simply did not exist prior to 1994, and the presence of the national government in terms of providing programmes or services also was minimal or non-existent. That was especially true for the thirty-six percent of the Bolivian population who lived in communities of less than two hundred and fifty persons. Indeed, in order for a local community to be eligible for the very limited transfer assistance which the national government provided to localities, it was necessary to have a minimum population of two thousand. This meant that close to forty-five percent of the country's population was not eligible to receive such financial assistance.*

*The Bolivia situation was further complicated by the fact that most of the under-served rural population (not within the jurisdiction of municipal and local governments prior to 1994) are indigenous people who, historically have been highly marginalized, both economically and politically. This population was routinely perceived by central*

*government officials as lacking in organization and, consequently, legitimacy in terms of full participation in the political process. In fact, however, this is not the case. In many rural communities, there are various kinds of traditional organizational arrangements which reflect long standing tribal or village practice. A major part of the problem was that in the past government officials simply chose not to acknowledge the existence of such organizational arrangements. Thus, such entities were given little credibility as representing the interests of indigenous people.*

*The issue of how to both strengthen local governance capacity and enhance citizen participation, in order to bring Bolivia's indigenous people more into the mainstream of the country's economic and political life, began to receive serious attention in the early 1980s. There was, however, little consensus about what to do over the course of a dozen years. Some twenty-two different bills were introduced in the Bolivian Congress in attempts to address these issues. None of them passed, however, until the approval of the Popular Participation Law in 1994. A key figure in this process, and in the law's subsequent implementation,*

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\* This case study is drawn from documents presented at the Global Forum on Bolivian Popular Participation Law, which were prepared by Gonzalo Rojas Ortuste and Veronica Balcazar and other information obtained by the authors.

*have been the Country's President, Gonzalo Sanchez de Lozada, who has strongly supported these reforms and the dynamic Secretary of Popular Participation , Carlos Hugo Molina.*

*The goal of the Popular Participation Law was to achieve significant reform in a variety of areas including the strengthening of local government, the enhancement of citizen participation, the mobilization of civil society and the more equitable distribution of resources at the local level. In order to reach these goals, a number of institutional reforms were initiated through its passage. As a first step, the Law established a nationwide system of three hundred and eleven highly autonomous municipal governments each with elected Mayors and councils. This enabled all of the country's citizens to be represented through municipal government structures. Of particular significance, two hundred of these municipalities elected some four hundred indigenous people (one of every four councillors) to serve on municipal councils. For a county in which indigenous people had been excluded from the political process, this represented major change.*

*Simultaneously, municipal resources were greatly expanded, as the new law provided that twenty percent of the country's national tax revenue would be distributed to municipal governments on a population driven basis. The creation of this nationwide system of municipal governments has also facilitated a much more equitable distribution of government fiscal resources. For example, in 1993, prior to the passage of the new law, some ninety-two percent of the national revenue that was transferred to local government went to the nine municipalities that were departmental capitals. In 1996, after the new law, only thirty-nine percent of the national co-participation (transfer) funds went to this elite group of municipalities. The new law also provided the municipalities with some authority to raise their own revenues.*

*Another major initiative undertaken through the Popular Participation Law , was to attempt to institutionalize political participation by the many community organizations that had existed in the country's rural areas, but had never received recognition in the local political processes. This was done through the creation of an opportunity for the voluntary registration of nearly thirteen thousand community based organizations and the consequent granting to them of legal recognition. This has given them the standing necessary to participate politically through appearances before municipal councils and other involvement in the processes of local government.*

*The law also provided for the organizing of oversight committees of citizens (Comites de Vigilancia). These committees were created to review and essentially serve as a check and balance on the actions of the elected municipal governments to whom the Popular Participation Law gives the responsibility for providing primary education, health care and roads. The Committees are also intended to assist in articulating community needs and demands to local government officials. The law requires that the local governments develop action plans for addressing issues of human resource development, environmental improvement and local planning which in turn are to be reviewed by the oversight committees. These initiatives have been designed to, and have succeeded in, further involving the local citizenry in the shaping of decisions that impact significantly upon their community.*

*The three hundred and eleven municipal oversight committees also have other related functions designed*

*to further mobilize citizen participation and civil society energy. The Popular Participation Law assigns to them the role of both proposing and overseeing municipal government activities in local infrastructure development. The law further provides that ninety percent of the funds received by the local government must be used directly for community investments and only ten percent for administration. In order to ensure that this occurs, the oversight committees are provided with direct access to the records of the municipality and to officials of the executive and legislative branches of the national government. If they have concerns about the appropriateness with which the local municipal government is carrying out its activities, they may file a complaint with the national government. If the complaint is shown to be valid, and is not quickly remedied, the municipality in question can be severely penalized in terms of the revenue sharing funds it receives from the national government.*

*Finally, it should be noted that the Popular Participation Law has been instrumental in stimulating additional decentralization activities. During the two years since it was passed, the national government has passed a decentralization law, establishing regional or departmental organs of the central government and strengthening the resources available to them. In addition, the most recent national educational reform law will serve to further encourage decentralization and local control as well.*

## **Conclusion**

Various case studies submitted to the Forum suggest that in establishing a policy framework for the strengthening of local governance through decentralization, one needs to take account of the fact that there are both benefits and potential costs or risks that can result from the implementation of such arrangements. These potential benefits and costs were very well summarized by the Conference working group on a policy framework for decentralization. The group noted, that the opportunities created through decentralized decision-making include:

- \* Facilitating greater popular participation;
- \* Increased efficiency in determining service demand;
- \* Increased flexibility of government in the presence of changing circumstances;
- \* The capacity to tailor solutions for local problems to local conditions;
- \* Providing the opportunity for a wide diversity of innovations which is an important precondition for significant policy and programmatic changes;
- \* Promoting pluralism and dynamism in a society;
- \* Broadening the potential of societal capacity-building;
- \* Providing increased accountability to the people.

Potential risks encountered during the implementation process might include:

- \* Inter-regional inequalities may increase, which widens intra-national poverty gaps and could foster politically destabilizing forces;
- \* Higher risk of resource capture by local elites;
- \* Possible misuse of authority in an environment of inadequate supervision;
- \* Inadequate implementation arrangements can lead to disparity between the revenue available and the responsibilities needed to be carried out which in turn would render local government systems ineffective.

## CHAPTER THREE

### **Municipal Government and the Mobilization of Civil Society**

*The central government is becoming painfully aware of its inability to create changes in people's life without the effective participation of the people themselves*

Mr. Nathaniel Nuno-Amarteifio, Mayor of Accra, Ghana

Hand in hand with the emergence of issues of decentralization and the strengthening of local government as major concerns of the worldwide movement towards democracy and market economic systems has come a growing interest in issues surrounding the mobilization and strengthening of civil society. It was a question of building a civil society friendly environment at the national government level and then focus on the interaction between local civil society and municipal government and how that interaction can be mutually reinforcing.

#### **Defining Civil Society**

One part of any discussion of the role of civil society in contemporary governance is just what is meant by the term. In fact, the phrase civil society has taken on many meanings in the contemporary discourse on democratization. For most purposes, civil society can be thought of as one of the two fundamental elements of contemporary governance. One element is represented by the basic institutions of governance, which include executive, legislative, judicial and regulatory agencies at all levels of governments national, subnational, local and community. These institutions which are in essence the principal organs of government, are responsible for the making of public policy, its implementation and its enforcement. However, despite their centrality to governance, these institutions, like all others, do not exist in a vacuum.

The environment within which they function is civil society. It includes all forms of citizen initiated political action, from the individual local resident approaching a government official to urge the filling of a pot hole in a street, to the organizing of large numbers of individual citizens into the mass organizations of modern society political parties, associations of business people, various single and multiple issue focused groups and the thousands of organizations and agencies which exist in between and, in one way or another, seek to influence political and policy-making processes. Civil society therefore includes the news media, unions, local neighborhood organizations, parent-teachers associations, private sector businesses and an endless array of formal and informal organizations, which are outside the public realm.

Concerns about civil society are particularly relevant to any assessment of local government and its future. A vigorous local government system is essential to the flourishing of civil society and a strong civil society is equally critical to the existence of vibrant, creative, democratic local government. Highly concentrated power in a strong national government will often tend to

discourage the development of civil society generally and locally based organizations in particular. In turn, an environment of strong local governments normally tends to generate strong local institutions of civil society which then tend to band together and form strong national organizations of civil society as well.

There are obviously many vehicles, both local and national, through which civil society interests are mobilized. One of the most prominent of these is political parties. Their importance is a result of the fact that they are organized specifically to influence the political process. Many civil society organizations exist principally for purposes other than influencing the political process, but nevertheless, from time to time, engage themselves in such efforts. For example, when individuals in a local neighborhood organize some form of neighborhood crime-watch activity, or some form of cooperative initiative for undertaking local infrastructure improvement, they are indeed acting to influence or change the life of their community and, thus, they become a part of civil society. The case of the LIFE Programme in Tanzania serves to illustrate how local self-help initiatives can give rise to important civil society initiatives.

#### CASE STUDY

##### **Building Sustainable Networks for Local Development: The LIFE Programme, UNDP and the Tanzanian Experience\***

*As was true in many African countries, prior to the ending of the colonial experience in Tanzania, little emphasis had been placed by the British administration on the building of local institutions of governance. For the most part, traditional or tribal institutional arrangements and authority was relied upon to provide any needed local decision-making. To the extent that the British colonial administration provided the opportunity for the emergence of formal institutions of local governance, the primary criteria guiding their development was the so called CCC principle of cash, confidence, and consent.*

*In practice, this meant that some form of local governmental authority could be established when a) concerned local people consented to its establishment; b) there was evidence to show that the new governing authority would be able to collect sufficient revenues to facilitate its operation; and c) the governing authority, to be initiated, gave evidence of having at least some competent staff to carry out whatever functions it would operate. Following Tanzania's independence in 1964, the new national government created a system of local governments designed to encompass the entire country. This system was, however, short-lived and was abandoned in 1972 due to the various financial and operational difficulties that had, by that time, emerged. Beginning in 1972, the government initiated a*

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\* This case study is drawn from the paper LIFE Programme and Local Governance in Tanzania by M. Kibogoya, LIFE National Coordinator for Tanzania, at the Global Forum on Local Governance.

*decentralization programme intended to transfer at least some measure of authority, activities and resources from the national to local levels.*

*Rather than decentralizing power, authority and resources, however, this programme served to deconcentrate the central administration. Power was not shifted to other levels of government, instead administrative responsibility was shifted to regional centers. The end result was that real power and authority still remained concentrated in the national government. The reforms did not give rise either to enhanced local governance capacity or to the empowerment of local citizens.*

*The government's decentralization programme was abandoned in 1984 and a new local government administration was established, which was then written into the country's Constitution. Nevertheless, local government has not taken deep root Tanzania. Despite good intentions, most local governments still do not provide many opportunities for the involvement of citizens either individually or collectively through civil society organizations in the shaping of public policy. Nor do they have adequate financial resources to initiate much in the way of public programmes. They also do not have adequate staff capacity or institutional infrastructure.*

*It was in this context that UNDP established the LIFE programme as a means to strengthen local government by assisting local officials in interacting more effectively with civil society. The goal of the programme is to link civil society and local institutions of governance in such a fashion as to make them both mutually reinforcing and individually and collectively stronger than they might be were they to continue to exist independently and operate in separate spheres of activity. In addition, the LIFE programme seeks to encourage a culture of participatory democracy; ensure the coordination and effective mobilization of resources at the local level; and encourage local self-reliance and development.*

*The LIFE programme seeks to achieve these goals through the initiation of a variety of local institution-building techniques including special focus upon the facilitation of dialogue between all parts of the community and, in particular, civil society and local*

*government. The LIFE programme has been quite active in this regard in Mwanza municipality in Tanzania. Before the programme began, relationships between the local government and civil society organizations in the community were basically nonexistent or highly negative. Indeed, most such relationships tended to be limited to the government's attempt to tax and license local organizations and their counterefforts to avoid paying municipal taxes. The local/local dialogue that the LIFE programme initiated was ultimately successful in encouraging each side to recognize that they were both dependant upon the other and could achieve far more if they worked effectively together. The first steps in this regard involved getting leaders of civil society organizations and the municipal government to sit together to discuss common problems, as well as to plan and implement jointly a number of low cost infrastructure development programmes.*

*Another major LIFE programme success has been to encourage ten separate civil society organizations all of which were dependant upon the successful operation of the municipal market to band together and*

*negotiate with municipal authorities for a series of improvements in the infrastructure of the market. This was facilitated by an agreement between the civil society organizations and the local government to utilize some of the tax revenue generated by the municipal market for the improvement of its facilities.*

*The LIFE programme also has been quite active in Dar es Salaam. Through a LIFE initiated sustainable development project, the City Commission has entered into a partnership with various civil society and private sector organizations to engage in joint environmental management and planning. This includes the co-financing by LIFE and the Africa 2000 Network of a series of projects to facilitate improved conservation of water and the environment.*

*In both Mwanza and Dar, the LIFE programme has used very modest funding (under two hundred thousand dollars) to promote infrastructure development that encourages joint municipal government-civil society dialogue and planning. Through this investment, the programme has been able to support 15 small scale development public works projects which have helped to improve storm drainage systems; established community based solid waste management initiatives; disseminated environmental education information; and improved significantly various sanitation facilities and services.*

*In sum, the LIFE programme has helped to improve significantly local capacity to solve local problems. It has done this by encouraging local local dialogue in such a fashion as to make joint local government civil society initiatives considerably greater than just simply the sum of their parts. By working together, local communities and civil societies mobilize new capacities to solve important public problems creatively.*

### **Building Civil Society The Role of Local Government**

The building of an effective and vibrant civil society requires a supportive environment both socially and institutionally. Such an environment is one in which there is some measure of social trust and personal security and in which there also are employment opportunities and some measure of fairness. The reason for this is twofold. First, in the absence of adequate opportunities for employment and the maintenance of a moderate standard of living, individuals, of necessity, will be preoccupied with basic economic survival issues and consequently not able to focus upon or afford the luxury of involvement in the organizations of civil society. Likewise, because much of civil society involves, for the most part, people seeking a common purpose, in the absence of an environment of social trust and personal security, individuals are likely to be reluctant to attempt to band together for common goals or the securing of the public good.

While the relationship between civil society and local government is very clearly a reinforcing and mutually beneficial one to both parties, there are also some complexities and ambiguities, indeed even paradoxes, in such relationships. In particular, the relationship between local governments and non-governmental organizations (NGO's) can be problematic. In many countries, some of the strongest NGO's were, in fact, initiated by the international donor community as vehicles to facilitate going around government for the provision of various kinds

of technical and material assistance. This has meant that, in some instances, significant rivalry for international donor resources has developed between the institutions of government and non-governmental organizations. Nevertheless, whatever the potential pitfalls might be, there is no question that the emergence of local government as a governance force is occurring hand in hand with the emergence of NGO's in many countries. Clearly, working both separately and together, strong local government and vibrant NGO's are among the key builders of an effective civil society.

Indeed, increasingly throughout the world, local government is playing an ever more important enabling role in the development of a civil society. Municipal regulations and statutes can either hinder or facilitate the development of all sorts of civil society organizations including NGO's. Likewise the actions of political leaders can be either supportive or can serve to create major impediments to civil society development. Increasingly local leaders are recognizing that it is clearly in their interest to encourage the development of civil society organizations.

Consequently, in many communities, throughout the world, where there has been tension between government and civil society organizations, new alliances are developing. This has become even more pronounced in those countries where, as democratic governance has begun to take root, popularly elected mayors have come to office. There local leaders are increasingly recognizing that locally based civil society organizations represent, at the least, important allies in their efforts to build institutional and financial resource capacity for their cities. Indeed, Asuncion, Paraguay, provides an important case study of the many ways that a local government, led by a committed Mayor, can facilitate the emergence of a robust civil society.

## CASE STUDY

### **Local Government Mobilization of Civil Society in Asuncion, Paraguay\***

*Paraguay is a country in transition. It is involved in a complex and delicate process of leaving a long tradition of authoritarianism and centralization. Indeed, even on a continent where centralized government has been the norm, Paraguay stands out for its history of centralization. The combination of a comparatively homogenous and geographically centralized population, combined with a lack of cultural regionalism, fostered centralist tendencies. Since the country's independence in 1811, except for a few brief periods, it has been ruled by an almost unbroken string of dictatorial, highly centralized regimes.*

*One very important step in the twin processes of decentralization and democratization has been the*

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\* This case study is drawn from the paper Mobilizing Civil Society Through Government Action: Lessons Learned From Two Case Studies in Paraguay A Preliminary Assessment, presented at the Global Forum by Allan Rosenbaum with the assistance of Cristina Rodriguez Acosta and Karen Shaw.

*emergence of subnational governments Municipal and Departmental within this still very centralized country. Since the fall, in February 1989, of the regime of General Alfredo Stroessner, Paraguay has experienced a succession of democratically important events relatively free Presidential elections in May of 1989 (the country's only prior free election occurred in 1928); the first direct election of municipal mayors in May, 1991; the election of a Constituent Assembly in December 1991 and the promulgation of a new constitution establishing the nation's first real system of regional departmental governance in 1992; and the direct election of the 17 Departmental Governors in May 1993. At the national level, the May 1993 election also resulted in the Country's first ever elected civilian president and another first in Paraguay the election of an opposition controlled Congress.*

*Basic statistics on government expenditures and public employment dramatically illustrate the high degree of centralization that still typifies the public sector in Paraguay. At present, 96,600 public employees (not including the very substantial national and military police force) work in the National Government. In contrast, the country's 217 municipalities employ no more than 4,000 people (3,200 of whom work for the Municipality of Asunción). The 17 newly created Departmental Governments employ no more than 400 individuals. The difference in comparative budgets is equally dramatic.*

*The National Government budget for 1993 amounted to 2,500,000,000,000 Guaraníes (approximately US\$ 25.8 million) or only 1/50 of the national budget.*

*Historically, the mobilization of civil society, in the sense of encouraging independent civic involvement through the establishment of citizen bodies, community organizations, political and fraternal groups and the like was strongly, and sometimes forcibly, discouraged. Indeed, citizen participation in any overtly political sense had, until 1989, been repressed unless it was controlled by and supportive of the dominant political regime. In fact, many Paraguayans left the country for political exile or were jailed, beaten and even killed as a result of involvement in political and/or civil society activity deemed inappropriate by the regime in power.*

*Following the overthrow of Gen. Alfredo Stroessner in 1989, however, the country has witnessed a rapid increase of citizen involvement in political and governmental processes. A lively free press has emerged. Political demonstrations are now a common phenomenon, especially in the national capital of Asunción. Political parties now both fragment and coalesce in a way that the country has never known before.*

*Nevertheless, many forms of citizen participation which are relatively routine and taken for granted in established democratic systems, have simply never had the opportunity to emerge and flourish in Paraguay. Activities such as the establishment of independent neighborhood organizations, the holding of public hearings by legislative bodies, (whether at the national or local level) or the appointment of boards of distinguished citizens to advise policy-makers or administrators on issues of concern simply had never existed in Paraguay. Equally inhibiting of the development of an independent civil society has been the limited availability to the citizenry of the governmental and political information necessary to make informed public choices.*

*What has existed, however, is a tradition of informal citizen participation for the purposes of carrying out*

*self-help projects. Because government, especially local government, historically has been minimal, with access to only very modest resources, the normal public works activities that citizens in many countries take for granted, has never been carried out in Paraguay. The result is that the country has witnessed, over the past half century, the emergence of a strong tradition of organizing community and neighborhood committees for the purpose of constructing public works or carrying out civic activities.*

*In virtually every municipality of Paraguay, and in many of the neighborhoods of Asunción, a strong tradition exists of local residents informally organizing themselves for the purposes of mobilizing community resources and labor (with often some modest assistance from a national ministry or municipal agency) for the construction of a particular public work the building of roads, schools and bridges being the most frequent*

*tasks of such bodies. While traditionally such initiatives have studiously avoided activities that could even remotely be characterized as political, these initiatives have represented a vehicle for the development of at least a modest sense of community in many of the country's municipalities and in the neighborhoods of Asunción.*

*Since the demise of the Stroessner regime, however, Asunción has been the site of substantial developments in citizen participation activities. As a result of strong support from the international donor community, and political, if not financial, support from the municipality of Asuncion, there are now approximately forty non-governmental organizations (NGO'S) operating in and around Asunción. While many of them are engaged primarily in research and technical assistance activities, they still encourage citizen involvement through both their internal activities and their more general programme activities. In addition, several of these organizations are now heavily involved in the promotion and development of citizen participation and have carried out or encouraged projects designed to develop and strengthen various aspects of community life.*

*A key element in encouraging the development of citizen participation in the capital city, has been the efforts of the first elected Mayor of Asunción, Dr. Carlos Filizzola (having run as an independent candidate for mayor, Filizzola obviously did have a clear political interest in encouraging such activity). Towards that end, the Mayor has pursued three separate strategies. First, officials of his administration were very supportive of organizing neighborhood community groups. The result was that during the Filizzola administration the number of such groups in Asuncion went from 100 to 300.*

*Second, the Mayor further encouraged such activities through his visits one day each month to neighborhoods where he held general town meetings and went from house to house visiting constituents and discussing issues with them. Third, in six of the twelve principal areas of the city, the Filizzola administration established neighborhood community centers. These centers, which in many respects are designed to be like little city halls , serve as organizing vehicles to further encourage local citizen participation within the boundaries of Asunción.*

*In addition to his principal citizen participation initiatives, the Mayor pursued a variety of other strategies*

*designed to encourage the mobilization of civil society in Paraguay. Among the two most important of these have been to engage civil society in the activities of the municipality, and to open up information about local government to the citizens and their organizations. He began with public hearings on the municipality's budget in the fall of 1995. The initial hearing, which attracted two hundred and fifty residents of the municipality, was the first public budget hearing held by any governmental agency at any level in the history of the country. It not only attracted considerable attention within Asuncion, but within a few weeks, several other municipalities within the country had adopted the concept and implemented it.*

*A second major initiative of Mayor Filizzola involved the passage by the municipal council of A La Luz Del Sol , otherwise known as the Sunshine Ordinance. This ordinance guaranteed that any citizen of the municipality would have open access to all of the municipality's records, except for private personnel documents. This includes even notes made by individual public employees regarding matters upon which they are working. It insures a degree of press access to information unlike anything ever before in the history of the country.*

*These initiatives, in turn, were followed by a series of others that were of considerable significance. They included:*

- 1. Expansion of the A La Luz Del Sol law by amending the municipal ordinance to require that substantial background data be routinely provided on the Internet for all municipal financial transactions in excess of twenty-five thousand dollars so that the country's citizens, public and private organizations and news media would have immediate access to such information.*
- 2. The Municipality of Asuncion increased from one to four the number of public hearings that it held during the course of the approval of its 1996 annual budget. These four hearings, which were held in September 1996, attracted an extraordinary turn out of citizens over four hundred in spite of the fact that one hearing was rained out and had virtually no attendance.*
- 3. In order to further institutionalize the concept of public hearings, and legitimize the right of the citizenry of Asuncion to make requests at them, a special section was added to the 1997 municipal budget which for the first time listed, item by item, all of the requests made by citizens at the public hearings and the action taken, whether positive or negative, by the municipal administration in response to these requests.*
- 4. Continued progress was made by Asuncion's municipal budget office in terms of producing clearer, better explained, more informative municipal budget documents. This was perhaps the most extraordinary of the reforms, since, until a few years ago, the municipal budget document (which was only a dozen or so pages) was not made available to the public and the information in it and about it, even within the government, was extraordinarily limited.*
- 5. Following a model of public-private cooperation created through a Sister Cities initiative two years earlier, the Municipal Government of Asuncion established several very important public-private*

*committees designed to continue the plans for the redevelopment of the waterfront of the Municipality and to initiate joint public-private sector planning for the future development of the entire city.*

*Finally, Paraguay recently completed very successful, but hard fought, municipal elections. Given that the position of Intendente (Mayor) of the Municipality of Asuncion is the second most important elected position in the country, the political campaign was especially intense.*

*Despite the considerable differences that separated the two candidates, both agreed that the initiatives for citizen participation, mobilizing civil society and promoting transparency in government, begun by the Filizzola administration, was the one area in which great progress had been made and that, regardless of which party captured the Intendencia, these policies and practices must be sustained and expanded.*

## **Conclusion**

As the case of Asuncion illustrates there are many ways in which local government can work to facilitate the development of civil society through the creation of various kinds of institutional mechanisms and reforms. Another important way in which the governmental environment impacts civil society is in terms of the opportunity that it presents for individuals to develop their own skills and abilities. Because an individual's participation in civil society organizations usually requires some level of civic awareness and organizational skill, such participation is more likely to flourish where a strong educational system operates. In addition, the existence of a free and open press is a significant part of a civil society as well as an important facilitating element. Likewise, government officials must be prepared to at least be open to engagement in dialogue with civil society actors. The UNDP LIFE programme provides significant insights for those seeking to address that issue.

Decentralized government can be an important element in the facilitation of an active and lively civil society. The more government is decentralized and the stronger the local governance capacity, the more opportunities in essence, the more arenas are provided for the emergence of civil society institutions. In that regard, local governments can and have played crucial facilitating roles in the development of vibrant civil societies. Local legislation, government policy and administrative practice can all profoundly impact upon the capacity for civil society to both emerge and play a role in governance. Indeed, it is the existence of local governance, combined with the emergence of local civil society institutions, that truly creates the pluralism that is central to democratic development.

## CHAPTER FOUR

### **Public Service Provision**

*With the emphasis on commitment, quality, choice, standards and measurement, value for money and competition*

Ms. Elena Lento, City Manager, Hämeenlinna, Finland

There are many institutional alternatives for service provision by local governments in terms of responsibility, regulation, ownership, control and accountability. Despite the extraordinary variation to be found among the local governments represented at the Global Forum, there was unanimity in the recognition of the importance of public service provision by local authorities and that local authorities should be created in accordance with general national constitutional or legal provisions and not by special action of a legislative body since that which is specially given can be more readily taken away.

Assigning responsibility for service provision to local government permits greater social control, better response to local demands and priorities and facilitates citizen and/or user participation. Under such arrangements, Parliament and Cabinet the legislative and executive branches on the central level would decide upon an overall framework of public service activities, while each local government would have the freedom to shape its own particular array of public programmes, based on local conditions. This lessens the need for central control with complex regulation and monitoring systems. Local control is more simple and cost-effective because needed social control is inherent to users participation. It also facilitates a demand-driven provision of services and a greater willingness to pay for them. Central governmental control can generate very complex institutional arrangements, increasing bureaucratic costs, and is more vulnerable to political interference.

Local accountability should be upward to higher levels of government and downward to local constituents thus, allowing checks on the behaviour of political leaders, government officials and managers of the services. Downward accountability permits the users fullest participation in the process of service delivery and makes for more effective control. De-regulation at the national level combined with greater responsibility at the local level may lead to more flexibility and efficiency. Stronger local initiative may also provide greater protection of the public interest and consumers rights, thus, contributing to improved quality and responsiveness. In addition, decisions made by local government may more readily be appealed by individuals and their legality examined in the local judicial system.

Various participants in the Global Forum expressed concern that providers from the private sector were often discriminated against in competitions against public sector providers who are also responsible for the tendering procedures. In that sense, the responsibility assigned to the

public sector to regulate service provision can run into conflict with the government's role as a direct producer of services. Non-governmental service providers tend to become more selective than universal, especially if they are concerned with a specific group, community or market. Governmental providers tend to be more responsive to the public interest and broad public policy goals, which are more often universal. This is in part a natural consequence of the fact that governmental service provision tends to be supply and equity oriented, while non-governmental service provision is more efficiency and demand-driven.

Private service provision, being market-oriented, may offer better and more flexible responses to demand, but it also tends to underserve the low-income population and deny services that are less profitable due to issues of frequency and geography. Third sector, non-governmental organization (NGO) provision is generally more concerned with equitable access to services and fuller community participation, but these organizations often have a very limited capacity to respond to social demand. The formal provision of services by local government is subject to greater social control and local accountability and may also incorporate the benefits from technology development and economies of scale. Informal sector provision is an alternative for the poor but, if not subject to close regulation, its services may be of lower quality to recipients.

### **Decentralized Delivery of Services**

Community services include many different kinds of activities. Some involve collective goods produced by local government such as water provisions, wastewater disposal and creating and maintaining streets and parks. Other services involve individual benefits, for example education and social welfare. A third group involves infrastructure development and includes mapping and land surveying, constructing public buildings, environment and health protection. Finally, there are those services that involve protecting the citizens legal security and the exercise of public authority and police power.

Decentralization stimulates the search for programme and policy innovation, first of all because it is, per se, an innovative practice of governance. Second, because through its implementation, local governments are required to assume new and broader responsibilities in order to provide public services for all. The assumption of new responsibilities through decentralization often requires improved planning, budgeting and management techniques and practices; the adoption of new tools; and the development of improved human resources to operate the decentralized programmes.

The innovations that result from decentralization often benefit local governments through increased global communications and international and regional networking. Many case studies (Cali and Manizalis in Colombia, Curitiba in Brazil, Mendoza and Cordoba in Argentina and Tijuana in Mexico) demonstrate how decentralization helps restore or strengthen ties between voter/taxpayers and their governments, which is fundamental to mobilizing finance, recovering costs, instilling legitimacy and ensuring sustainability.

Given the growing forces of decentralization, one Conference Working Group concluded that the delivery of public services in most countries will be organized as follows in the near future:

\* **Garbage collection/waste management**

- Local government responsibility in all countries;
- Increasing contracting out to private-sector/employee cooperatives.
- Financing through general municipal revenue and user fees.

\* **Health care**

- General policy-making by central/or regional government;
- Preventive and primary health care local government;
- Curative/medical care/specialized hospitals general/regional government;
- Growing private sector involvement in medical care;
- Financing mostly through general revenue/low recovery through user fees;

\* **Education**

- Preschool and primary school - local government/private sector;
- Secondary school - local/central government/private sector;
- Higher education - central government/private sector;
- Financing: general revenues/low recovery through user fees.

\* **Social Welfare (including child care and elder care)**

- General policy-making by central/regional government;
- Implementation by local government;
- Provision by public and/or private service providers;
- Financing: mostly by government, partly by contributions/social insurance.

\* **Water supply/sewerage**

- Capital projects by central government/special agencies/local government;
- Growing participation by private sector;
- Operation/maintenance: municipalities/special agencies;
- Financing: general trend for full cost recovery for operation/maintenance but low or no recovery towards capital costs; capital works financed by grants/loans.

\* **Transport (road based)**

- Inter-city transport: mostly private sector;
- Local transport: local government / private service providers;
- Mass rapid transit: mostly absent in smaller cities but efforts being made to introduce or expand in large cities, mostly by local/regional government;
- Financing: user fees; in some cases, limited subsidies by local government.

\* **Emergency services**

- Legal/regulatory framework: central/regional government;
- Enforcement: Local Government;
- Financing: general municipal revenue.

\* **Housing**

- Mostly private sector;
- National and local government involvement to some extent;
- Financing: capital projects through loans/housing funds/central grants; maintenance through recovery of rents/local government revenues.

\* **Environmental and health protection**

- Legal/regulatory framework: central/regional government;

- Enforcement: local/central government;
- Financing: general national and/or municipal revenue.

\* **Streets and parks**

- Local government;
- Financing: general municipal revenue.

\* **Physical planning and building**

- Local government;
- Financing: general municipal revenue.

**Incentives and Market Mechanisms**

Faced with taxpayer resistance and budgets, which in real dollars are often in decline, governments are increasingly turning to the use of incentives and market mechanisms for the purpose of improving service and programme delivery and policy implementation. In many respects, this represents a major untapped area of potential innovation for local governments. Depending on the objectives to be met and the actors to be involved, governments can (and some do) use a broad spectrum of incentives to achieve policy goals - fiscal, legal, institutional, administrative and financial.

The main purpose of incentives for users/recipients is to introduce changes in the consumption patterns, thereby adjusting social demands to sustainable development objectives by, for example, reducing the use of electricity, the loss of water or the growth in waste and pollution. For private providers, the main purpose of incentives is to make the production and/or delivery of public services more efficient and profitable. The main purpose of the incentives to public providers is to increase the effectiveness and responsiveness of supply.

Private sector participation (PSP) in the provision of public services can come in many forms, including the supply of services and goods, service management and operations, provision of investment finance and so on. In a number of countries, voucher systems have been developed in areas such as education, social welfare and other individual services. The introduction of competition by contracting out has also proven to be useful in the delivery of all kinds of services, except the exercise of public authority.

Clearly there are certain conditions that make private sector involvement in the delivery of public sector services more or less likely to be successful. Among those are both country and

enterprise conditions. The two most important country conditions are the capacity of the government to regulate and the extent to which the legal framework is market-friendly or unfriendly. The key enterprise conditions include its competitive or non-competitive orientation and the level of discretion in service delivery that the enterprise possesses.

If regulated properly, private sector participation can lead to higher efficiency and the possibility of lower prices to the public. The advantages of private sector participation includes forcing efficiency through competition, freedom from civil service and other government regulations and clear enforceable contractual obligations. Sometimes economies of scale are possible and often private firms do not suffer from the institutional constraints placed on public utilities. In natural monopolies like water and wastewater, regulation by public authorities is essential to take account of externalities. The degree of regulation generally needs to increase with the level of private involvement.

In many countries, the responsibility and decision-making powers of local authorities have been decentralized and shifted to even lower levels. This means that institutions such as day-care centers, homes for the elderly and schools in some situations now have their own budgets, and are therefore able to determine how much money they wish to allocate to their various activities. Changes of this kind have regularly led to the improved utilization of resources in many situations.

The division of major authorities into small service units is generally a prerequisite for the introduction of market mechanisms. Further incentives to cost-effectiveness have been provided by utilizing the principle of allowing funds to follow the child/patient/pupil and by the introduction of competitive tendering procedures. Both of these incentive structures have resulted in substantial productivity gains. The increased orientation towards market mechanisms within the public sector - by means of performance-linked incentives and contracting out of more sophisticated information systems has also been successful in respect to increased cost-effectiveness. On the other hand, it is sometimes difficult to evaluate whether changes in standards of quality or decreased benefits for workers are producing the savings. For example, it is often claimed that contractors are able to cut costs by lowering the quality of the services they provide, without the client or consumer being able to detect or correct the deterioration in quality. It should be emphasized, however, that, as of yet, there is really no systematic analysis of this issue.

Early experiences with the introduction of market mechanisms into the delivery of public services have shown that their utilization can produce their own set of management problems for local government officials. Usually it not the market mechanisms as such that create the problems. On the contrary, market mechanisms, such as competition, personnel incentives, contracts etc., can function as extremely powerful control devices. Certainly, among the most obvious and frequent of these problems involve issues of transparency and accountability. In more than a few instances, the introduction of privatized service delivery has been accompanied by major controversies over cronyism and influence peddling. In reality, however, the problems

experienced are often related to the fact that the new market mechanisms simply further expose the inadequacies of the traditional, monopolized public sector.

Management problems that come with the introduction of market mechanisms to local service delivery are often exacerbated by the fact that a previously highly bureaucratic and centralized organization was already unable to function efficiently. One and the same organization, and often the same people, acted as purchaser, contractor and evaluator. Any organization that sets the requirements for its own work, then executes the work and, finally, evaluates the results has a natural tendency towards inefficiency both in respect to the utilization of resources, and the establishment of goals and results. A procedure culture often develops in this kind of organization and effectively blocks initiative and change.

All too often, there has been a strong tendency in many countries to treat the public sector as an instrument of labor-market policy rather than as an organization responsible for carrying out essential services for the community. This has severely hampered the public sector's ability to clearly define its goals, follow-up its results, motivate its employees and improve its methods. The need for a clear specification of aims, objectives and service standards is therefore a key element of public sector reform, both because of its own merits and in order to facilitate the introduction of new mechanisms of service delivery such as contracting out, offering concession and privatization.

### **A System of Customer Choice**

Increasingly, public sector organizations, in many countries, especially at the local level, are becoming aware of the critical need to be customer-oriented in all phases of the business and of the importance of service excellence. But the challenge is to achieve real results. Within local government that means balancing demands and limited resources, creating incentives which actually result in more satisfied citizen/customers, and truly infuse the organization from top to bottom with a philosophy and culture that achieving citizen/customer satisfaction is really important. Such customer orientation leads to a number of innovative approaches to service delivery.

Customer choice generally means that the individual citizen, given the entitlement to a subsidized service by the municipality, is able to turn this subsidy into a service cheque/money grant or the equivalent, which is valid as a means of payment when purchasing the service. This right is based on a decision for each person, or a general decision covering all individuals with a particular need. The person or organization providing the service is authorized by the municipality to cash the cheque. The individual citizen can also be given the opportunity of choosing more or less freely among competing providers without this being linked to a system of checks or money grants.

There are numerous advantages to systems using money grants. The individual has freedom of choice. Producers are obliged to compete for customers which is likely to increase quality. The

disadvantage with systems of money grants is that there is a risk that price competition will be eliminated or that quality of service may decline. In addition, if the level of the grant is not adequate to meet the full costs of the highest quality of service, low income recipients are at a clear disadvantage.

One of the prerequisites of a system of money grants is that it is easy to establish the entitlement to the grant, preferably on the basis of objective criteria. This is the case, for example, with school grants that follow the pupil, maternity care, child care and dental care grants. In these examples, the service provided is relatively homogeneous and individual differences in needs can be assumed to cancel each other out over time. In addition, such grants can be easily adjusted to take account of individual variations in need for services and capacity to pay for them.

### **Objectives, quality and customer satisfaction**

Discussions regarding quality within the public sector are often carried out in two completely different dimensions. On the one hand, there is the discussion and evaluation of the quality provided to customers and, on the other hand, there is the discussion and evaluation of the result which is provided in relation to the fulfilment of the goals set by and for the local government. Even if the goals set for the local government are identical to the customers' needs, and they often are, it is necessary to separate satisfying customers' needs from the institutional and political demands made upon the local government.

Public services are always provided within a politically defined framework. This framework is determined by the extent to which the services will benefit the community in the areas in which they will be provided. Of relevance will also be whether a fee or tax that can be levied will provide the necessary resources for achieving the goals that the services should fulfil. It is therefore possible that the fulfilment of goals set by or for the local government can, ultimately, lead to conflicts in respect to quality for a citizen/customer. For example, the goal of equal treatment for all, is often in open conflict with the individual's perception of quality. Similar conflicts can arise between employees' professional opinions and the goals established by politicians, or between the citizen/customer's needs and the employees' professional opinion. Therefore, the further development of effective citizen oriented management, within the public sector, is not about the strengthening of the political control of detailed activities, but rather the creation of management mechanisms that clarify roles and responsibilities, and which also provide room for dialogue and discussion.

Public sector service delivery must seek to achieve a balance between the interests of the citizen/customers, the professional ambitions of staff and the interests of the general public the taxpayers. A balance of this kind requires that the service consumer be able to influence and/or choose the service provider, that personnel be able to affect the image of their respective activities, and that the political leadership's goals have an impact on activities. Experience gained to date indicates that far-reaching decentralization, combined with an active follow-up of

goals to establish how they are applied to working methods, can create the basis for a balance of this kind. In the case that follows, we shall examine one management technique commitment quality management that has facilitated the establishment of such a balance.

## CASE STUDY

### **The Citizen Charters of Hämeenlinna City, Finland\***

*Citizen Charters in Hämeenlinna, draw on a British model with an emphasis on commitment, quality, choice, standards and measurement, value for money and competition. The Hämeenlinna approach tries to combine the best sides of the Nordic welfare model with the English citizen charters concept. In Finland, there is already in legislation well-established standards of services, security, accessibility and open channels for citizen complaint. This provides the basis for local charters. At the same time, the charters emphasize the need to raise the general standard and quality of services, to find locally sensitive and responsive solutions to citizen problems, increase transparency and enhance the overall effectiveness of public programmes.*

*The Citizen charters in Hämeenlinna are to be found on three levels. The citywide Council Charter establishes broad public values and commits the City to customer-based quality and the support of citizen participation. It guarantees open channels for citizen complaints and insures consumer rights in local public services. Citizen charters at the service sector or agency level establish standards for service quantity and quality. Charters at individual schools, kindergartens, etc. define customer-based ways of providing the best possible services at that particular institution. The Citizen Charters also become a factor in agency budget planning as it will include goals for service provision.*

*The development and implementation of a policy steering system, based on incentives, rather than administrative regulation, is another of the aims of the Hämeenlinna model. There is a strong focus upon customer or citizen preference with resources tied to citizen choice. In addition, there is an emphasis on wider user responsibility, net budgeting, regional development funds, etc. Underlying all these modalities is the basic belief that incentives are the best way to insure financial accountability for and to the community's citizens.*

*Particular emphasis has been put on developing the ability to insure, through continuous quality control, that agencies are constantly encouraging new and fresh orientations to customers and citizens at the same time as stressing continuity and long term re-working of major current programmes.*

*Hämeenlinna is now working on broadening its Council Citizen Charter into a Charter of Democracy. The new Charter of Democracy, would include provisions dealing with:*

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\* This case study is drawn from the paper Hämeenlinna Model: Towards Democracy and Efficiency on the Local Level, presented at the Global Forum by Elena Lento, City Manager of Hämeenlinna, Finland.

*a Charter of Charters, i.e. the promise by the Municipality to use explicit and transparent charters as an essential component of quality work and open decision making by all of its agencies;*

*guaranteeing open citizen feedback mechanisms;*

*insuring active citizen participation in the planning of all important renewal projects;*

*utilizing decision-making processes that are interactive by providing citizens with the possibility to participate in defining problems and proposing solutions for them.*

*establishing customer boards for service delivery activities;*

*creating a consumer complaint board for the citizens to express their concerns about the city's services;*

*guaranteeing the ready availability of information about municipal activities;*

*providing choice in regard to certain services;*

*engaging citizens in cross sectional problem-solving and early consultation.*

## **Conclusion**

Numerous case studies submitted to the Forum indicate that some key issues in the area of providing effective local level service delivery include:

1. Establishment of a clear division of functions between central and local governments.
2. Insuring financial capacity through adequate tax bases or sufficient transfers; higher utilization of existing tax capacity or fees; less central control in fixing tax rates, prices and borrowing.
3. Establishing local, administrative and financial autonomy by:
  - Assignment of revenues to meet all obligations;
  - Predictability and certainty in transfers/grants;
  - Full local control of revenue mobilization;
  - Administrative flexibility.
4. Insuring Public accountability in terms of:
  - Transparency and high ethical standards
  - Ultimate accountability to users/public.
5. Effective targeting of relevant programmes to the poor.
6. Developing institutional capacity needed through:
  - Increased administrative efficiency;
  - Developing adequate skills and expertise;
  - Maximizing staff motivation;
  - Waging effective war against corruption;
  - Employing modern management techniques

7. Minimizing managerial interference by central government in terms of:
  - Less complicated rules and procedures;
  - Less control of day to day administration.
8. Integrating users' participation in planning, costing and delivery mechanisms.
9. Establishment of fair and effective services standards.
10. Increasing competitiveness in services provision by regulation, competitive bidding, efficient contract management, etc.
11. Developed municipal procedures in budgeting, accounting, auditing, appraisal, monitoring and evaluation; also access to modern information technology and tools for personnel procedures in terms of recruitment and promotion.
12. Establishing effective dialogue between central/local/user groups/NGO'S/CBOs with the full involvement of local governments in planning projects utilizing international assistance.

## CHAPTER FIVE

### **Management of Local Government**

*Decentralization must go hand in hand with the improvement of management of local government, which entails strengthening its institutional, financial and human resources capacities as well as those of its local community*

Ms. Itoko Suzuki, DDSMS, United Nations

#### **Focus on results and performance**

There have been major changes in the key concepts of management for development with the world-wide movement from highly centralized planning to more sustainable, participatory and democratic processes. It is being increasingly realized that central governments should not interfere in the administration of local government and that local government must have the financial resources to run their own programmes and to hire their own, qualified personnel and remunerate them adequately for work.

In the case of countries making the transition from communism to a market economy, addressing issues about decentralization, the appropriate role of local governments, and new approaches to governance is central to the reform process. Local governance in this situation requires the acquisition, by both officials and administrators, of new skills and management systems. Moreover, as those countries achieve economic stability, citizens will certainly try to influence governmental institutions to cater to their own increasingly diversified needs thus, placing even more locally focused demands on systems. Consequently, decentralization, which moves decision making power closer to communities, is a logical reform choice for systems engaged in the transitions. For citizens in many other countries, the demand for decentralization is acute, but the struggle to achieve it is more complex and far from won.

As city administrators find themselves drawn to the challenges of the market place on the one hand and the demands of the citizenry on the other, they increasingly have had to become negotiators and mediators in center-to-local relations as well as in newly emerging public-private partnerships. They are the initiators of reform and, therefore, need substantive knowledge and skills for strategic planning in all its dimensions. The practice of strategic planning the experiences of cities like Warsaw, Krakow, Moscow, Riga and Tallinn were presented in the Forum will involve significant management reform, requiring the review of existing policies and organizational structures as well as the creation of cooperation linkages and relationships (central, local, private).

To respond to these challenges many local governments in developing countries, have adopted new integrated management approaches. In Accra, Ghana, such efforts have led to several

advantages including:

the introduction of participatory management which encourages the decentralization of institutions;

the decentralization of administrative, political and development processes to lower levels sub-metropolitan districts, town councils and neighborhood committees;

greater citizen/community participation to ensure the cooperation and support of the public for municipal programmes;

the opening-up of institutions to public scrutiny in order to ensure accountability, thus enhancing efficiency, probity, transparency and effective programme execution; and,

greater efforts to improve institutional capacity.

Another recent management innovation involves closer linkages between municipal budgets (resource allocation) and performance. The main aim is to switch from a system based on inputs, to a system based on outputs, where the day-to-day management is left in the hands of autonomous units. That implies stringent requirements for results and a greater freedom for the units to obtain them. In the modernization of management of local government, management improvement systems from the private sector such as Management by Objectives (MbO), Management by Results (MbR), Performance Management and Total Quality Management (TQM) have been used increasingly.

Yet another recent management system innovation which has been put into practice in local governments, ministries, central agencies and government departments is Commitment Quality Management (CQM). The aim here is to balance external demands with limited resources, and create a culture where achieving customer satisfaction and real results are the commitments of every committee, manager and employee in the local government. Contracts and/or agreements aim to clarify the responsibilities of each party and represent a formal commitment by the parties to mutually developed and shared goals. This system includes a specified type and level of performance, in return for specified funding and an agreed level of autonomy.

#### **Four phases in management reforms**

Local governments need to achieve a balance between various competing requirements, such as: (a) approaches to management which emphasize efficiency, devolution and decentralization, (b) the development of equitable and sustainable governance institutions, (c) institutionalizing strategic and cooperative leadership, (d) maximizing participation by stakeholders, and (e) insuring transparency and accountability. Local governments will inevitably have to address each of these issues. An important question is: Where to start? Significant management reforms take time to implement. Sometimes the ideas behind them are very slow to take root. Today a

variety of new management methods, concepts, models and values are being accepted as an integral part of the way public administration is conducted.

Recent experience at the local level suggests that there are four phases in the process by which public management reforms are carried forward.

The first phase involves addressing the full range of familiar bureaucratic shortcomings: waste, unnecessary activity, complex regulations, overlap and duplication of functions, confused lines of responsibility, slow and over centralized procedures for decision making, divided authority, unclear performance standards and lack of information about results and costs. Such reforms focus on matters like the elimination of outdated reporting systems, of expensive work being conducted by government when it is clear that external purchasing is cheaper, and of common services being provided free of charge to user departments.

The second phase of reform typically focuses on more general public management modernization. The objective is to shift from a procedures-based administration to a results-based management style with yearly measured improvement in performance. This requires a knowledge of results and costs and better methods of using human and financial resources. The main themes of the second phase are:

- strengthen accountable line management;

- develop new systems, structures and priorities to decentralize financial management and cost control.

Many such methods are based upon the premise that any large problem can be desegregated into a series of small problems. These can then be dealt with independently within centrally set parameters. Frequently however, structural reorganizations cannot be managed in this top-down way. Significant reform requires extensive consultation and active participation by the organizations affected to identify key problems, devise feasible solutions and mobilize real commitment to the implementation of reform.

The third phase reform involves the changing of culture, attitudes and behaviour in government so that continuous improvement becomes a widespread and built-in-feature in the search for better value for money and steady improvement of services. This phase can be summarized in the following way:

- focus operational management responsibilities by clearly defining objectives and tasks

- keep strategic policy and resources decision at the center but devolve implementation decisions to the units responsible for results; and,

- establish processes for agreeing on performance measures and contracts between the

center and the units responsible for programme results.

The fourth phase of reform is often quite different. This phase aims at large-scale structural reorganizations of public service delivery systems. A macro management process is always required to steer structural changes because they ultimately are beyond the control of individual organizations. Methods of managing reform are therefore required which take account of the pluralism of the polity and the professionalism of the services in question. The management solutions that have been applied to structural reorganizations tend to focus on management by results approaches. They often have followed the pattern of imitating business models and promoting competition. The main elements of such efforts normally are:

decentralization of operational management responsibilities to individual units;

creation of a business management ethos: cost consciousness, management by results, financial accountability within organizations;

competition between providers;

treating the public as citizen customers rather than clients in a purchaser-provider contracting system; and,

implementing centralized financial control with local management discretion.

Another defining feature of the new local methods of governance is its responsiveness to interest and needs of stakeholders. Thus, the development of local partnerships (e.g. with community-based organizations, nongovernmental organizations, and the private sector) becomes an important task of local government.

When moving from rule-driven management towards a Management by Results systems (MbR), effective mobilization of political support is essential. Otherwise, the various MbR initiatives will be overwhelmed and absorbed by the pressure of rule-driven administration. A slow return to the old system will be the result. However, it is not possible to make a clear distinction between rule-based systems and those which focus on market-oriented strategies. Experience to date suggests that the two often are likely to coexist side-by-side. In countries that have recently emerged from authoritarian regimes, it can be quite difficult to implement management styles that empower workers at lower levels of the organization. This is because such workers are often highly submissive and unable to initiate activity as a result of years of bureaucratic and political oppression.

Two important trends in local governance have been observed in many countries. One trend is the increasing transfer of financial resources from central to local governments. Many governments share responsibility for policy areas with local governments, supported by automatic revenue transfers. The second trend is the enhancing of democratic transitions

through the election of mayors and council members for local governments. These developments put even more pressure on local administrators to develop new and more effective modes of management.

In many countries, certain activities such as social services, education, planning and building permits, environmental health, street cleaning, emergency and rescue services have been traditionally organized via sectorial committees according to law. More recently new approaches have been experimented with. These include geographically decentralized and purchaser-provider models. Increasingly, today one finds all these different principles for the organization of local government used jointly in new combinations in order to achieve solutions tailored to the needs in each city/authority.

### **MbR and CQM in Sweden**

In many countries, the implementation of *management by results (MbR)* has been successfully applied. MbR and other *performance management* strategies involve a shift from traditional procedural approaches placing emphasis upon the outcomes of public policies. An evaluation of the lessons of an experience in central and local government in Sweden suggests the following guidelines for implementing such a reform process (Svensson, 1993):

1. The effects for the people concerned (patients, children, pupils) should be focused upon at all levels of the organization.
2. Discussions about visions, goals and targets should be integrated into the budgetary process and all decisions should relate resources to demands for results in the quantity and quality of services delivered.
3. The process should be designed in such a way as to engage every politician and every employee of the municipality.
4. The administration should be organized into result units and there should be a commitment (contract) for every result unit signed by the manager and her/his superior where responsibility for certain results are agreed. Required results (which are possible to follow up and evaluate) must be linked to resource allocation.
5. Outdated and unnecessary regulations should be abolished.
6. Decentralization of authority and employee empowerment are fundamental.
7. Commitment by every employee, to define results, is critical.
8. Effective monitoring, evaluation, performance incentive systems and accountability must be implemented.

9. Essential prerequisites for MbR are systematic customer/citizen quality feedback systems. Evaluation and accounting systems should be implemented so that the achieved results can be measured against established and defined visions, goals and targets.
10. Politicians and employees would learn about the new system through well thought-out introductory programmes and appropriate training.
11. Targets which are credible and motivating must be established.

In order to develop even further the delivery of high quality services to the public, it is necessary to find methods which combine a strong focus on goals and results with an equally strong focus on modern process and quality thinking. Commitment Quality Management (CQM) is being implemented for this purpose in four local governments and various central government departments in Sweden. In brief, this method requires that each participatory unit design and structure its working processes, in accordance with set goals, and that detailed description and follow-up of their application occurs with regard to working processes of special importance.

The CQM model recognizes the need to balance external demands and limited resources while achieving customer satisfaction and real results. This is the commitment for every municipal committee, manager and employee. The aim is to establish a new managerial culture which blends responsibility, autonomy and accountability. The objective is to give units greater operational autonomy while developing a better steering and strategic capability at central level.

**CQM** highlights include:

- A. Leadership based on clear specifications of performance (including quality standards) in aims; objectives, goals and targets;
- B. Focus on the results achieved for the citizens and their perceptions of them;
- C. Performance Commitments based on participation from every employee in the process;
- D. Measurement and evaluation of performance, including service standard quality; and,
- E. A programme for continuous improvement of quality and efficiency.

Efforts to reform local government in this direction have been very successful in Sweden, Finland and other countries, and could serve as model for the reform of the management of local government. This would involve:

utilization of the MbR negotiating process as a step towards CQM;

utilizing MbR systems in the form of interactive co-planning with citizens in technical and social areas;

integrating MbR systems with systematic customer/citizen quality feedback systems;

clearly distinguishing but at the same time linking together programming, financing and implementation;

ensuring interaction between results orientation, regulation and competition in local government services;

integration of MbR systems and organizational outsourcing with the aim of stimulating institutional competition.

This approach builds upon the growing trend towards quality control of public service production through citizen and customer participation. Above all, it includes systematic and decentralized citizen quality feedback systems, and in some cases explicit service obligations by the administration towards citizens within the framework of a citizens' charter, focused upon issues such as timeliness, accessibility and continuity of services. Moreover, by abandoning administration by rule in favor of results-oriented steering one will create organizational space will be created for autonomous action by units at local level. Such an approach can, however, lead to the centrifugal segmentation of the administrative system unless monitoring is developed as a medium for collective observation, learning and self-steering.

In general, the need for adequate training in local governance and capacity-building at the local level was heavily underscored at the Global Forum. Elected leaders, appointed officials and civil servants all need support and training in order to be able to serve their citizens effectively. To improve the management of projects and programmes at the local level, donors should incorporate systematic management training as a means to support local and national capacity. Targeted training in participatory practices for integrating civil society and citizen participation into decision-making and service delivery processes is also necessary. For example, the Municipal Assembly of Accra, Ghana, has organized meetings with neighborhood associations, voluntary work groups, non governmental agencies, tenant associations and landlord groups to educate them on the Assembly's policy.

City to City cooperation programmes are in great demand and have been found very useful for capacity building. The adoption and implementation of the strategic planning process in Prague and Riga, for example, has been facilitated by co-operation with partners from abroad, particularly through workshops and seminars. Improved firefighting capacity in Asuncion, Paraguay, has been one by-product of its Sister City relationship with Metropolitan Dade County, Florida.

## **Conclusion**

Managing local governments in the developing countries is beset with contradictions in policy implementation; plagued by limited capacity and inhibited by significant financial constraints. Every country has to chart a course suited for its circumstances and realities. Central government commitment to a decentralization policy is essential. But even more important is both recognition of and the existence of policies that reflect the reality that local governments are the foci of development, are needed for effective governance and are central to the promotion of participatory democracy. This is only possible, if local government is strong, both financially and functionally, and is managed efficiently, effectively and productively.

## CHAPTER SIX

### **Fiscal Management**

*Political decentralization without financial or administrative capacity, or financial decentralization without administrative and political authority, leads to frustration*

Mr. Shabbir Cheema, Director, MDGD/UNDP

No issues are more central to the operation of local governance than are those surrounding its financing. Among the most important of these are: (a) how to mobilize and manage local financial resources, (b) how to create systems for efficient, accountable and transparent financial transactions, and (c) the match between municipal revenues and expenditures.

#### **Mobilization of Local Financial Resources**

In many western countries, the Constitution has laid down the principle that local governments are entitled to levy taxes. They have also the right to increase the tax rate to meet citizen demands for services. In Western countries where it is not a constitutional right, national law and long established practice provide local governments with the opportunity to raise significant revenues. Indeed, self-determination by local authorities as regards the raising of revenue is a corner stone in the building of strong and effective local self-government.

In many non-Western countries, local governments possess no, or very limited, revenue raising capacity. This makes them dependant upon their national governments to provide transfer funds to support various local activities. Such dependence greatly limits the capacity of local governments to meet the needs of their citizens. Consequently, one of the highest priorities in many countries in terms of strengthening local governance is the development of an independent revenue raising, or taxing, capacity.

Another rapidly emerging issue in many transitional countries is the right of local governments to incur debt by taking loans. Where this option is available to local governments it has in the past been governed by special legal regulations that are often very limiting. In Latin America and Eastern Europe, several countries are now exploring new methods of raising capital to finance long-term infrastructure improvements. In Latvia, local government can obtain long term investment loans on condition that the total amount to be paid back each year, together with the interest, does not exceed 5% of the total approved budget for the local government that year. Otherwise permission to incur debt must be received from a special commission established by Central Government.

The most critical issue for most local governments, however, is having access to resources to finance necessary programmes and service delivery. In the United States, local governments

depend heavily upon property taxes and increasingly on sale taxes and fees to finance operating expenses. In the Swedish case, local income tax accounts for 63% of municipal revenues, general state grants 11% and special purpose state grants 5%. User fees account for most of the remaining 21% of local income. Municipal power stations, garbage collection, water and sewage are fully financed by user fees. In these countries, local governments are also free to borrow money without any permission from the national government.

In Sweden, the relationship between central and local government has come to be based on the financing principle . That means that the Parliament has limited its own ability to impose new expenditures on the municipalities and county councils without simultaneously giving them ways of financing by other means than higher local taxes. Parliamentary decisions that lead to declining expenditures for the municipalities or indirectly increase their tax revenues are meant also to be neutralized. In the following case from South Korea, the financing principle is also of relevance. Its implementation is an important prerequisite for efficient mobilization and management of local financial resources.

#### CASE STUDY

##### **Setting Subway Fares in Seoul: The Mis-match of Financial Resources and Service Responsibilities\***

*As is true in almost all growing municipalities, both large and small, the demand to finance expanding services in Seoul, South Korea, is a never ending one. This situation is made even more difficult when the services that need expansion also require substantial capital investments. No where are the financial problems more complex and demanding than in the case of public mass transportation. Thus, the task of expanding the Seoul's subway system, represents a very typical case, (on a grand scale) of the dilemmas facing many municipal governments.*

*Despite the many problems involved, the situation of expanding mass transit in Seoul is considerably easier than in many of the world's large and mid-size urban areas, since Seoul's public mass transportation system is run by the Seoul Metropolitan government,*

*which has administrative authority over the central city as well as the suburbs. In order to finance massive capital investment activities, cities in many parts of the world have developed systems of using long term debt against which is pledged, either the revenue from the facility being constructed or the full faith and credit of the municipal government.*

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\* This case study is drawn from a paper presented at the Global Forum Subway Fare and Local Autonomy by Indong Cho, Deputy Director for International Relations, Seoul Metropolitan Government, Seoul Korea.

*At present, Seoul has 171 kilometers of subway lines and is undertaking the construction of an additional 62 kilometers with plans underway for the building of yet another 120 kilometers. In order to finance construction of the new subway lines, the municipality of Seoul issued approximately five billion dollars in bonds, in June of 1996. The acquisition of this debt will place heavy burdens upon the subway system and the municipal government for generating revenue to pay off the bond holders. In fact, the fare revenue raised by the subway system does not enable it to adequately pay operating cost, let alone assume substantial new debt servicing. Indeed, while running a deficit of close to two hundred million dollars a year, for much of the 1990's, in 1995, as a result of new labor contracts, the Seoul subway corporation's operating expenditure debt for the year reached two hundred and eighty million dollars.*

*The problem which the municipality faces, is not lack of market receptivity to increased fares. In fact, subway fares range from fifty to eighty-five cents per ride, depending on the distance involved. Bus fares range from fifty cents to one dollar depending on the quality of bus. Taxis, in turn are more expensive. The subway system is made even more attractive by the fact that traffic congestion is a major problem in Seoul. Consequently, the subway is not expensive in terms of the service received. To the contrary, it is a bargain.*

*The problem is that the municipality does not have the authority to increase subway fares. Traditionally, these decisions have been made by the South Korean National Government. Under pressure from local officials, the National Government has given the Metropolitan Government of Seoul, the right to establish rates for the provision of water supply and sewage services. However, the rate for subway fares remain controlled by the National Government, which, in the name of curbing inflation, has kept rates low. While, the National Government has agreed to pay twenty-five percent of the cost of the new subway construction, that still leaves seventy-five percent to be paid by the Seoul Metropolitan Government at a time when the fares do not even generate adequate revenue to pay operating cost.*

## **Tax Collection and Borrowing**

In many developing and transitional countries almost all tax rates are decided by Parliament. The continuing development of the financial and budget laws of local governments, sometimes combined with establishing negotiation systems between central government and local governments, represents significant recent ongoing improvements in many transitional countries. In Latvia, for example, the local taxes personal income tax, property tax and land tax are state imposed taxes which entirely benefit local budgets.

Many countries collect a third or less of what is due in revenue compared to countries like the United States, which collects approximately 85%. Recently, countries such as Argentina, Bolivia, Chile, Colombia and Jamaica have supported reform of tax policy, with a view to broadening the tax base, reducing exemptions and changing tax structures to make them more progressive. These efforts in themselves, however, are frequently insufficient to increase revenues unless tax administration is also improved. Substantial additional efforts are needed to increase voluntary compliance, identify taxpayers, assess tax obligations, reduce evasion, upgrade management procedures, improve the audit and adjudication of tax disputes, reduce corruption, improve training and increase transparency through computerization. In addition, criminal sanctions are needed to act as a deterrent. Sending serious tax evaders to jail encourages voluntary compliance.

In many developing and transitional countries, reforms of the tax administration system have focused mainly on institutional and administrative upgrading. The issue of how to create efficient, accountable and transparent tax-collection systems is a major issue in these countries. Emphasis has been put on giving greater technical support to these existing institutions. A different approach has been taken in Uganda with the establishment of an independent Revenue Authority, outside the civil service. Its staff is well-remunerated, has won public confidence for its integrity, and, consequently, tax collection has risen dramatically. The implementation of a similar model is being explored in Tanzania.

## **Decentralized Fiscal Management**

The establishment of effective and transparent financial management is at the core of any effort to reform the public sector. Management and information tools need to be in place to programme, disburse, record, monitor and evaluate public receipts and expenditures. It is also necessary to establish benchmarks that can indicate whether reform efforts are succeeding or not. Moreover, the special nature of public resources makes it imperative to provide decision makers on all levels with accurate and timely financial information which eliminates overlap, duplication and confusion, increases transparency and accountability, facilitates effective budgeting of scarce resources, minimizes their loss through leakage and increases confidence in both local and central governments.

To be genuinely supportive of a decentralization process, the basic characteristics of a system

for decentralized financial management should include: (a) transparency of allocation (b) predictability of the amounts available to local institutions and (c) local autonomy of decision making on resource utilization. In contrast with the widespread practice of ad hoc grants driven by politics, the allocation of resources should be based on transparent formulas. Also, unlike the typical unpredictability of most central-to-local transfer mechanisms prevailing in developing countries, the process should provide local institutions with an up-front indication of how much money will be available in the next multi-year planning cycle. This makes local strategic planning possible and provides a financial ceiling that makes such planning a meaningful exercise and an opportunity for local communities to take autonomous decisions on the use of limited resources.

At the local government level, numerous innovations are being introduced to improve both service delivery and democratic processes. One example of such reforms is the local (district-level) planning/budgeting process encouraged by the UNCDF Local Development Funds in Mozambique. There, the fiscal analysis has been integrated within the process of provincial/national planning of public-sector investments (the preparation of a three-year, rolling *Plano Oriental de Investimento Publico* ). This programme includes a significant effort to introduce participatory budget planning techniques in a changing political/administrative context that is currently characterized by the re-emergence of traditional organizations and leadership structures.

In Asuncion, Paraguay, a particularly notable instance of improved fiscal procedures occurred with the implementation of what ultimately turned out to be the most highly praised of the many new accountability innovations and reforms introduced by former Mayor Carlos Filizzola public hearings on the Municipality of Asuncion's budget. When this idea was first being considered by the Mayor, it was strongly opposed by several of his most important department directors who feared that it would provide opportunities for his political opponents to attack him and them. Consequently, they suggested delaying it until the presentation of the Mayor's final budget which would be immediately prior to the election of a new mayor. Filizzola recognized that such a late start would provide little chance to institutionalize the reform, and thus initiated it a year and a half prior to leaving the mayoralty. As a result, public hearings were able to occur during the course of two annual municipal budgetary processes. The second year, when the number of public hearings were increased from one to four, the first hearing was held in a park in a low income neighborhood that had been constructed as a result of requests made at the previous year's hearing.

### **Insuring Integrity**

A major need in many developing countries is to integrate independent financial budgeting and accounting systems into a single integrated financial management system. In most developing countries, there is often a disconnect among investment planning, budget, accounting, cash management, audit and evaluation (concurrent and ex-post), undermining the feedback necessary to enhance accountability and sound policy choices. Incorporating evaluation as a

managerial tool is a common feature of public management in industrialized countries which also needs to be more widely introduced in developing countries..

Many countries, including Mexico, Chile, Ecuador and Bolivia, are moving to modernize their procurement systems. Strengthening of such systems through legal reforms, introduction of more transparent procedures, adoption of improved bidding documentation, competitive bidding and training programmes for politicians and staff members are needed to improve accountability and support better budgetary performance.

With the advent of democracy and the emergence of a free press as a part of the growing civil society, major incidents of corruption are increasingly being highlighted in transitional and developing countries. It appears, that the increased publicity reflects as much the increased visibility of such practices as any increase in corruption itself. The prevalence of corruption has a serious detrimental effect on development, particularly in terms of confidence in Government investment activity. To combat corruption, efforts must be made both at the national and sectoral level, where governments are attempting to simplify policies and procedures, and at the institutional level. To increase transparency and improve accountability many local governments are involved in the process of:

- developing systems to help ensure the consistent application of norms and regulations (accounting standards).

- strengthening and creating effective and efficient oversight institutions (e.g. Supreme Audit institutions. One example is the Hong Kong Independent Commission Against Corruption. Another is the Inspectorate of Government or Ombudsman in Uganda.)

- strengthening internal managerial and financial controls.

- developing new pay policies for public servants.

The last point is particularly important and is often overlooked. Unless public employees are paid reasonable wages, the urge to abuse one's position for personal financial gain will always be present. The most important factor in efforts against corruption is the commitment of the political leadership to eliminate it. Democratization has contributed greatly to success, because it has allowed citizens to voice their opinions without fear. In Uganda, for example, the new Constitution requires that the new Parliament enact a Freedom of Information Act, which will give the public and the press a right to certain important categories of information. We have already noted in the case of Asuncion, Paraguay, the very important steps which a local government can take on its own in this regard.

## **Conclusion**

No issues facing the world's emerging local governments are more important than those related

to revenue raising capacity and open, accountable, transparent financial management. Absent the capacity to raise their own revenue, local governments have little or no real ability to responsibly meet the needs of their citizenry. Absent open, accountable, transparent financial management, local governments will not have the confidence or support of their citizens. If local governments are going to play the important role that they should play in democratic development, they must have both the capacity to act on behalf of and the support of their citizenry.

## CHAPTER SEVEN

### **A Bakers Dozen Suggestions for Bringing About Meaningful Local Governance Reform\***

All across the world, local citizens are raising their voices to seek more opportunities for self-governance. In some cases, this has taken the form of political protest. In others, it has taken the form of steadily increasing demands for governmental decentralization. In many cases, there has been a call for the strengthening of local government. It is these demands, these emerging calls for grass roots people power, that more than anything else have moved issues of decentralization and local government capacity building to the center of political debates of many countries.

There is now a rapidly growing number of efforts around the world some locally initiated and some donor stimulated to encourage decentralization of national governments and strengthening and/or creation of local government institutions. Some of these undertakings are recent and some are more mature. Quite clearly it is far too early to attempt a full assessment of their significance. Nevertheless, there are some clear lessons that have been learned with regard to the building and strengthening of local governance capacity. Among these are:

1. **Significant Institutional Reform Requires Dynamic Leadership!** The reforms noted above, some obviously very dramatic, others more modest, simply would not have happened absent the creativity of a committed individual willing to take the necessary risks and make the difficult decisions required to lead the process of institutional change. Such leaders often face significant opposition from colleagues and/or senior officials within their own organizations concerned about the political risks and vested interests.

Leaders sometimes have a tendency to be impatient with the process of reform. Consequently they may ignore the need to bring along through persuasion, rather than through demand or command, those who are reluctant to move forward on innovation. A review of the country case studies shows that some reform leaders are much more sensitive to this reality than others. An important contribution that third parties can make is to try to sensitize leaders of reform efforts of the need to be as inclusive as possible in working with their staff and local, regional and national constituencies in order to gain support.

2. **The implementation of meaningful decentralization requires opportunities for local governments to have their own revenue-raising capacity, including taxation authority.** There is no question that the implementation of meaningful decentralization and reform of local

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\* For those not familiar with the term a bakers dozen , it means twelve plus one (put in for good measure by bakers).

governance has been greatly impaired by the very limited revenue-raising capacity possessed by local governments in many parts of the world. There is a disturbing tendency to put narrow limits on the capacity of local governments to raise revenue, while at the same time, they are given the responsibility for new services which they cannot adequately fund.

In some cases where laws have been passed providing new resources, national government officials have simply resisted turning over to local governments the revenue, which according to law, should be distributed to them. The tendency, especially in many African and Latin American countries, to fund local governments through transfers of funds from national government budgets, may in the end turn out to be counter-productive. Reliance on national funds to finance local government could easily, over time, serve to promote a system of national government control and local government dependence.

**3. The implementation of real decentralization requires strong locally based constituencies to support these efforts.** While a growing number of national level political and governmental leaders are embracing the rhetoric of decentralization, many are reluctant to actually initiate serious efforts toward this end. Moreover, among those political or administrative leaders who are prepared to initiate efforts at reform, there is a tendency to focus principally on deconcentration (administrative decentralization with principal decision-making still occurring at the center) rather than devolution (where both administrative and policy making authority are turned over to subnational bodies directly accountable to local communities).

Most people, whether they be elected or appointed leaders, are in fact quite reluctant to voluntarily give up authority or power. Thus, the mobilization of locally based elites and leaders is usually an important step in the process of bringing about decentralization of both administrative and policy-making authority.

**4. Most local government institutions require strengthening before they are able to operate effectively in a decentralized environment.** In Africa, Asia and Latin America, the structures of local government and the management and delivery of public services are not highly developed and in some instances fragile or almost non-existent. In addition, the mind set of many individuals, both those involved in government and relevant citizens, is likely to be still dependent upon direction from the center.

In addition, many local governments may not have the infrastructure to take advantage of available training and technical assistance. In more than a few countries, a considerable number of local governments employ only a handful of people. Consequently, they require substantial investment in new resources both human and capital in order to be able to function effectively in a decentralized environment. Thus, in programmes of technical assistance, training and other forms of capacity development are very important.

**5. Creating the trust and the capacity necessary to produce real institutional reform takes**

**time but must be time-bound.** The first year of any local government reform effort will inevitably be a long and, upon occasion, frustrating one; while the second and especially the third years are likely to gradually witness significant achievements. The reason for this is simple. First, it takes considerable time to be able to determine and then focus upon realistic and significant targets of reform opportunity. Second, it also takes time to build the sense of trust with relevant officials and policy makers, stake-holder organizations and individual citizens, that must precede any effort to introduce significant institutional reform. Much time and effort must be spent in dialogue with key actors in order to cultivate and build the relationship of trust and confidence that is a necessary prerequisite to initiating important reforms.

**6. A multi-level approach is a great advantage in efforts to implement significant institutional changes.** One can't change a major governmental institution in a vacuum one must work both with the institution and the various forces that impact upon it as well. This is especially true when one is trying to convert a highly centralized governance system into a decentralized one. Consequently, to focus one's attention simply upon strengthening local governments in a system where power is principally held at the center (or the top) will not carry a reform effort very far. It is equally, if not more, important to change the contextual environment in which the local government functions.

Working simultaneously with the Congress or Parliament to change laws, and national Ministries to encourage their decentralization, while at the same time trying to assist in strengthening intermediate and local governments and neighborhood based organizations is most likely to result in mutually reinforcing reform outcomes. A very important step in any process of promoting decentralization and the strengthening of local government occurs with the adoption of national legislation such as a new municipal law which can, for example, strengthen the resource base of local government as well as allow municipalities to operate important local services such as health and education programmes. Thus, by working with a national Congress one can significantly strengthen local governance.

In addition, information for one level of government can turn out to be useful for, or can even significantly influence the actions of, another level of government. Yet another advantage of multi-level involvement for the reform initiator is that it is often possible to play a broker role between the different levels of government in terms of linking key actors who share similar views but do not know one another because they work at different levels or in different branches of government.

**7. It is necessary to mobilize political leaders and elected officials to achieve significant reform.** Historically, many reform efforts have tended to principally involve technocrats dealing with other technocrats. Any initiative which focuses heavily upon policy change requires the leadership of high level politicians. Significant institutional reform and policy change are essentially political acts. This may be beneficial, since high level politicians may often be more responsive to change than mid-level government managers.

**8. Foreign models do have some relevance.** Individuals involved in governance reform projects are often concerned about not wanting to impose an external model on one or another areas of administration or policy making activity in a country in which technical assistance is being provided. It is important to be sensitive to these issues. Nevertheless, foreign models or practices often have some relevance in terms of the introduction of reforms.

Those involved in technical assistance projects may be reluctant to invoke U.S. or European practices or structures as models. However, recent experience has shown that many people, especially public officials (Mayors, Ministers, Congresspeople), are very interested in and quite receptive to learning about best practices from North America and Europe. Indeed, Western experience and practice in government reform, federalism, fiscal management and municipal development has upon occasion proven quite relevant to institutional changes and policy reform.

**9. The achievement of institutional and policy reform in local government requires flexibility in design and implementation.** As we have noted at the outset there is no single best practice or method to reform or strengthen local government. Nor is it easy to predict in advance when, where and in what manner significant reform opportunities may materialize. Consequently, design and implementation flexibility is required in order to be open to new possibilities when they arise. It also allows reform advocates to focus upon those who are most receptive to new ideas and to take advantage of opportunities to work with such individuals.

**10. The use of high-level western municipal practitioners has proven to be very successful in reform efforts.** Each day Western municipal officials face problems similar to many of their African, Asian and Latin American counterparts. Moreover, practitioners often are on the cutting edge of best practice. Consequently, when tried, the use of counterpart practitioners has had the effect of promoting an unusually high level of trust, receptivity, and responsiveness between advisors and clients. Equally important, it has produced the likelihood of a continuing relationship between reform effort participants.

**11. It is important to recognize that for political and institutional leaders, relationships are exchange relationships.** Individuals who seek to reform institutions are continually taking risks and expending scarce economic and political resources. As such, institutional and policy reform is inherently both costly and involving an exchange relationship. Both sides need to obtain benefits from any proposed institutional or policy reform. If politicians or senior administrators are asked to give up some authority or power, they should be able to gain other resources such as political or professional advancement, recognition or publicity, or other kinds of support in return.

**12. A vibrant civil society with active community organizations will promote the development of local government.** There are certainly occasions when NGOs can do the job of local governments and seemingly replace them. The normal situation is, however, that civil society

and local government reinforce each other. An active and well-organized local community will expect local government to deliver and will hold it accountable for its performance, both in its role as the voting constituency and as citizens acting in other situations concerned about their society. That, if anything, will promote local government.

**13. The ability to influence policy and practice does not necessarily require large budgets.** In fact, the building of trust, the exercise of strategic judgment, and the dependence upon perseverance and continuity can produce institutional reforms that are often substantially more profound than that which is brought through the investment of large sums of money in the purchase of goods and services.

## APPENDIX A

### FINAL PROGRAMME OF THE GLOBAL FORUM ON INNOVATIVE POLICIES AND PRACTICES IN LOCAL GOVERNANCE, 23-27 SEPTEMBER 1996

#### Sunday, 22 September

18.00 Pre-conference registration and welcome reception

#### Monday 23 September

08.00 Registration

#### 09.00 Opening of Global Forum

**Chairperson:** *Mr. Arne Svensson*, Swedish International Services, Sweden  
*Mr. Jörgen Andersson*, Minister of the Interior, Sweden  
*Mr. Jin Yongjian*, Under-Secretary-General, DDSMS, United Nations  
*Mr. Shabbir Cheema*, Director, MDGD/UNDP  
*Mr. Lars-Åke Skager*, Lord Mayor of Gothenburg, Sweden  
*Ms. Evalisa Birath Lindvall*, Leading County Councillor, Bohus County Council,  
Sweden

10.15 Coffee and Tea Break

#### 10.45 Session I: Policy Framework

**Chairperson:** *Mr. Sören Häggroth*, Under-Secretary of State, Ministry of the  
Interior, Sweden  
**Rapporteur:** *Mr. Paul Lundberg*, UNDP Consultant  
*Mr. Anthony Pellegrini*, Director, World Bank and *Mr. Malcolm Rowat*, Chief, Public  
Sector Modernization Unit,  
*Mr. Istvan Zsuffa*, Administrative Secretary of State, Ministry of the Interior,  
Hungary  
*Mr. Paul Grosen*, Executive Secretary, United Nations Capital Development Fund,  
UNCDF  
*Mr. Francis X. K. Wagaba* Ministry of Local Government, Uganda and *Mr. Petter  
Langseth*, EDI

12.30 Panel discussion and questions

13.00 Lunch

14.30 **Session II: Public Service Provision**

**Chairperson:** *Mr. Shabbir Cheema*, Director, MDGD/BPPS, UNDP

**Rapporteur:** *Ms. Marlene Fernandes*, UN Consultant, Senior advisor, Instituto Brasileiro de Administração Municipal (IBAM)

*Mr. Tim Campbell*, Principal Urban Sector Specialist, World Bank

*Ms. Sofia Prats*, Mayor of Huechuroba, Chile

*Ms. Luisa M Cuculiza*, Mayor of San Borja, Peru

15.45 Coffee and Tea Break

16.15 **Session II: Cont`d**

*Dr. Teresita Bonoan*, Director of Community Health Services, Department of Health, Philippines

*Mr. Carl Wright*, Director of Commonwealth Local Government Forum, London

17.00 Panel discussion and questions

17.30 End of Day One

18.30 Departure for the Banquet at Börsen

19.00 Banquet at Börsen, the City Hall of Gothenburg,  
hosted by the City of Gothenburg

**Tuesday, 24 September**

08.30 **Session III: Management of Local Government**

**Chairperson:** *Mr. Thord Palmund*, Special Adviser, MDGD/BPPS, UNDP

**Rapporteur:** *Ms. Itoko Suzuki*, Officer-in-Charge, Governance and Public Administration Branch, DDSMS, United Nations Secretariat

*Mr. Nathaniel Nuno Amarteifio*, Mayor of Accra, Ghana

*Ms. Elena Lento*, City Manager, City of Hämeenlinna, Finland

*Mr. Arne Svensson*, President, Professional Management AB, Sweden

*Ms. Josefa S. Edralin*, Coordinator, UN Centre for Regional Development

10.00 Panel discussion and questions

10.30 Coffee and Tea Break

11.00 **Session IV: Fiscal Management**

**Chairperson:** *Ms. Margot Wikström*, President, Swedish Association of Local Authorities, Sweden

**Rapporteur:** *Mr. Malcolm Rowat*, World Bank

*Mr. John Little*, Officer-in-Charge, Urban Management Programme, UNCHS, Nairobi, Kenya

*Ms. Laura Kullenberg*, Senior Policy Advisor, UN Capital Development Fund

*Mr. Alexander Neuber*, Associate Banker, European Bank for Reconstruction and Development (EBRD), Warsaw Office, Poland

*Mr. Janis Bunkss*, Member of Parliament, Latvia

*Mr. Gunnar Pihlgren*, Senior Advisor, Swedish International Development Cooperation Agency, Sweden

12.30 Panel discussion and questions

13.00 Lunch

14.30 **Session V: Mobilization of Civil Society**

**Chairperson:** *Ms. Alicen J. R. Chelaite*, Mayor of Nakuru, Kenya

**Rapporteur:** *Mr. Ismail Ali Ismail*, Economic Commission for Africa, Ethiopia

*Mr. Michael Mbudiwa*, MDP, Zimbabwe and

*Mr. Mauricio Silva*, SACDEL, EL Salvador

*Mr. Manuel Sevilla*, Macroeconomic Management and Policy Economic Development Institute, the World Bank

*Ms. Evalisa Birath Lindvall*, Vice-President, The Federation of Swedish County Councils, Sweden

*Mr. George W. Matovu* Municipal Development Programme for Sub-Saharan Africa Eastern and Southern Africa Regional Office

15.45 Coffee and tea Break

16.15 Session V: Cont'd

*Mr. Ricardo Neves*, National Coordinator, Local Initiative Facility for Urban Environment (LIFE), Brazil and *Ms. Mary Kibogoya*, National Coordinator, LIFE, Tanzania

*Mr. Alexandros Yannis*, EC Special Envoy, European Commission, Somalia Unit, Nairobi, Kenya

*Mr. Allan Rosenbaum*, Director, Institute for Public Management and Community Service, Florida International University

- 17.00 Panel discussion and questions. Summation
- 17.30 End of Day Two
- 18.30 UN Reception
- 19.30 Conference Dinner at Hotel Gothia, hosted by Swedish International Services

**Wednesday, 25 September**

- 09.00-16.30 Field reviews in the City of Gothenburg and the County Council of Skaraborg  
(see separate programme)
- 19.00 Departure for Dinner, hosted by the County Councils of Bohus and Ilvsborg

**Thursday, 26 September**

- 09.00-17.30 Working groups

**Friday, 27 September**

- 09.00 Plenary session: *Mr. Zillur Rahman*, Honorable Minister for Local Government,  
Rural Development & Cooperatives, Government of the People's  
Republic of Bangladesh
- 09.30 Summation in Working groups
- 10.30 Coffee and Tea Break
- 11.00 Plenary Session: Presentation of Working Group Conclusions  
**Chairman:** *Mr. Nathaniel Nuno-Amarteifio*, Mayor of Accra, Ghana
- 12.30 Close
- 13.00 Lunch

## APPENDIX B

### PAPERS PRESENTED AT THE GLOBAL FORUM ON INNOVATIVE POLICIES AND PRACTICES IN LOCAL GOVERNANCE

#### Opening of Global Forum

**Mr. Arne Svensson**, Swedish International Services, Sweden, **Chairperson**: Opening of Global Forum

**Mr. Jin Yongjian**, Under-Secretary-General, United Nations: *UNDDSMS View on Local Governance*

**Mr. Jorgen Andersson**, Minister of the Interior, Sweden: *Welcoming address*

**Mr. Shabbir Cheema**, Director, MDGD/BPPS/UNDP: *UNDP's View on Local Governance*

**Mr. Lars-Åke Skager**, Lord Mayor of Gothenburg, Sweden: *The City Council*

**Ms. Evalisa Birath Lindvall**, Vice President, The Federation of Swedish County Councils: *Welcoming address*

**Mr. Zillur Rahman**, Honorable Minister for Local Government, Rural Development & Cooperatives, Government of the People's Republic of Bangladesh: *The Policy Issues*

#### Session I: Policy Framework

**Mr. Sören Häggroth**, Under-Secretary of State, Ministry of the Interior, Sweden: *Municipal Self-Government in Sweden*

**Mr. Malcolm D. Rowat**, Chief, Public Sector Modernization Unit, World Bank: *The Emerging Role of the State in Latin America and the Caribbean*

**Mr. Istvan Zsuffa**, Administrative Secretary of State, Ministry of the Interior, Hungary: *Reform Policies and Practical Solutions in the Work of Local Governments in Hungary*

**Mr. Paul Grosen**, Executive Secretary, United Nations Capital Development Fund, UNCDF: *UNCDF Local Development Funds*

**Petter Langseth**, EDI: *Capacity, Integrity and Results Orientation as the Key to Development Impact: A Case Study from Uganda*

**Mr. Francis X.K. Wagaba:** *Decentralization and local Governance: The experience of Uganda*

## **Session II: Public Service Provision**

**Ms. Marlene Fernandes,** UN Consultant, Senior advisor, Instituto Brasileiro de Administracao Municipal (IBAM): *Public Service Provision: Issues for Debate*

**Mr. Tim Campbell,** Principal Urban Sector Specialist, World Bank: *Innovations and Risk Taking. The Engine of Reform in Local Government of LAC*

**Ms. Teresita Bonoan,** Director of Community Health Services, Department of Health, Philippines: *Cases in Country Capacity Building. Partnerships in Community Health Development (PCHD)*

**Mr. Carl Wright,** Director, Commonwealth Local Government Forum (CLGF): *Commonwealth Local Government Forum (CLGF)*

## **Session III: Management of Local Government**

**Ms. Itoko Suzuki,** Chief, Governance and Public Administration Branch, DDSMS, United Nations Secretariat: *Improving Local Governance: Emerging Institutional Patterns and Management Tools*

**Mr. Nathaniel Nuno-Amarteifio,** Mayor of Accra, Ghana: *Local Government Administration in Ghana*

**Ms. Elena Lento,** City Manager, City of Hämeenlinna, Finland: *Towards Democracy and Efficiency on the Local Level*

**Mr. Arne Svensson,** Swedish International Services/Professional Management AB, Sweden: *Commitment Quality Management*

**Ms. Josefa Edralin,** Coordinator, UN Centre for Regional Development: *Local Governance and Capacity-Building: A Strategic Approach*

#### **Session IV: Fiscal Management**

**Ms. Margot Wikström**, President, Swedish Association of Local Authorities, Sweden: *Fiscal Management in Swedish Local Authorities Resources and Control*

**Mr. Janis Bunkss**, Member of Parliament, Latvia: *Fiscal Management Reform Experience in Latvia*

**Mr. Gunnar Pihlgren**, Senior Advisor, Swedish International Development Cooperation Agency, Sweden: *What Determines When the Public or the Private Sector Should Provide Goods and Services*

#### **Session V: Mobilization of Civil Society**

**Mr. Ismail Ali Ismail**, Economic Commission for Africa, Ethiopia: *Mobilization of Civil Society. An African Perspective*

**Mr. David Mammen**, President, IPA, UN Consultant, New York: *Mobilization of Civil Society*

**Mr. George W. Matovu**, Municipal Development Programme for Sub-Saharan Africa Eastern and Southern Africa Regional Office: *Mobilization of Civil Society: Challenges for Municipal Authorities*

**Mr. Manuel Sevilla**, Urban Finance Specialist, World Bank: *The Experience of EDI-World Bank Strengthening the Process of Decentralization in Anglophone Africa and Latin America*

**Ms. Evalisa Birath Lindvall**, Vice President, The Federation of Swedish County Councils, Sweden: *Mobilization of Civil Society. Cases from Sweden*

**Mr. Ricardo Neves**, National Coordinator, Local Initiative Facility for Urban Environment (LIFE), Brazil: *Local Initiative Facility for Urban Environment (LIFE Programme), (United Nations Development Programme)*

**Ms. Mary Kibogoya**, National Coordinator, Local Initiative Facility for Urban Environment (LIFE), Tanzania: *LIFE Programme and Local Governance in Tanzania*

**Mr. Alexandros Yannis**, EC Special Envoy, European Commission, Somalia Unit, Nairobi, Kenya: *Administrative decentralization, empowerment of the civil society and the peace process in somalia: the experience of the European Commission in Somalia*

**Mr. Allan Rosenbaum**, Director, Institute for Public Management and Community Service,

Florida International University: *Mobilizing Civil Society through Government Action:  
Lessons Learned from Two Case Studies in Paraguay A Preliminary Assessment*

## APPENDIX C

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