

The Effect of Centralization of Fiscal Powers on Developmental Activities of the Okavango Regional Council

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DECLARATION

I, the undersigned, hereby declare that the work contained in this assignment is my own original work, and that I have not previously in its entirety or in part submitted it at any University for a degree.

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SUMMARY

This theoretically guided qualitative and quantitative study aims at investigating the extent to which centralization of fiscal powers in the Namibian State has been detrimental to development activities of the Okavango Regional Council. A further aim is to make recommendations and suggest balanced inter-governmental fiscal relations between central and regional governments in Namibia.

The significance of this study lies in the fact that, since the abolition of homelands in Namibia by the incumbent government in the 1990s, no comprehensive study has been carried out to analyze the socio-economic implications of such centralization of powers by central government.

The study demonstrates that the degree of autonomy afforded to regional governments in Namibia stagnates their role as socio-economic development agents/facilitators. The study also examines the causes of disparities between central and regional governments. Important among the causes is the legal framework, which does not specify a fixed sharing formula.

A number of corrective measures are suggested by the study. Among these measures are the decentralisation of functions that can be efficiently performed by regional governments, assignment of taxes to regional governments and amendment of existing legislation to allow for a balanced inter-governmental relations policy. The study further suggests that decentralization of functions to regions needs to be carefully planned and implemented because to lack of resource endowment and experienced personnel in the regions.

OPSOMMING

Hierdie teoreties-gefundeerde kwalitatiewe en kwantitatiewe studie is daarop gemik om te bepaal tot watter mate die sentralisering van fiskale magte in die Namibiese regering 'n nadelige effek op die ontwikkelings-aktiwiteite van die Okavango Streeksraand gehad het. Nog 'n doelwit (van die studie) is om aanbevelings en voorstelle te maak vir die daarstelling van gebalanseerde inter-regeringsverhoudings tussen sentrale- en streeksowerhede in Namibië.

Die waarde van hierdie studie lê in die feit dat, sedert die afskaffing van tuislande in Namibië deur die huidige regering in die 1990s, geen omvattende ondersoek nog gedoen is om die sosio-ekonomiese implikasies van so 'n sentralisering van magte deur die sentrale regering te ontleed nie.

Die studie dui aan dat die mate van selfbestuur wat aan streeksowerde in Namibië toegeken is, hulle rol as die agente/fasiliteersders van sosio-ekonomiese ontwikkeling kniehalter. Die studie ondersoek ook die oorsake van die verskille wat tans tussen sentrale- en streeksowerhede bestaan. Een van die hoofredes hiervoor blyk te wees die feit dat die bestaande resraamwerk/statutêre nie 'n vaste formule (vir die deling van mag) bepaal nie.

'n Aantal korrektiewe maatreëls word deur die studie aan die hand gedoen. Die aanbevelings sluit onder andere in maatreëls om dié funksies te desentraliseer wat effektief deur streeksowerhede gedoen kan word, die toekenning van belasting aan streesowerhede en die wysiging van bestaande wetgewing om voorsiening te maak vir 'n gebalanseerde inter-regeringsverhoudingsbeleid. Die studie beveel verder aan dat die desentralisering van funksies na streke noukeurig beplan en geïmplementeer moet word in die lig van 'n gebrek aan middele en ervare personeel in die streke.

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CHAPTER 1

GENERAL INTRODUCTION AND OVERVIEW

1.1 INTRODUCTION

Namibia has been experimenting with different forms of inter-governmental relations for a number of years. Many of these relations took place within periods of considerable political, economic, and social upheaval. Local Government and Administration can be traced back to the German colonial times. Even after the end of the German rule, the tradition of centralized administration was still evident. Windhoek was the seat of the German Administration, and it continued to serve the same role even with subsequent governments.

During the South African colonial rule, local government and administration was reformed to suit South Africa's political interests. It had to comply with the South African imposed policy of separate development according to ethnic and racial criteria (Töttemeyer, 1999:6; Simon, 1996:2). This policy was based on the Odendaal Report, and its aim was to afford the inhabitants of the then homelands the right to self-determination. The homeland system, however, deprived the majority of the population from participating in matters that affected their lives. This was particularly the case among the black population, as there were no properly instituted local governments in the homelands.

After independence, the elected government had to find a lasting solution to the question of homelands. Namibia's first constitution was adopted in 1990, and it instituted a three-tier government structure, comprising a central government, regional councils, and local authorities. Article 102 of the Constitution states that for the purpose of regional and local government, Namibia will be divided into regional and local authorities, which will be governed by elected councils.

The first delimitation commission was appointed in 1990 to demarcate Namibia for the purpose of regional and local governments. This process involved extensive consultation with individuals, organizations and local communities. After consultation, the country was divided into thirteen regions. The most important criteria were infrastructure, accessibility, sense of community and regional identities, the linking of commercial areas, territorial coherence and development

1.2 BACKGROUND

In 1992, fundamental changes in terms of regional politics, were brought about, by the passing of the Regional Council Act (No. 22 of 1992), in Parliament. Inhabitants of the regions elected regional Councillors for the first time in 1993. However, these changes did not have much impact on inter-governmental fiscal relations. The decentralization of political powers was not matched with financial powers, and consequently, regional structures became extensions of central government. Table 1.1 shows a list of development indicators for each region. Khomas region, being the seat of central government, is the most developed of them all. The Okavango, Caprivi, Ohangwena, Omusati, Oshana and Oshikoto regions are the least developed regions.

Table 1.1 Development Indices for Namibia

Human Development Index (HDI)

Human Poverty Index (HPI)

Region	Life Expect.	Adult Literacy	School Enrolment	Income N\$	Adjusted Income	HDI 1999	Non-survival	Illiteracy	Under Weight	Unsafe Water	No Health Facilities	Nutrition Water + Health	Over 80% income on food	HPI 1999
	1	2	3	4	5	6	1	2	3a	3b	3c	3	4	
Caprivi	39.8	75.4	85.7	1,598	3,249	0.468	46.8	24.6	8.4	34.1	42.0	28.2	7.0	32.0
Erongo	57.7	88.5	80.7	5,423	3,787	0.670	22.4	11.5	4.6	0.3	27.0	10.6	7.1	15.3
Hardap	50.7	80.7	81.0	5,945	3,828	0.621	31.6	19.3	13.9	4.4	43.0	20.4	4.7	22.8
Karas	51.2	88.6	80.5	6,655	3,878	0.649	30.9	11.4	16.7	0.2	43.0	20.0	4.1	21.4
Khomas	56.2	94.0	87.0	11,359	4,113	0.730	24.1	6.0	18.5	0.2	17.0	11.9	1.1	15.8
Kunene	55.5	64.3	75.3	2,202	3,391	0.540	25.0	35.7	4.2	13.7	47.0	21.6	11.3	26.3
Ohangwene	52.4	76.0	85.4	1,070	3,073	0.546	29.2	24.0	13.8	61.0	64.0	46.3	9.9	32.6
Okavango	49.2	73.1	84.3	1,763	3,293	0.520	33.6	26.9	17.8	46.8	38.0	34.2	19.6	29.7
Omaheke	53.8	64.0	71.1	3,944	3,647	0.564	27.2	36.0	4.9	5.6	89.0	33.2	25.1	31.0
Omusati	52.0	82.5	91.8	1,452	3,207	0.553	29.6	17.5	9.0	68.3	38.0	38.8	9.0	28.1
Oshana	53.1	85.4	93.3	1,922	3,331	0.585	28.3	14.6	15.5	25.0	54.0	31.5	5.5	24.3
Oshikoto	49.1	81.9	84.6	1,680	3,272	0.556	33.7	18.1	16.2	28.3	68.0	37.5	9.0	29.0
Otjozondjupa	50.1	72.0	71.4	3,659	3,614	0.603	32.3	28.0	5.6	1.8	52.0	19.8	10.8	25.3
NAMIBIA	52.4	81.0	85.0	3,608	3,608	0.603	29.2	19.0	12.0	23.1	45.0	26.7	8.7	23.4

Source: UNDP, Namibia Human Development Report 1999.

Mbaeva (1993:11) maintains that striking an acceptable and well-balanced fiscal policy between central and regional governments has always proved to be a problematic exercise in both developed and developing countries. This problem is mostly prevalent in Africa where economic, political and social goals often compete against each other for scarce resources. In most cases, the cause of the problem is not only limited resources for distribution, but also lack of tradition in regional governments. This could be attributed to political leadership, which values political goals at the expense of economic development. In some other cases, short-term objectives do not complement medium and long-term goals. The long-term effects of neglecting development of regions are socio-economic problems such as unemployment, an alarming rate of population growth.

In Namibia, the disparities between central and regional governments are a potential source of threats to stability. Töttemeyer (in Blaauw and Nias, 1997:5) in his analysis of achievement and failures of Regional Councils in Namibia states that:

“The lack of sufficient revenue, the lack of proper infrastructure like transport, offices, human resources and dependence on the Ministry of Regional and Local Government and Housing were most mentioned as the main obstacles to proper regional government. Councillors feel that they are rather regional messengers than being regional governors”.

A sense of lack of recognition among regional councillors defeats the purpose for which regional governments were created. Citizens are no longer passive recipients of goods and services engineered by political elite and technocrats, hence the demand for transparency, good governance and accountability in regional governments.

Regional Councils, as democratic representatives of the people in the regions, should be properly financed. This would enable them to serve as vehicles for the political and economic empowerment of local people. In addition, a financing system, which meets the resource needs of Regional Councils, would alleviate the problems associated with unbalanced development.

It is indeed a challenge to ask what the problems of inter-governmental relations are, and why the financing of regional governments is a cause of concern in Namibia. In 1998, under-development in the regions was mentioned by some people as the main cause of regional problems. These problems include a

secessionist movement in the Caprivi region, mass exodus of the San people to Botswana and a low poll in the 1998 regional elections.

Regional Councils have frequently voiced their concerns regarding the lack of effective powers and resources allocated to them for carrying out their functions. Contrary to their views, central government blames poor performance in the regions on the Regional Councils. Simon (1996:31) states that, "there is a sense of disappointment verging on frustration at what is seen to be hesitancy and underachievement on the part of most, if not all regional councils. The then Minister of the Ministry of Regional, Local Government and Housing, Hon. Dr. Libertine Amathila, has frequently chided the regional councils publicly and expressed similar sentiments... Her view was that the functions allocated to them were appropriate and intentionally modest to start with. Their resources were also broadly adequate for their present functions although the situation will improve once property rates start to flow from new towns being proclaimed in the communal areas".

There are mixed feelings regarding the cause of the poor performance of Regional Councils and the effect of the centralization of fiscal powers in central government. The current distribution of powers has had a detrimental effect on development activities of most regional councils. Many people feel that some fiscal powers should be decentralized to allow meaningful participation in the regions.

1.2 PROBLEM STATEMENT

The current centralization of fiscal powers in central government leads to limited investment, unemployment, poverty, fiscal deficits and deteriorating quality of service in the Okavango region.

1.3 HYPOTHESIS

The working hypothesis of this research paper is that centralization of inter-governmental fiscal powers hampers socio-economic development of the Okavango Regional Council. Decentralization would facilitate different kinds of development programs of the Council.

1.4 OBJECTIVES OF THE STUDY

The objectives of this study are to:

- investigate the extent to which centralization of fiscal powers is detrimental to development activities of the Okavango Regional Council;
- analyse the position of regional councils within the Namibian state with special reference to the Okavango Regional Council;
- review literature so as to establish international and Namibian views on inter-governmental fiscal relations;
- make recommendations on corrective measures to be taken in order to alleviate the problem of underdevelopment of not only the Okavango Regional Council, but also other councils;
- suggest balanced inter-governmental fiscal relations between central and regional governments in Namibia; and
- assess the possible impact of decentralization on fiscal policy.

1.5 METHODOLOGY

In order to address the above objectives, the research uses instruments such as literature reviews, structured interviews, and questionnaires to gather data. Literature review is an on-going process, and it helps the researcher to conceive the research topic in a way that permits the clear formulation of a problem and the hypothesis (Bless and Higson-Smith, 1995:22). Literature review on systems used in other countries was undertaken.

Fifty questionnaires were distributed to respondents. Ten questionnaires were administered to randomly selected individuals in each of the identified categories of organizations and individuals. These categories include staff members of the Okavango Regional Council, Government Ministries, Rundu Town Council, Prominent Individuals, Residents and Non-Governmental Organizations.

Qualitative and quantitative data was analysed to achieve the objectives. Van der Merwe (in Galbers, 1996:282-283) argues that quantitative research methodology lends itself to the description of opinions and attitudes and to gauging the effect of one event or variable on another. Qualitative methodology on the other hand, includes direct observation, an overview of different documents and artifacts, participant observation and open-ended unstructured interviewing.

1.6 CLARIFICATION OF CONCEPTS

Some key concepts that will be referred to in this research paper are subsequently clarified:

- Centralization:

Centralization will mean the concentration of power and authority within a central unit or organization, i.e. central government (Fox and Meyer, 1995: 19).

- Decentralization:

Decentralization refers to devolution of powers to allow a sub-national level entity to act according to its own discretion within certain prescribed limits – and to do so through officials appointed by itself (Töttemeyer, 1999:26).

- Fiscal powers:

The term fiscal powers will mean authority to collect and spend public revenue (Allen, 1990:442).

- Inter-governmental Relations:

The term Inter-governmental Relations will be used in this paper to refer to the fiscal and administrative processes by which higher units of government share revenue and other resources with lower units of government, generally accompanied by special conditions that the lower units must satisfy as prerequisites to receiving the assistance (Fox and Meyer, 1995: 33).

- Regional Councils

The term Regional Council refers to a regional legislative body established in terms of section 2 of the Regional Councils Act, 1992 (Act 22 of 1992). Regional Councils are ... intermediate bodies between central government and local authorities (Töttemeyer, 1999:23).

1.7 SUMMARY

Participation of local people in regional development is of cardinal importance to the socio-economic development of the whole country. If this aspect of development is neglected, unequal distribution of the country's resources will continue to be a threat to democracy. Citizens in the regions must participate in initiating, implementing, and evaluating policies by electing councillors to represent their interests.

This is not only in line with democratic principles, but (seemingly) would also put Regional Councils in a better position to render essential public services. They provide the needed link between central government and the citizens. This is a strategic position for Regional Councils, to be able to serve as engines for economic, social and political development in a country.

However, the role of Regional Councils as development agents can only be achieved if they have adequate human, material and financial resources. The much needed resources include finances, skilled and knowledgeable human resources, and the power to be able to make important decisions on a regional level. Central government should be committed to the values and spirit expressed in the Constitution regarding regional and local governments, as regional development fits well in a country's macro-economic objectives. Similarly, regional Councils should be able to assess the needs, demands and expectations of the people in the regions and meet them with minimal resources.

The current degree of autonomy afforded to regional government in Namibia is not conducive to their development. In the case of the Okavango Regional Council, centralization of inter-governmental fiscal powers has had a detrimental effect on the development programs of the council. The council's spending on capital projects is hampered, and its ability to raise adequate revenue has been negatively affected, therefore corrective measures are a matter of urgency and priority.

The problem of unbalanced inter-governmental relations is not unique to Namibia; other countries elsewhere have gone through similar hardships in trying to achieve equity in distributing resources. It is thus important to share experiences and ideas that have worked in other parts of the world. The experiences of other countries however, need to be adapted in order to be applicable to Namibia. Chapter 2 will provide an analysis of inter-governmental relations with specific reference to delegated powers and fiscal relations in other parts of the world.

CHAPTER 2

LITERATURE REVIEW

“The problems of public programs are political, administrative, legal, constitutional, practical, theoretical, social, economic, ideological – all joined and scrambled in ways that make it difficult to specify the shape and scope of the problems. These are problems of inter-governmental relations”. (Dwight Waldo)

2.1 INTRODUCTION

In the preceding chapter, attention was paid to the significance of a well-balanced system of inter-governmental relations for the even distribution of proceeds harnessed from a country's resources. In addition, an analysis of the history and problems of inter-governmental relations in Namibia with special reference to the Okavango Regional Council was undertaken.

A wealth of literature on inter-governmental relations in Namibia, particularly on regional governments, is still lacking. In a situation where there is little written information, research becomes difficult as the relations between the tiers of government are shaped by each country's history, administrative, legal, socio-economic and political realities. This is demonstrated by the fact that centralization of inter-governmental powers has worked well in some countries but not in others.

Many authors in the field of Public Administration have advanced arguments in favour of and against both centralization and decentralization of inter-governmental relations. This chapter looks at inter-governmental relations and centralization of powers in general. In addition, decentralization is explained as an alternative to a centralized system of inter-governmental relations.

2.2 INTER-GOVERNMENTAL RELATIONS

The relations among the different tiers of government are crucial to effective service delivery in any country. The nature and scope of inter-governmental relations determines to a larger extent the involvement of regional governments in development activities.

In his classification of relations among governmental bodies, Norton (1994:51) identifies three categories. Firstly, there are relations concerning the exercise of power: delegation and constraint imposed by one level on another, typically by a national or federal state on local authorities by law and regulation and under executive discretion. The converse of this is the scope for free autonomous action available to a lower-level authority. Secondly, there are financial relationships, in particular transfer of financial and other resources and their conditions. Finally, there is influence by means of advice, by the provision of information or by persuasion as opposed to the exercise of mandatory power. In order to be focused, this analysis will concentrate on the first two categories of relationships.

2.2.1 Power Relations

Power relations among governmental bodies are a constitutional matter. The constitution provides for the creation of an internal hierarchical structure. Structures of most states in modern times can be said to comply with what Montesque referred to as “Trias Politicas”. Most constitutions make provision for horizontal and vertical separation of power.

Horizontally, central government is divided into three branches i.e. the Legislature, Executive and Judiciary. Vertically, government is divided into three tiers, i.e. central, regional and local governments. This organizational arrangement of the state aims at maintaining accountability by means of checks and balances to prevent the abuse of power. In this structural arrangement, no governmental body can function independently and without due regard to the functions and activities of others. All governmental bodies are characterized by an extensive internal network of interdependent vertical and horizontal relations (Hattingh, 1986:83). The vertical relations are that of control, i.e. central government, exercises authority over the regional and local authorities; regional governments exercise authority over local authorities. The hierarchical structure of the state raises the question of power, particularly in a unitary state. In a unitary system of government, the legislature

establishes the relations of power among the tiers of government. In terms of article 108 of the Namibian Constitution, regional councils are established:

- (a) to elect members to the National Council;
- (b) to exercise within the region for which they have been constituted such executive powers and to perform such duties in connection therewith as may be assigned to them by Act of Parliament and as may be delegated to them by the President;
- (c) to raise revenue or share in the revenue raised by Central Government within the regions for which they have been established, as may be determined by Act of Parliament; and
- (d) to exercise powers, perform any other functions and make such by-laws or regulations as may be determined by Act of Parliament.

In a system where a superior body determines the authority of a lower body, the extent to which power is delegated becomes important. In the case of regional governments, adequate powers are needed for them to be able to realize their objectives and functions within their respective areas of jurisdiction. This is particularly true, as power is a source of influence, the possession of which is significant for mobilization of resources for development. Regan (in Hattingh, 1986:97) maintains that the contest of governmental power relations, *inter alia* refers to the possession by one or more governmental bodies of facilities which other governmental bodies require to achieve their objectives. Such facilities may include one or more of the following: funds, authority, political support, information, the ability to exercise authority and any other facility (such as expertise) required by another body. If a governmental body does not have the resources it needs to implement its programs, it becomes dependent on other bodies.

An interesting aspect of a dependent governmental body is the narrow scope of discretion as a result of lack of facilities. This dependency could lead to the inability to respond adequately to the needs of the local population. A study by the Advisory Commission on Inter-governmental Relations in the United States focusing more specifically on the states' use of mandates in dealing with local governments, found a strong correlation between a state's political affluence and a high tendency to issue mandates to its localities. The competitiveness of a state's political parties and a high quality of state public administration were also found associated with a state's propensity to issue mandates to local government (Henry, 1989:376). This means that councils dominated by councillors from the same political organization will not be able to effectively exercise critical self-evaluation,

and may not be able to speak out about their lack of resources due to party discipline.

A question that could be asked is over what proportion of public resources should regional governments have some control in order to be effective and efficient, and how much in order to have power to implement their programs? Davey (1983:7) argues that political leadership at any level is bound to struggle for a sufficient degree of control over a sufficient level of resources to maintain its power base, to distribute expected benefits to those upon whose support it depends, to ensure compliance with its ideology and its policy objectives. This struggle could take a different form where the needs of the community are enormous and resources limited. The section that follows will attempt to provide an answer to this question, as it discusses the assignment of functions to different tiers of government.

2.2.2 Fiscal Relations

Another category of inter-governmental relations are the fiscal relations among different levels of government. Ghandi (in Roy, 1995:40-41) states that inter-governmental relations are governed by five important parameters which are:

2.2.2.1 Expenditure Responsibilities

Expenditure responsibilities refer to what level of government (central, provincial or local) will be responsible for which public expenditures and which public services? The answer is often the result of historical, constitutional, and social developments in a country.

2.2.2.2 Tax Assignments

Tax assignments refer to what level of government (central, provincial or local) will have the right to levy, collect, and retain which categories of taxes, and what will be the methods of their collection and administration? This too is frequently the consequence of historical, constitutional, and other factors.

2.2.2.3 Fiscal Imbalances

Given the established expenditure responsibilities and tax assignments, and varying cost structures of public services (due to demographic factors and urbanization) and taxable capacities (due to resource endowments and degree of industrial

development), different levels of government can end up with either fiscal surplus or fiscal deficits.

2.2.2.4 Availability of Financial Alternatives

A level of government facing fiscal deficits may truly have financing alternatives. Among others, these may include transfers from other (usually higher) levels of government in the form of revenue sharing (fixed proportions of revenue fields of certain taxes), grants (specific purposes or general grants, tied or untied grants, matching or non-matching grants, conditional or non-conditional grants, open-ended or closed grants), or subsidies.

According to Ghandi, other alternatives may include financing deficits through borrowing from banks, other financial institutions, and the public at large and even higher levels of government. Where none of these financing alternatives are available, the levels of government with fiscal deficits must either curtail their public expenditures and lower the levels of public services, or raise additional revenues from their “own” tax bases and other non-tax sources.

2.2.2.5 Institutional parameters

Ghandi thinks that ‘institutional parameters’ firstly refers to the degree of autonomy and independence that governments enjoy in planning for and administering the public expenditure given to them, as well as levying or raising taxes assigned to them without either interference or support from other levels of government. Secondly, it refers to the freedom to grant tax reliefs or expenditure subsidies with “own” resources to entice enterprises and businesses from other jurisdictions. Thirdly, it refers to the rules of contracting and purchasing for the provision of public services from “own” revenues.

In allocating expenditure responsibilities and tax assignments to different levels of government, it is worth noting that some functions can be more effectively performed by central government than by regional government and vice-versa. The criterion in determining whether a function should be assigned to central or regional and local government is to determine the nature of the function or goods. Musgrave (in McLure, 1993:2) distinguishes three functions, i.e. stabilization, redistribution of income and allocation of resources. The stabilization function involves maintaining high employment and stability function. Common instruments used here include income taxes on consumption. The distribution function includes tax

policies such as corporate income taxes, individual income taxes and estate and gift taxes.

Goods provided by government can be classified into three categories, namely public goods, semi-public and simulated goods (Wilson, 1984: 3). Public goods are goods that can be consumed by one person without diminishing the consumption of the same good by another (called non-subtractability) and where exclusion of potential consumers is not feasible (called non-exclusion) (Bish, 1983: 27). For example, national defense is a good that is available to every citizen in a country. There is no effective way of excluding anyone from the benefits and thus no way of making its consumption conditional upon recipients being willing to pay an appropriate contribution. The provision of these of goods should be the concern of the central government.

In the case of semi-public goods, consumers in a specific area, for example a region, enjoy their benefits. Wilson (1984: 4) states that the benefit of these goods is derived, if not exclusively at least predominately, by those living in a particular locality within the nation e.g. city streets, roads, recreational parks and water drainage. The provision of these goods should be the responsibility of regional governments because inhabitants of a specific region mostly enjoy their benefits.

Simulated goods differ from public goods in the sense that a person in the relevant area can be excluded from the benefits. Bish (1983: 27) maintains that ... exclusion is feasible because the goods can be packaged and sold on the private market. Unlike public goods, these goods can be supplied through the market with charges voluntarily met at the time of use, e.g. refuse removal (Wilson, 1984: 4 and McLure, 1993: 4). The provision of these goods should be the concern of local authorities because they are more responsive to the needs of the community.

There are reasons to support the argument that public goods should be the concern of central government but not regional governments. The central reason is that central government is responsible for distribution and stabilization policies in the country. In addition, Wilson (1984:16-17) advances the following reasons:

Firstly if the authorities in some areas follow particularly egalitarian policies, they may drive away their more prosperous citizens and attract poorer citizens who hope to benefit from those policies. In so far, then as the authorities in these areas depend on revenue which they raise themselves, they will be penalized because their tax base will be weakened (Ehdaie, 1994:3).

Secondly, preferences differ geographically and therefore are better reflected in the use of more resources when representative government is decentralized. Local and regional governments will be better acquainted with the local and regional scene and better able to assess what people want and thus they will faithfully respond to their needs.

When designing an inter-governmental fiscal relations policy for a country, it is important to ensure that it is well balanced. This is because fiscal inter-governmental relations could negatively affect economic growth in a country. Ghandi (in Roy, 1995; 4) explains that growth could be negatively affected in the following ways:

Firstly, the tax system could encourage a significant migration of the resources of either labor or capital between resources and localities.

Secondly, the achievement of macro-economic stability could be problematic if the central government were not given the responsibility for those categories of public expenditures that could be adjusted reasonably quickly through the course of the business cycle.

Thirdly, the equity in the fiscal system could be greatly impaired if redistributive taxes (the personal income tax, wealth and inheritance taxes) and redistributive expenditures (social welfare expenditures) were heavily assigned to sub-national governments rather than to the central government.

Finally, growth prospects would be impaired if provincial and local governments were assigned the responsibility for taxes on those essential raw materials and natural resources that happened to be located in their geographical locations, and if they also sought to levy excessively high tax rates on such resources.

2.3 CENTRALISATION

In Namibia, the abolition of administrative structures which existed before independence was seen as the most effective way of promoting national unity and reconciliation among people who were divided by South Africa's policy of apartheid. This however is not new, as the tendency of central government to take over the functions of lower levels of government is an old phenomenon. Hattingh (1986:13) thinks that these attempts are motivated by the pretext that the high level authority is capable of implementing a particular task more efficiently, that the

subordinate authority is shirking its duty or that the central government's policy is being thwarted. The reasons for centralization will differ from country to country because of peculiar socio-economic and political circumstances prevailing in each country.

There are a number of documented cases in other parts of the world where functions of local governments were taken over by central governments. In Britain for example, Norton (1994: 353) attributes the loss of functions in the 1930s from local government to central government to local governments' political weakness, low weight given to local autonomy and control, and the belief that most of the existing local authorities did not provide an efficient means of implementing new reform programs. The loss of functions has negative implications for the financial position of regional governments as many of them depend on financial transfers from central government.

The transfer of functions from lower level governments to central governments leads to erosion of financial discretion on the part of the former. If these lower level governments depended on revenue which they raise themselves they would face problems such as a limited tax base, lack of additional sources of income, fiscal deficits and reduction in the quality and quantity of their services. Shah (1994:1) states that strong emphasis on central planning in developing countries impedes innovative responses to local issues by local governments and stymies private sector development.

There are many reasons why governments centralize authority. The degree of financial discretion afforded to regional governments in relation to different types of expenditure is determined by a variety of factors such as:

2.3.1 Political and Administrative Factors

In Africa and many other parts of the world, demarcation of international boundaries did not consider ethnicity. Many countries in Africa are nations within nations; consequently, national governments grapple with strong regional rivalries. Contrary to the famous theory of 'the higher the level of education the lower the incidence of ethnicity', Davey (1983:123) observes that the strains of regional discontent are a common phenomenon from Brittany, Quebec, or Scotland to the Basque, the Southern Sudan, or Kurdistan. Regions with strong ethnic or cultural identities feel that they are deprived or exploited through contributing more to national economy than they derive from it, while being excluded from power at the

centre and from the benefits of major investment. Alienation threatens economic and political stability with terrorism or civil war as a threat or a reality.

The late 1990s have witnessed secessionism looming in Namibia, Zambia and Russia. When faced with these problems, what can national governments do? Centralization is sometimes seen as the inevitable response to political instability and to the crisis of the urban areas experienced in many industrial states (Smith, 1985:83). In order to promote national unity and integration, many governments opt for centralization of power to control potential regional dissidents.

Another important factor contributing to centralization of powers is the administrative capacity of many regional governments. Sharpe (in Smith, 1985:82) states that within government there are built-in pressures for further expansion and growth. Such growth is said to benefit the central institutions of government at the expense of the local. In the case of the Okavango, the council without assistance from elsewhere due to the lack of technical expertise cannot carry out important public works. Functions can only be delegated to regional governments if they have the required competencies to carry them out. There are several reasons why regional governments may lack qualified personnel. Davey (1983) identifies the following reasons:

- Regional authorities may be unable to compete for qualified manpower if it is in short supply, if their pay scales and promotion prospects are unfavourable, or if professionals are deterred from regional services by local lack of amenities or arbitrary political control;
- If regional authorities are representative bodies governed by elected assemblies, they should, in theory, be as much accountable as the central government itself, or even more so perhaps, in view of their greater closeness to the electorate, and there can be no justification for paternalistic central control to ensure integrity or responsiveness; and
- Any national regime is likely to harbor aspirations or ideological goals, which it would like to see pursued in functions performed by regional governments.

2.3.2 Economic Factors

Government has an important role to play in the national economy. Adam Smith (in Roux, 1996:35) stated that it is the duty of the state to protect its subjects against foreign enemies, to maintain law and order and to provide and maintain essential public works and institutions such as roads and schools. In modern times, governments have expanded their role in the economy with the view to maintaining

a favourable balance of payments, economic growth, and control of inflation and unemployment. In so doing, the powers of central governments relative to regional and local governments are strengthened. Duchacek (in Smith, 1985:82) states that state action for planning and welfare involving projects and services beyond the financial and technological means of territorial communities, 'results in a formidable increase in the number and power of national administrators'.

In pursuing its macro-economic objectives, central government affects regional financial discretion in two important ways. In the first case, central government may seek to influence regional behaviour in the interest of macro-economic regulation, such as the restraint of inflation or the attainment of a favourable balance of payments. This, however, limits the financial choices available to regional governments. De Villiers (1992:29) argues that the power of the centre to initiate economic development on a national level, to eradicate disparities between regions, to assist in the development and creation of an infrastructure, to control financial spending and broaden economic policy, to acquire new financial resources to encourage development by means of loans and grant-in-aid, inevitably, increases its importance in the centre-region relationship. Regional governments particularly feel this power where approval is needed from a central government ministry by the former to borrow funds from money lending institutions.

In the second case, central government, in pursuing its economic objectives, prescribes to the regional governments on how to spend their funds. Davey (1983:126) identifies four types of strategies that lead to detailed prescriptions of regional government spending:

The first strategy is the economic planners' classical emphasis on saving as opposed to consumption. Conversely, central government may seek to restrict regional expenditure on social services and welfare in an attempt to channel as much public expenditure as possible into production programs and supporting infrastructure or to hold down tax levels to stimulate private investment.

A second strategy is the setting of national production targets for individual commodities in the interests of import substitution or export promotion. These are desegregated into regional targets and translated into detailed directions to regional governments to furnish the inputs, credit, transportation, seeds, fertilizers, pesticides, warehousing, etc, which are calculated to produce the required level of output.

A third policy direction is the basic needs approach, which involves the setting of national targets for the provision of services at a minimum level to all sections of the population. Countries pursuing this strategy commit themselves to the provision of basic services to their population. Examples of these national targets are: provision of six years basic education for all children, forty litres of portable water for each urban resident per day, or a primary health centre for every ten thousand inhabitants.

Fourthly, the application of regional planning theory has led to many detailed prescriptions aimed at attaining a particular geographic distribution of human settlement with appropriate levels of service and infrastructure. Cities, towns, market centres and villages are identified as capable of providing a centralized role in the provision of services to a population of a given size within a given radius.

2.3.3 Functional Planning factors

An important aspect of national planning is the setting of norms and standards of outputs to be achieved in a given year (s). These standards are cascaded to the lower levels of government for implementation. According to Davey (1983:127) as part of its functional planning, central government affects regional governments' discretion in the following ways:

Firstly, government can prescribe a minimum level of service, a level that all regions must attain but some may, at their will, exceed. The minimum level may pertain to the output or to the standard of service provided. Where output cannot be defined satisfactorily, a minimum level of expenditure may be set, prescribing an expenditure of x per cent of capital cost on annual building maintenance.

Secondly, a standard level may be prescribed, i.e. a uniform level, which must be attained and must not be exceeded. Again this may pertain to the level of service provided, defined by output. All school children shall receive one free vaccination against polio.

Thirdly, a maximum level may be prescribed to avoid extravagance, a limit that must not be exceeded, but need not be achieved. Once again, the level may describe the standard of a service (e.g. no public buildings under four storeys to have lifts).

2.3.4 Uniformity and Diversity

Resources are available in smaller quantities and needs are unlimited. Few governments, developed or developing, central or regional, have the resources they need to provide their citizens with all services that might be regarded as essential to the development of a country or region. This is where planning can be of utmost importance in deciding what to provide or what not to provide. Choices between competing alternatives that can provide an efficient mix of goods and services become crucial. In this regard, Davey (1983:128) makes two distinctions:

The first distinction relates to what economists would describe as the externalities of a service, the effect of its provision or non-provision in a particular region upon the rest of the country. Bish (1983: 22) states that externalities are the results of an economic action that affect parties not directly involved in the transaction. The effects may be either beneficial, referred to as positive externalities or spillovers, or harmful, referred to as negative externalities. An example of a positive externality is the increase in the value of a property that the owner derives from the improvements of property by his neighbors. On the other hand, lack of pest control in one area that can be injurious to its neighbors, is a negative externality. It therefore follows that, services with characteristics of externalities should be provided by central government.

The second distinction relates to the levels of priority. Some services may be regarded, as meeting human needs which are so basic that they must be provided across the whole country without discrimination. Equality not only enlarges the activities of the centre at the expense of the localities, it requires that the standards of administrative performance by area governments are territorially equal (van Putten (in Smith, 1985:81). For the people of region A to enjoy secondary schooling or adequate drinking water, but not those of region B, might be seen as positive social injustice. Central government, being responsible for distributive and stabilization policies, should provide these services to all inhabitants of a country in order to promote equity.

2.4 DECENTRALISATION

“We consider that if central power has served national unity in the past, it now harms it” (1976 France Socialist party Manifesto)

An alternative to a centralized system of financing and provision of public goods is decentralization. The 1990s have witnessed the importance attached to reforming public administration in both developed and developing countries. These reforms have included the political, administrative and economic systems with a view to promoting efficiency and responsive service delivery of government institutions.

The reform wave has been motivated by a number of factors. Among these factors are the internationalization of global values, the collapse of the Soviet Union and pressures from within states. With the collapse of the Communist Party's monopoly on power, the parallel structure has disintegrated to varying degrees and a new balance of power needs to be established between different tiers of government, as well as between representative, executive and judiciary bodies at each level (Hollis and Plohker, 1995:13). These reforms did not affect only the former eastern bloc countries. In France for example, the 1976 Socialist Party's subsequent election manifesto declared decentralization, local responsibility, self-government and the organization of a counter-balance to the centre as the policies which conditioned all others (Norton, 1994:125). This demonstrates how important popular participation of people on all levels of government is to sustainable national unity.

South America, particularly Argentina, has not been an exception. Yanez and Letelier (in Murphy, 1995:137) state that one of the main obstacles to the country's economic development lies in the excessive concentration of the administrative apparatus, which is reflected in the provincial offices of various ministries, and decentralized agencies that serve as mere intermediaries between the local communities and the central office in the capital. Other such manifestations are; the concentration of public investment in the capital. The practice of distributing provincial investments from Santiago without taking regional priorities into account; the lack of any connection between decisions made by the central government and aspirations of provinces and regions; the lack of opportunities to take responsibility and make decisions. This means that the creation of provincial and regional offices is not adequate in alleviating the problems associated with unbalanced inter-governmental relations. The provincial governments should be empowered in terms of resources to be able to participate meaningfully in the development process.

Many countries opted for centralization of authority with the aim of promoting unity and integration. However, experience in other countries has shown that centralization could do just the opposite. In recent times, many countries are opting for decentralization. What is decentralization and why are many countries keen on it?

2.4.1 The Meaning of Decentralization

Decentralization is often equated with concepts such as the bottom up regional approach; people-centred development; maximum participation of grass roots people; equality of opportunity and reform. Ekpo and Ndebbio (1996:2) maintain that decentralization implies that a portion of total revenue collected and expenditure be allocated to both state and local governments. A measure of decentralization is the proportion of money spent at centre vis-à-vis regions.

The essence of decentralization is to ensure wider representation of concerns and legitimate interests of stakeholders in the governance of a country. Töttemeyer (1999: 26) thinks that decentralization is based on the premise that elected regional and local officials are more acquainted with problems and demands prevailing within their domain and range, and thus lend more weight to them. In other words, regional and local officials are more likely to find practical and working solutions to local problems.

The term 'decentralization' has different meanings to different people. There is, however, a general understanding that decentralization is built by concepts such as devolution, deconcentration, delegation and privatization.

'Devolution' refers to the transference of political decision-making power from central government to regional or local governments operating within its own area of jurisdiction. This local government is politically responsible to the local population for its decisions, and is only indirectly subjected to the control of the central, state or provincial government (Kotze, 1997:25). Decentralization entails weakening the political control exerted by central government on lower levels of government. This gives regional and local governments the scope to make decisions in their areas of jurisdiction.

De-concentration of powers refers to the handing over of some administrative and implementing responsibilities to lower levels within the hierarchy of central government. The lower level authorities could include regional or local governments who act as administrative agencies of central government. Kotze (1997:25) maintains that the placing of numerous government offices throughout the country does not necessarily imply decentralization. It is the degree to which responsibility and discretion is de-concentrated which is significant. In support of this argument, de Villiers (1992: 3) states that de-concentration means that a degree of discretion is granted to field agents to plan and implement programs and projects, albeit within the guidelines set by the central government. The

determining factor here is the degree to which regional and local officials participate in decision-making.

Delegation on the other hand, means that central government transfers authority to an agent who is required to perform certain tasks, functions and duties, the agent being either officials within the same organization or other institutions. The agent thus acts under the scrutiny and supervision of the delegating authority (de Villiers, 1992:3 and Kotze, 1997: 25). In other words, the delegate is accountable to the delegating authority on how it performs the task so delegated.

Privatization as a strategy of improving services rendered by government is becoming popular in modern times. Private enterprises are known for modern management practices and efficiency; therefore certain functions that are normally undertaken by government are transferred to them. This may include professional bodies who regulate admission to an occupation, or permission to license, to produce goods or to supply services.

2.4.2 Arguments in Favor of Decentralization

The administrative, economic and political benefits of decentralization, particularly in the developing countries, are numerous. Decentralization not only facilitates the involvement of local community members with legitimate concerns in the governance process, but it also enhances the democratization process. The involvement of people on a micro-level promotes local solutions to local problems. Furthermore, decentralization leads to utilization of indigenous knowledge and skills in an effective way. Cheema and Rondinelli (in Kotze, 1997: 27) summarize several positive aspects of a policy of decentralization as follows:

- Decentralization can become an effective way of overcoming the serious limitations of centrally controlled national planning;
- Decentralization can eliminate an enormous amount of bureaucratic red tape usually associated with strictly centralized planning and management in the Third World countries as a direct result of the over-concentration of power, authority, and resources in the central government;
- Decentralizing the functions of central government and linking central to local and regional levels will necessarily give rise to an increase in the knowledge and grasp of officials concerning local problems and needs;
- Decentralization makes it possible to achieve better political and administrative “penetration” in applying the policy of the national government in remote rural areas;

- Decentralization can give rise to greater representation of a diversity of political, religious, ethnic and tribal groups in developmental decision-making which, in turn, can promote the principles of equality in the allocation and utilization of government resources;
- Decentralization can have a stimulating effect on development of more effective administrative resources among local government and private institutions;
- The efficiency of central government may increase, since it will be relieved of routine tasks which can be effectively performed by field staff and local officials;
- Decentralization can also provide valuable structures whereby the activities of a variety of central government ministries can more effectively link up and reach an accommodation with one another, as well as with the activities of local officials and non-governmental organizations in the various regions;
- Decentralization is also needed to institutionalize mass participation;
- Decentralization can, therefore, assist in neutralizing the influence on and exclusive control over development by the local elite – a form of control which is often unsympathetic towards the objectives of a national development policy and the needs of the poverty stricken masses;
- Decentralization can give rise to a more flexible, innovative and creative administrative system;
- It is also generally accepted that decentralization can also promote political stability and national unity, if those groups in different areas of a single national state are afforded the opportunity to participate more directly in development decision-making.

2.4.3 Arguments Against Decentralization

Although decentralization is well regarded by many, it has not been without its own limitations. The arguments put forward by adherents of decentralization that regional and local governments would be in a better position to identify needs, preferences and problems of the local people and meet them efficiently, raises more questions than answers. Wilson (1983: 3) states that after all, if the disillusioned assumption that politicians and bureaucrats are in rational pursuit of personal self interest is at all applicable to central government, it must have some application to local government and to state or provincial government as well. Decentralization has its own inherent disadvantages. De Villiers' (1992: 75-76) arguments against decentralization can be summarized as follows:

- It can lead to an emphasis in regional differences which may in itself threaten national unity by causing inter-regional disputes;
- It encourages duplication of institutions, services and administration which can lead to inefficiency, uncertainty about the population, and insufficient co-ordination;
- It can limit the ability of the central government to undertake national socio-economic programs. Local officials may frustrate government aims, and the equitable distribution of wealth among the different areas may become impossible;
- Successful regional governments are limited to states that have a tradition of regional autonomy, with a well developed infrastructure, highly skilled manpower and sufficient economic resources to finance the diversity;
- In modern society there is a need for national solutions to a wide range of complex problems which cannot adequately be addressed on a sub-national level, problems such as poverty, education, housing, employment, nature conservation and welfare;
- Central governments often tend to decentralize responsibilities without decentralizing the financial means to meet the rising expectations;
- Privatization and deregulation can have “adverse” social and economic effects;
- Central government may “use” decentralization to escape responsibility for certain matters by transferring the responsibility to other institutions;
- It can reinforce the existing power structure and play into hands already powerful because of wealth or hereditary status; and
- The very bureaucracy that is established in regions can become an obstacle where national policies are involved. Unwillingness of staff and line personnel to implement policy, lack of communication and involvement, and inadequate support systems and infrastructure may necessitate central planning and administration.

2.5 SUMMARY

Relations among governmental bodies can be classified into three categories, namely, the relations concerning the exercise of power, financial relations and influence by means of advice. In all of these relations, the constitution provides guidelines for the creation of hierarchical structures. These structures maintain accountability and responsibility of each level of government in exercising its powers. In order to be effective, all levels of government need adequate funds,

authority, political support, information, and the ability to exercise authority and a knowledgeable and skilled workforce to realize their functions.

Goods and services provided by government can also be divided into three categories, namely, public, semi-public and simulated goods. Central government would provide public goods efficiently because it is responsible for distribution and stabilization policies. Regional governments on the other hand would be in a better position to supply semi-public goods to inhabitants of their respective regions, while local governments would be able to efficiently provide simulated goods in towns and cities.

In allocating responsibilities to each level of government, there are important parameters, which need to be considered. These parameters include: expenditure responsibilities, tax assignments, fiscal imbalances, availability of financial alternatives and institutional parameters. These parameters are all important because, whichever inter-governmental fiscal policy is chosen by government, it will have an effect on economic growth.

Central government may choose to pursue a policy of centralization, whereby it takes over the functions of the lower level governments. This policy is in most cases undertaken under the pretext of equitable distribution of resources between person and regions, easeness in conducting macro-economic policies and maintenance of accountability. In addition, political, economic, functional planning, uniformity and diversity are also reasons used to justify centralization of governmental powers.

The history, culture, economic, social and political environment of each country determines and shapes the strategies and policies of that country. The loss of functions by lower levels of governments has, however, some implications. This includes the erosion of administrative and financial discretion. This would finally lead to fiscal deficits and reduction in quality and quantity of goods and services provided by lower level governments.

In chapter three, the study will give a descriptive analysis of the legal framework and intergovernmental fiscal relations within which the Okavango Regional Council operates. In the legal framework, important Acts that have a bearing on the activities of the Council will be explained. Intergovernmental fiscal relations on the other hand, will look at expenditure responsibilities, tax assignments, and fiscal imbalances within the Namibian State.

CHAPTER 3

DESCRIPTIVE AND EMPIRICAL STUDIES

“Expenditure made at the local level may be not only centrally financed, but also centrally directed. Local governments which act as central expenditure agents do not reflect expenditure decentralization in a meaningful sense, just as centrally collected shared taxes do not constitute true revenue centralization” Musgrave (in Ekpo and Ndebbio, 1996; 3).

3.1 INTRODUCTION

It is indeed important to note that expenditure and taxation form the integral building blocks of all inter-governmental relations. Referring to a centralized or decentralized system based purely on expenditure or taxation factors is not definitive and is a fundamental mistake.

This is an unfortunate mistake, which many analysts make. The mere fact that expenditure is assigned to regional governments and taxation to central government does not provide enough evidence to indicate whether the system is centralized or decentralized. It is only part of the picture. The most generally acceptable measure is how revenue is shared among the tiers of government, and the degree of autonomy afforded to each tier. In other words, the fundamental question to be asked about a system in a specific country is to what extent is one tier of government influencing the decision-making process of other tiers, and to what extent do the existing regulations or provisions constrain priority setting of lower governments.

The previous chapter provided a theoretical background to the study of inter-governmental relations. Emphasis was put on explaining the exercise of powers, financial relationships in the form of transfer of finance and other resources. It explained conditions commonly imposed by central government when transferring funds to lower levels of government. It further analyzed the opportunity that exists for any tier of government to influence other tiers of government by means of advice, by the provision of information or by persuasion as opposed to the exercise of mandatory powers.

In the final analysis, the merits and demerits of both centralization and decentralization were highlighted. The next sections of this paper, based on the theoretical foundation of the previous chapter, take the discussion further by giving a description of the legal framework and inter-governmental fiscal relations in Namibia.

3.2 CONSTITUTIONAL FRAMEWORK

The holding of regular elections is one of the significant principles of a sustainable democracy. Namibia, compared to other African countries such as Angola, Democratic Republic of Congo and Nigeria, scores very high in this respect because competitive regional elections are held after every six years as provided for in the Constitution. These elections are generally fair and free, with minimal incidents of intimidation.

Residents of a particular region directly elect regional councillors, and councillors amongst themselves elect a Chairperson of the Council, commonly referred to as the Governor of the region. The powers, functions and duties of the regional councils are stipulated in the Constitution, and are further refined in the enabling statutes.

The most important Acts, which relate to regional councils, are:

- The Regional Councils Act, 1992 (Act 22 of 1992)
- Local Authorities Act, 1992 (Act 23 of 1992)
- The Traditional Authority Bill, 1999

These Acts have a bearing on the activities of regional councils. Are these acts providing adequate scope for regional councils to exercise their discretion or are they constraining activities of councillors?

This is not an easy question, as indicated elsewhere in this paper. It is not easy because there are other important variables that need to be analyzed before an attempt to answer the question is made. To answer this question, it would perhaps be appropriate to turn to the provisions of these Acts.

3.2.1 The Regional Councils Act, 1992

The Regional Councils Act of 1992 was passed by Parliament in 1992. The Act empowers regional councils to exercise a wide scope of powers regarding social and economic development of regions. In line with Article 108 of the Namibian Constitution, the Regional Councils Act of 1992 confers the following powers on regional councils:

- (a) to undertake, with due regard to the powers, duties and functions of the National Planning Commission, referred to in Article 129 of the Namibian Constitution and any other law relating to planning of the development of the region for which it has been established with a view to -
 - (i) the physical, social and economic characteristics of such region and, in so far as any neighboring region has or is likely to have any effect on the physical, social, economic characteristics of any such neighboring region;
 - (ii) the distribution, increase and movement and the urbanization of the population in such region;
 - (iii) the natural and other resources and the economic development potential of such region;
 - (iv) the existing and the planned infrastructure, such as water, electricity, communication networks and transport systems, in such region;
 - (v) the general land utilization pattern;
 - (vi) the sensitivity of the natural environment
- (b) to exercise in connection with its region such powers, and to perform the duties and functions connected with such powers, as may be delegated by the President to the regional council in terms of section 29;
- (c) subject to the provisions of Part VII, to establish, manage and control settlement areas;
- (d) to make recommendations to the Minister in relation to the exercise, in relation to a local authority situated within its region of any powers conferred upon the Minister under the Local Authorities Act, 1992 or any other law;
- (e) to advise the President or any Minister on any matter referred to the regional council by the President or such Minister;

- (f) to assist any local authority council in the exercise or performance of its powers, duties and functions;
- (g) to make, for purposes of the preparation of the estimate of expenditure to be presented to the National Assembly in terms of the Article 126 of the Namibian Constitution, recommendations to the Minister of Finance in so far as it relates to matters concerning its region;
- (h) to establish from time to time such committees as it may deem necessary to advise it in the exercise of any of its powers or the performance of any of its duties or functions and may appoint such members or such other persons as it may deem fit to be members of such committees;
- (i) to acquire or hire, or hypothecate, let, sell or otherwise dispose of movable property;
- (j) with the approval in writing of the Minister previously obtained in general or in every particular case and subject to such conditions, if any, as may be determined by him or her -
 - (i) to acquire or hire, or hypothecate, let, sell or otherwise dispose of immovable property or any right in respect of immovable property
 - (ii) to borrow money from time to time by way of loans from any source within Namibia and against the security which the regional council may deem fit or the issue of debenture, bills of exchange and other negotiable instruments
- (k) to guarantee the due fulfillment of the contracts and obligations of any person, and enter into surety bonds or deeds of security;
- (l) to open banking accounts, including savings accounts with a building society as defined in section 1 of the Building Societies Act, 1986 (Act 2 of 1986), and the Post Office Savings Bank controlled and managed by Namibia Post Limited established by section 2 of the Posts and Telecommunication Companies Establishment Act, 1992;
- (m) to accept with the approval in writing of the Minister previously obtained in every particular case and subject to such conditions as may be determined by him or her, donations and to so receive moneys offered to it and to so make donations;
- (n) to pay all expenses in connection with its establishment and administration

- (o) to exercise any power assigned to regional councils by the law governing communal land which vest in the Government of Namibia by virtue of the provisions of Schedule 5 of the Namibian Constitution, or any other power so assigned by any other law,

3.2.2 The Local Authorities Act of 1992

Regional Councils occupy a strategic position in the hierarchical structure of government. They constitute the second tier of government; consequently, they have powers over local authorities in their areas of jurisdiction. The following sections of the Local Authorities Act, 1992 are of relevant importance to regional councils:

1. Section 15(2) empowers regional councils to receive and peruse minutes of local councils within its jurisdiction, together with the relevant agenda and any related documents and reports;

2. Section 32 (1) stipulates that:

A local authority council may enter into an agreement with the Government of Namibia, with one or more other local authority councils or with any regional council providing for the exercise or performance, on such terms and conditions as may be agreed upon –

- (a) by such local authority council as the agent of the Government or any such local authority councils or regional council;
 - (b) by the Government or any such local authority councils or regional council as the agent of local authority council; or
 - (c) by the local authority council in co-operation with the Government or any such local authority councils or regional council,
3. Section 83 (1) makes provision for consultation of regional councils by the management committee of a local authority council in its area when the management committee is preparing both the annual budget and any supplementary budget
4. In terms of Section 95 (4) (b) (1); 4 (c); and 6 (b) (c) a regional council has powers in relation to some peri-urban areas, which are, declared settlement areas in accordance with a decision of the Minister.

3.2.3 The New Traditional Authorities Bill

Traditional authorities are phenomena which are common not only in Namibia. In other countries like Botswana and South Africa, traditional authorities have much influence on government policies. In these countries, there are houses of traditional authorities whose function amongst others is to advise government and heads of state on matters of traditional importance. This is also the case in Namibia, as recognized chiefs form a body called Council of Chiefs to advise the President.

The significance of traditional authorities in the effective administration of a region cannot be underestimated. The proposed bill makes provision for the following functions and duties:

- 1) The functions of a traditional authority in relation to the traditional community which it leads, shall be to supervise and ensure the observance of customary law by the members of that community and to promote peace and welfare amongst that traditional community, and in particular to -
 - (a) ascertain the customary law applicable in that traditional community after consultation with the members of that traditional community, and assist in its codification;
 - (b) administer and execute the customary law of that traditional community;
 - (c) assist and co-operate with the government regional councils and local authority in the execution of their policies by keeping the members of the traditional community informed of developmental projects in their areas; and
 - (d) ensure that the members of their traditional community use the natural resources at their disposal on a sustainable basis and in a manner that conserves the environment and maintains the ecosystems, for the benefit of all persons in Namibia,
- 2) a traditional authority shall in the performance of its duties and functions under this Act have power in respect of the traditional community it leads to -

- (a) raise funds on behalf of the traditional community in accordance with the Act;
- (b) hear and settle, subject to customary or statutory law, disputes over any customary matter between the members of that traditional community;
- (c) assist the Namibian Police, subject to the Constitution in apprehending persons reasonably suspected of having committed offences, and to cause them to be delivered into police custody, and to seize any property or article involved in the suspected offence and to deliver such article to the police for investigation;
- (d) make customary laws;
- (e) use on all its correspondence its own office stamp; and
- (f) exercise such other powers as may be conferred upon it by statutory or customary law,

To go back to our question of whether these enabling statutes provide adequate scope for regional councils to exercise their discretion, the answer is yes. The provisions of the three Acts discussed provide reasonably well for regional councils to carry out socio-economic development of regions. This is not the end of the question, as a further question can be asked as to why no development is taking place in the regions, particularly the Okavango region. This leads us to another aspect of inter-governmental relations, which is the fiscal relation.

3.3 INTERGOVERNMENTAL FISCAL RELATIONS

Inter-governmental fiscal relations remain the most important determinant of the degree of autonomy of a regional council. This is particularly true because in most cases, the relative importance of a regional council is visualized based on the responsibility for spending, tax collection, fiscal surplus/deficits and institutional independence. In this regard, expenditure responsibilities, tax assignments, fiscal surplus or deficit and institutional autonomy are the pillars of any fiscal policy.

3.3.1 Expenditure Responsibilities

As we have seen from the foregoing sections, the Regional Councils Act, of 1992 is very general on functions to be carried out by regional councils. This characteristic has both advantages and disadvantages. On the advantage side, it could give regional councils a very wide scope to introduce programs that are needed in each region with very little interference from central government. The opposite might also be true, in which case it limits the level of efficiency at which service could be delivered without any duplication.

It makes economic sense for functions with national importance to be performed by central government, while those with regional and local importance to be left to lower levels of government. Töttemeyer (1999: 42) lists the following functions that can be performed by regional councils:

- Community Development Programs;
- Environmental Conservation;
- Primary Education;
- Private Health Care;
- Regional Taxation;
- Responsibility for Personnel Management;
- Control of communal lands, resettlement and rehabilitation;
- Housing;
- Rural electrification;
- Forest development and management;
- Agency services to villages and settlements;
- Administration of settlement areas; and
- Rural water development and management.

The list is not exhaustive, as there are many other functions that regional councils can still perform efficiently. As regional councils have been in existence since 1993, how many of these functions have they performed? In the case of the Okavango Regional Council, and many other regional councils, the level of service delivery has not met the expectations of residents. Simon (1996:23) argues that “regional councils are not able to undertake even their current functions unaided. Reliance on professionals in the Ministry of Regional, Local Government and Housing and National Planning Commission and, where appropriate, other line ministries is heavy for anything requiring specialized inputs beyond the competence of the particular regional officer. The Regional Council has assumed the role of

facilitator between central government and local residents, rather than that of initiator and implementers.

The budget of any organization reflects the plans and programs which that organization wishes to achieve in any given period. In the case of the Okavango Regional Council the table below indicates its expenditure during 1994 and 1995 financial year. The table reflects how expenditure responsibilities were assigned to the Council during the two financial years 1994 and 1995.

Table 3.1 Expenditure budgets for 1994 and 1995

Expenditure	1995	1994
Bank-overdraft Costs	N\$ 38.09	N\$ 13.56
Bank Charges	N\$ 36.85	N\$ 40.50
Miscellaneous	N\$ 7 357.05	-
Stationery	N\$ 1 776.08	-
Office Equipment Repairs	N\$ 942.48	-
Depreciation of Fixed Assets	N\$ 891.44	-
	Total N\$ 11 041.99	N\$ 54.06

Source: Report of the Auditor General for the Financial Years ended 31st March 1994 and 1995

3.3.2 Tax Assignment

Taxation is one of the most important macro-economic policy instruments, which can be used by government to influence the level of total consumption. In order to achieve its macro-economic objectives, central government may choose to collect taxes or assign the responsibilities to lower level governments. As pointed out already, centrally collected but shared taxes do not constitute true revenue centralization.

There are important principles of taxation, which need to be taken into account when assigning tax responsibilities to different tiers of government. These include efficiency, simplicity, perceptibility and fairness. Musgrave (in Ahmad, 1996:15) thinks that central government is supposed to be best suited for lightly progressive taxes (personal income tax), taxes on lightly mobile tax bases (sales tax, corporate

income tax) that are distributed across jurisdictions in a highly unequal fashion, such as the natural resource tax. The local governments employ taxes on relatively immobile tax bases (the land, property and poll taxes), and benefit taxes on the direct users and beneficiaries of the services rendered by local government. In other words, if highly progressive taxes and highly mobile tax bases are assigned to central government, tax collection becomes simple, fair and efficient. The table below shows the present tax assignment among the different levels of government in Namibia.

Table 3.2 Taxes assigned to central, regional and local governments

Tax	Central	Regional	Local
Taxes on centrally owned enterprises	x		
Customs duties	x		
Consumption taxes	x		
GST on imports	x		
Business turnover tax on banks, non banks financial institution/insurance's	x		
Taxes on locally owned enterprises	x		
Personal income taxes	x		
Agricultural income tax	x		
Urban maintenance and development tax			x
Town land use tax			x
GST on real estate transaction	x		
Stamp taxes	x		
Transaction taxes	x		

3.3.3 Fiscal Imbalances

Table 3.2 shows the fiscal imbalances that exist between central and lower level governments in Namibia. Regional governments do not generate adequate revenue to defray their own expenditures. This state of affairs could be attributed to the following reasons:

- Lack of resource endowment in the regions;
- Limited industrial capacity;
- Unwillingness of regional management to collect money for services provided;
- Lack of regional taxation policies;
- Limited taxable subjects;
- Lack of effective leadership on the regional level;
- Too much dependence on central government; and
- Lack of staff with expertise on the regional level.

There are many ways in which any level of government can finance a deficit in its budget. De-saving can finance a deficit, while the most commonly preferred option is to raise tax. The last option may not be possible where there is too much dependence on another level of government for transfer. This is particularly true in the case of the Okavango Regional Council.

The table below shows the expenditures and revenues of the Council. What is most striking is the very limited own revenue sources and a high level of reliance on central government. In his observation of resources on regional councils in Namibia, Simon (1996:19) states that, resourcing in the broadest sense has been particularly problematic and sensitive issue for regional councils; problematic in that it has circumscribed their ability to operate, and sensitive in that it reflects underlying tensions at central government level regarding the extent to which executive power and commensurate resources should be devolved to the regions. Lack of own resources has diminished the powers of regional councils.

Table 3.3 Budget allocations of the Okavango Regional Council during Financial Years 1993/94 and 1994/95

1993/94			1994/95		
Recurrent Expenditure	Current Income	Allocated Regional Dev. Expend	Allocated Recurrent Expend	Estimated Current Income	Allocated Dev. Expend
316,000	-	52,189	465,922	-	28,256

Source: David Simon, 1996

The Okavango Regional Council did not generate any revenue during the Financial Years 1993/94 and 1994/95. The only source of revenue was the financial transfer from central government.

The other source of revenue, which is not reflected in the table, is the transfer from local authorities. Local authorities are required to contribute 5% of the revenue they make in each financial year to their regional councils. This is not always possible because there is no law to oblige them to do so. Again, the significance of this revenue depends on the ability of local authorities to collect adequate tax revenue from the sale of goods and services they provide, and the number of local authorities in a region. In the Okavango region, there is only one local authority which is viable, that is the Rundu Town Council. Central government transfers are the biggest source of revenue to regional councils.

The Constitution of the Republic of Namibia stipulates that regional councils should share in the revenue raised by Central Government within the regions for which they have been established, as may be determined by Act of Parliament. The sharing of revenue amongst the different levels of government being a constitutional matter, it is amazing that none of the existing enabling legislation makes provision for a revenue sharing formula. The State Finance Act of 1991, Regional Councils Act, 1992 (Act 22 of 1992 and the Local Authorities Act (Act 23 of 1992) do not contain a clause which relates to a sharing formula.

The absence of both a provision in the Constitution and the enabling legislation has some implications for the sharing governments. The sharing governments, particularly regional and local governments, do not have guaranteed legal rights to specific amounts of revenue, even when enough revenue has been generated from a specific region in a given financial year. Central government may give a small fraction to that regional council if it so decides.

It is important for a fixed sharing formula to be specified either in the Constitution or legislation. This would give regional councils a guaranteed legal right to inquire in cases where the amount is not met by Central Government. It also reduces uncertainty on the part of lower level governments during the budgeting process as an estimate of Central Government transfers can be made. Kim (in Ahmad, 1996:16) thinks that a sharing scheme has the following merits:

- Firstly being a fixed percentage of an income elastic central tax revenue, it enables the local revenue to obtain some elasticity and buoyancy;

- Secondly it is often used as a scheme to reduce vertical economic inequalities and fiscal disparities among different levels of governments, and also horizontally among different local government; and
- Thirdly, the system fosters inter-governmental co-operation, and reduces friction and dependency generated when the amount to be allocated is determined unilaterally by the central government.

If a similar scheme were designed for Namibia, the problems of inequalities between central government and regional governments would be solved. In the absence of taxing powers assigned to regional governments, a sharing scheme would alleviate the problem of inadequate resources which characterise regional governments.

3.4 SUMMARY

The Constitution of the Republic of Namibia confers a wide range of powers on regional governments in Namibia. These powers are further refined in the three most important legal instruments, i.e. the Regional Councils Act, 1992, Local Authorities Act of 1992 and finally the Traditional Authorities Bill which is yet to be enacted by Parliament.

Amongst the functions stipulated in the Regional Councils Act are responsibilities to undertake, with due regard to the powers, duties and functions of the National Planning Commission, as well as the planning of the development of the region. In relation to local authorities, regional authorities have supervisory powers, which they exercise by perusing minutes of local councils within their jurisdiction, together with the relevant agenda and any related documents and reports.

Traditional authorities in a sense do not constitute a level of government, but they do play an important role in the effective administration of the state. They not only play an advisory role to the President and government, but they also supervise and ensure that observance of customary law by the members of a specific community is maintained. In so doing they promote peace and welfare amongst that traditional community. In addition, they are empowered to raise funds on behalf of the traditional community they serve, and hear and settle disputes over any customary matter.

Although the Constitution and the three enabling Acts provide adequate powers to regional councils, there appears to be a lack of resources to translate these powers into tangible results. Power is only real if resources are available without strings. In the case of the Okavango Regional Council, there is a high dependency on central government for resources that the council needs.

The mismatch between responsibilities and resources available for carrying out these responsibilities is brought about by a number of reasons. These reasons include lack of resource endowment and limited industrial capacity, lack of regional taxation policies, limited taxable subjects and lack of personnel with requisite skills.

Although central government transfers are the biggest source of revenue for regional councils including the Okavango Regional council, the absence of a sharing formula creates problems for many of them. These problems include uncertainties and absence of a guaranteed legal right to a specific amount of revenue.

A fixed sharing formula would benefit the sharing governments in many ways. It would give some elasticity and buoyancy to local revenue, and it would reduce vertical economic inequalities and fiscal disparities among different levels of government, and horizontally among different local governments. In addition it would foster inter-governmental co-operation and reduce friction and dependency.

In view of the above, chapter 4 of this research paper gives an analysis of what people of the Okavango Regional Council think about the present inter-governmental relations. It presents an interpretation of data gathered by means of questionnaires and interviews of a representative sample of residents in the Okavango region. This information relates to important investments in the region, since the inception of the regional councils and sources of finances.

CHAPTER 4

SURVEY FINDINGS

4.1 INTRODUCTION

The question was asked in Chapter 1 of this research paper, as to whether the current centralization of fiscal powers in central government is detrimental to the development of the Okavango region. Is it the cause of limited investment, unemployment, poverty, fiscal deficits and deteriorating quality of service rendered by the Okavango Regional Council?

The information needed to provide an answer to the above question was obtained through a survey questionnaire administered to respondents. The respondents were randomly selected from the categories of employees of the Okavango Regional Council, Government ministries, Rundu Town Council, residents, prominent individuals, i.e. leaders of youth groups and other organizations, and Non-Governmental Organizations.

Ten respondents from each category were approached to complete a questionnaire consisting of thirty-one questions. The first part of the questionnaire (questions 1-4) relates to personal details of the respondent. The second part, questions 5 – 31, covers areas related to project planning and implementation, capital and labor migration, investment, finances, training, decentralization and general unemployment in the Okavango region.

The questionnaires, which were sent out to respondents, were accompanied by a covering letter. The purpose of this letter was to introduce the researcher and communicate the objectives of the study (a copy of the letter is attached as Appendix 1). In addition to the questionnaire, the survey was complimented by a structured interview to assist those who could not write and to cover areas in which questions were not adequately answered by respondents.

In order to encourage participation, respondents were assured of the confidentiality of their responses. They were informed verbally that the analysis would be aggregated without identifying the organization or individuals involved, and that the questionnaire was anonymous.

In spite of the assurance of confidentiality and communication of the significance of the study to the Okavango region and the entire country, participation was not as high as expected. Low participation in a region like the Okavango could be attributed to many reasons.

The first reason is the general level of literacy in the region. The Okavango region ranks number three with (73.1%) among the regions with the lowest level of adult literacy. Carrying out a survey in such a region, particularly if residents are expected to complete questionnaires on their own, could lead to a low response rate. The second reason is the political sensitivity of carrying out surveys. Political sensitivity includes the fear of giving information which the respondent thinks will embarrass the incumbent political party. The other reasons, which some respondents mentioned for not completing the questionnaires, were that they had busy schedules. The study was conducted at a time when some officials were busy preparing the budget for the next financial year, and some were attending workshops.

To counter the first two challenges, two persons who could communicate in the local language and had knowledge of the area were requested to assist in the administration of the questionnaires. Their responsibilities were to assist respondents by interpreting from English to Rukavango (local languages) and vice – versa. Regarding the last challenge, arrangements were made for respondents to complete questionnaires at their convenience and mail them.

4.2 CHARACTERISTICS OF RESPONDENTS

Table 4.1 Response rate from the survey

CATEGORIES	RESPONSES	PERCENTAGE
Okavango Regional Council	6	60%
Government Ministries	9	90%
Rundu Town Council	6	60%
Prominent Individuals	2	20%
Residents	7	70%
Non-Governmental Organizations	5	50%

Table 4.1 summarizes the response rate from the survey. On average 58,3% of the sample responded to the survey and returned the questionnaires. This response rate is regarded to be high by any standards, considering the illiteracy rate in the region and other impairing variables.

Table 4.2. Sex distribution of respondents

RESPONDENT CATEGORY	TOTAL POPULATION
Male	16
Female	19

Table 4.2 Indicates that the majority of respondents are females.

Table 4.3 Age group distribution

RESPONDENT CATEGORY	TOTAL POPULATION
20 – 30 years	7
30 – 40 years	11
40 – 50 years	9
50 – 60 years	5
50 – 60 years	3
60 – 70 years	0
70 – 80 years	0

Table 4.3 Indicates that the majority of respondents are in the 30 – 40 age group.

Table 4.4 Educational qualifications

RESPONDENT CATEGORY	TOTAL POPULAION
Grade 8	11
Grade 10	14
Grade 12	7
Post Matric	3

Table 4.4 Reflects that the majority of the respondents have Grade 10 qualification.

Table 4.5 Relationship with the Okavango Regional Council

RESPONDENT CATEGORY	TOTAL POPULATION
Consumer	25
Employee	6
Political Office Bearer	4

Table 4.5 indicates that the majority of respondents are consumers of services provided by the Okavango Regional Council.

4.3 QUESTIONS AND RESPONSES

To obtain answers which were needed to validate the hypothesis, questions were structured as follows:

5) Are you involved in any fiscal project planning?

- Thirty seven percent (37%) of respondents indicated that they were involved in project planning, while forty three percent (43%) indicated that they were not involved. The remaining twenty (20%) abstained.

6) If yes, which capital projects were you involved in planning, between 1993 – 1999?

- The majority of responses revealed that while officials on a regional level were indeed involved in project planning, their role was mostly to make proposals and forward them to central government, particularly line ministries, for approval and implementation. Projects, which were identified, initiated and implemented in this way, include Kahenge, Ndiyona and Pupara Police stations.

7) What experience do you have in project planning?

- Thirty seven percent (37%) of respondents indicated that they had limited experience in project planning, while forty percent (40%) indicated that they had no experience at all. The remaining twenty- percent (20%) abstained.

8) What training do you have in fiscal project planning?

- Twenty eight percent (28%) of respondents indicated that they attended short courses, workshops and seminars on fiscal project planning, while fifty seven percent (57%) did not have any training. Fourteen percent (14%) did not indicate whether they had training or not.

9) Were all these projects you were involved in implemented?

- All those who indicated they were involved in project planning indicated that not all the projects they proposed were implemented.

10) If not, what were the reasons for lack of implementation?

- The most commonly cited reasons for lack of project completion, in order of magnitude, were lack of financial resources, project not approved by a central government ministry, lack of qualified personnel on the regional level and limited time.

11) List five specific projects that your organization has been involved in, in the Okavango region, between 1996 – 1999

- The list includes the following socio- economic development projects: Lisikamena, Pahuka, Lihepurura, Kambala Bakery Project, Nghidinura's Brick

Projects, Pandula Joinery Center, Likuramu Bottle Recycling, Kawali's Welding Project, Nzegedi Sewing Project, Ehafo Bakery, Training Projects, Rundu Open Market, Rural Electrification, Rural Water Supply, and Road Network.

12) Have they been implemented successfully?

- Twenty nine percent (29%) of respondents indicated the projects were successfully implemented, while forty percent (40%) indicated that they were not successfully implemented. Thirty one percent (31%) of respondents abstained.

13) If not what were the reasons?

- The reasons, which were given were financial constraints, low economic demand, lack of trained personnel to implement them, and the fact that some projects were not feasible.

14) Where did your organization get funds to finance projects mentioned in question 11?

- The most commonly mentioned sources were central government, non-governmental organizations and donor funding from foreign governments involved in the development of rural areas.

15) If your organization receives donations, do you need authorization to accept those donations?

- Seventy one percent (71%) of respondents indicated that authorization was usually needed from the Permanent Secretary of a line ministry before accepting donations on a regional level. Twenty percent (20%) indicated that their organizations did not need any authorization. Eight percent (8%) abstained.

16) If not, why not?

- The reasons which were given for not requiring authorization were that managers on the regional level had powers and knew more about what was good for the organization. In addition, it was said that this was the efficient way of carrying out the duties as time was saved in the process.

17) If yes, why and from whom?

- The reasons which were given by respondents included the need for coordinating activities, the fact that funds used are public money, the need to prevent corruption in the use of gifts and donations. In addition, it was mentioned that it was a government policy as Treasury instructions and regulations stipulated that authorization must be obtained. It was again mentioned that authorization is normally obtained from the Accounting Officer of a ministry.

18) Are there organizations/enterprises that have relocated from the Okavango region to other regions?

- Sixty three percent (63%) of respondents indicated that no organization/enterprise had relocated from the Okavango to other regions. Twenty six percent (26%) indicated that some organizations/enterprises had relocated to other regions, while eleven percent (11%) of respondents did not have any idea.

19) If yes, what kind of organization/enterprise?

- Organizations which were mentioned fall in the category of non-governmental organizations.

20) What were the reasons for their relocation?

- Most reasons for relocation point to organizations becoming bankrupt and expanding activities to other regions in order to generate more income. In other words, the market in the Okavango is too small to sustain their activities.

21) Are there organizations/enterprises that have relocated from other regions to the Okavango region?

- Fifty four percent (54%) indicated that indeed there were organizations/enterprises that had relocated their activities from other regions to the Okavango region. Forty two percent (42%) indicated the opposite and thirty four percent (34%) abstained.

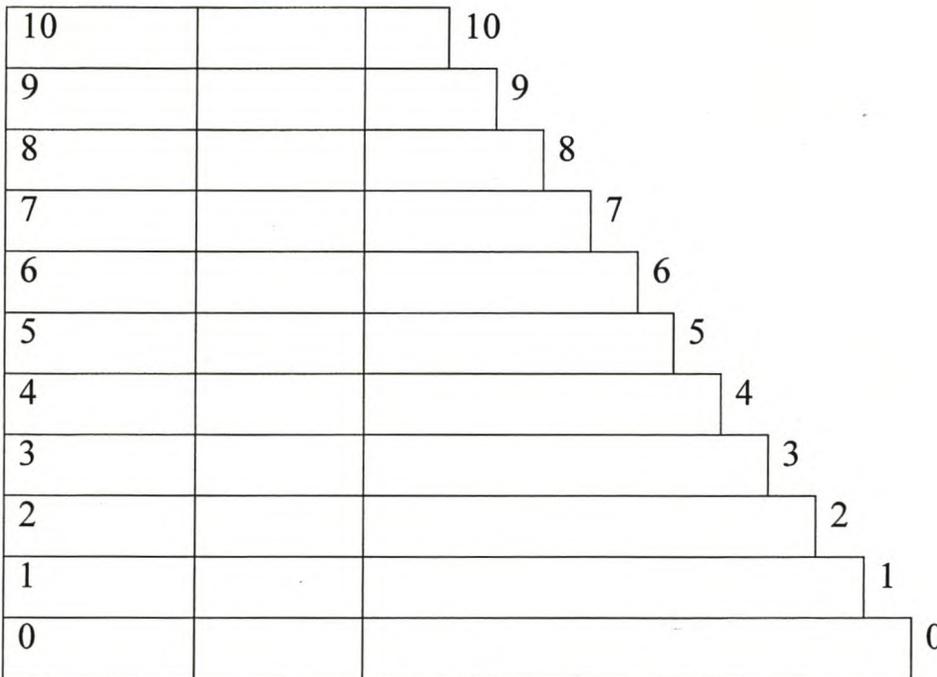
22) If yes, what kind of organizations/enterprises?

- Categories of organizations, which were given, include business organizations, non-governmental organizations, churches, security companies, utility company and a bank.

23) What were the reasons for relocation?

- The reasons which were given range from expanding the markets especially to poor communities, to rendering services such as provision of water, and shelter to under-privileged members of the community, as well as investment and job creation in the rural areas.

24) Employment situation in the Okavango region



This is a ladder on which the tenth rung represents the best possible situation and the first rung the worst. I would like you to think of the situation in the Okavango region in general. Do not think of any outstanding incidents, think in general.

a) On which rung of the ladder do you think the unemployment situation in the Okavango region stands today?

- Sixty percent (60%) of respondents to this question indicated that they thought the employment situation in the Okavango region ranges between the 0 – 5th rungs. On the same question twenty nine percent (29%) of respondents thought it was between the 6 – 10th rungs. The remaining eleven- percent (11%) abstained.

aa) Why?

- The reasons given for unemployment in the Okavango region include; lack of training opportunities in the whole region, the fact that the region was previously neglected, the lack of employment opportunities because of limited investments, limited opportunities for further studies and the fact that the population of the region is growing at a rate faster than economic growth.

b) Where do you think the employment situation stood five years ago?

- Seventy seven percent (77%) of respondents to this question indicated that the employment situation in the Okavango region stood between the 6 – 10th rungs. Fourteen percent (14%) of respondent thought the employment situation in the Okavango stood between the 0 – 5th rungs five years ago, while the remaining nine percent (9%) of respondents did not respond to the question.

bb) Why?

- Among the reasons given to this question was that the population of the Okavango region was not as high compared to what it is today. There were more job opportunities because of development that was taking place. In addition, that was the period just after the demobilization of the South West African Territorial Force. The majority of its members had money from pensions to start their own businesses.

c) And where do you think the employment situation will stand in five years?

- Seventy four percent (74%) of respondents to this question indicated that they thought the employment situation in the Okavango region will stand between the 0 – 5th rungs in five years. Fourteen percent (14%) thought that it will range between the 6 – 10th rungs, while twelve percent (12%) abstained.

cc) Why?

- The reasons given for such a serious situation includes the following factors:
 - fewer current school leavers are getting jobs;
 - there is no encouragement for people to start income generating projects;
 - there is no skills training for people to gain self-employment;
 - privatization of some public utility companies; and
 - high population growth coupled with limited economic growth
 - available jobs will need specialized skills which people in the region do not possess.

25) List the Okavango Regional Councils sources of income since inception?

- Transfers from central Government and Local Authority.

26) Has there been a decline in the contribution of any source to the revenue of the Council?

- Twenty nine percent (29%) indicated that there had been a decline, while thirty four percent (34%) indicated the opposite. Thirty seven percent (37%) did not answer this question.

a) If yes, list sources, which have shown a decline?

- The respondents listed transfer from both central government and local authority.

b) What do you think are the reasons for the decline?

- The reason given points to the amount appropriated to the Ministry of Regional, Local Government and housing which is responsible for the budgets of all regional councils.

27) What were the Okavango Regional Council's fiscal deficits during the financial years 1992 – 1999?

- None of the respondents seemed to have any idea. The reason which was given, was that it is difficult for them to know as all the finances of the Council were being handled by the Ministry of Regional, Local Government and Housing.

a) What were the reasons for the deficits?

- As in 27, no answer was given.

b) How was the deficit financed?

- As in 27, no answer was given.

c) What are your own ideas on how the Okavango Regional Council could be properly financed?

- The following proposals were made by respondents:
 - Central Government should increase the transfer to regional governments;
 - Certain revenue-generating functions (e.g. vehicle licensing) should be delegated to regional governments;
 - Functions to regional governments should be decentralized;
 - Services should be rendered on a commercial basis;
 - Income generating projects should be encouraged;
 - Regional Councils should be given authority to borrow money; and
 - The council should be autonomous.

28) Are you satisfied with the decentralization policy of the Government?

- Sixty three percent (63%) of respondents indicated satisfaction with the policy of decentralization. Twenty nine percent (29%) showed dissatisfaction, while eight percent (8%) did not respond to the question.

a) If yes, why?

- The reasons for satisfaction with the policy of decentralization included the following:
 - Decentralization brings government closer to the people;
 - It saves time and it facilitates job creation;
 - People on regional level take part in their own development;
 - It fosters government policy, particularly in rural areas;
 - It eliminates the problem of rural-urban migration;
 - It encourages local solutions to local problems; and
 - It encourages people in regions to participate in decision-making.

b) Will decentralization improve the financial autonomy and capacity of the Okavango Regional Council?

- Forty six percent (46%) of respondents indicated that decentralization would indeed improve the financial autonomy and capacity of the Okavango Regional Council. Fourteen percent (14%) indicated that it would not improve, eleven percent (11%) said it would partly improve, seventeen percent (17%) indicated that they did not know, while another eleven percent (11%) abstained.

c) If yes, no or partly, why?

- Respondents who indicated that decentralization would improve the financial situation of the Okavango Regional Council mentioned the following reasons:
 - Council would be able to raise its own revenue;
 - Staff development would improve;
 - Budgeting would be the responsibility of the Council;
 - Council would be encouraged to mobilize resources within the region;
 - Non payment of services would be eliminated; and
 - Responsibility and accountability would improve.
- Respondents who indicated that the financial situation would partly improve gave the following reasons:
 - Although the Okavango Regional Council would be managing its own affairs, the Council would still experience the problem of attracting well qualified personnel; and

- Efficient and effective service delivery would also be problem because of lack of adequate facilities.
- Respondents who indicated that the financial situation of the Okavango Regional Council would not improve because of decentralization gave the following reason:
 - Decentralization would encourage corruption and tribalism; and
 - Council might increase tariffs of services excessively, thus driving away prosperous residents.

29) The quality of service rendered by the Okavango Regional Council improved in the past seven years

- Thirty one percent (31%) agreed with the above statement, twenty percent (20%) were uncertain, another twenty percent (20%) disagreed, eighteen percent (18%) strongly disagreed, and eleven percent (11%) abstained.

30) The quantity of service rendered by the Okavango Regional Council increased in the past seven years

- Thirty seven percent (37%) of respondents agreed with the above statement, twenty percent (20%) were uncertain, fourteen percent (14%) strongly disagreed, while nine percent (9%) abstained.

31) What do you think are the reasons why consumers of services provided by the Okavango Regional Council default from paying their accounts?

- Respondents to this question mentioned the following reasons:
 - The majority of residents live in poverty;
 - Unemployment is high;
 - Poor record keeping by the Council;
 - General price increase;
 - Inflation is high; and
 - People are in debt.

4.4 SUMMARY

The responses from respondents in the Okavango region provided answers to the question. The aim is to find a solution or answer the question of what the effect of centralization is on the development activities of the Okavango Regional Council. To provide an answer, data had to be collected and collated. This was made possible by survey questionnaires, which were administered to respondents.

The total number of questionnaires, which were distributed to respondents, was fifty. Thirty-five were completed and received back. This represents an average response rate of 58,3%, which is considered by all standards to be satisfactory. It is a high response rate in the Okavango region, considering the illiteracy rate of this region, which is one of the highest in the country. It is also considered to be high given the fact that a survey is a politically sensitive exercise to undertake.

In order to achieve a representative sample, respondents were randomly selected from various organizations and individuals. The majority of them were between the ages of 30 – 40, had grade 10, were consumers of service of the Council and most of them were females. The categories of respondents also included employees and political office bearers of the Okavango Regional Council, and Non-governmental organizations involved in development activities.

The information gathered from respondents centred around project planning, implementation, capital and labor migration. In addition, information related to investment, finances, training, decentralization and general employment in the region was gathered and analyzed.

The information did indeed give a true picture of development in the Okavango region. It informed us about lack of involvement of Council in most important decisions and the degree of centralization and its effect on the overall region. It further informed us that the majority of people in the Okavango region think that decentralization would improve the financial autonomy and capacity of the Okavango Regional Council.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

At the beginning of this research paper, ambitious objectives were set. These objectives included the investigation of the extent to which centralization of fiscal power is detrimental to development activities in a specific region in Namibia, the Okavango region. The research also sought to analyze the position of regional councils in the Namibian State, with specific reference to the Okavango region, and to review literature with a view to establishing local and international views on inter-governmental relations.

Although the above objectives appear to be broad, they were indeed achieved within the means of available resources and time. The aim of the sections which follow is to give a brief summary of findings which emerged in each chapter of this research paper. After the summary of findings the recommendation will follow for the government of the Republic of Namibia to take corrective measures.

5.2 SUMMARY OF RESEARCH FINDINGS

This research paper argued that if development of regional governments were not promoted, the country would experience further socio-economic problems. These problems include unemployment, rural-urban migration, housing shortages, environmental degradation, poverty, limited investment and lack of infrastructure. This situation is not conducive to economic growth in a country because it poses a threat to peace and stability.

It was further argued that the lack of autonomy afforded to regional governments in Namibia stagnates development. In the case of the Okavango, it has negatively affected investment in capital projects and the ability of the council to raise adequate revenue.

There are reasons why central government may choose to pursue a policy of centralization, whereby it takes over functions of the lower level governments. The most common reasons used to justify centralization of power are political,

administrative and economic, and include functional planning, uniformity and diversity.

It is generally accepted that each country has a unique history, culture, economic, social and political environment, which in turn determines and shapes strategies and policies of that country. The loss of functions by lower levels of government has some implications, no matter what system prevails in that specific country. The implications include the erosion of administrative and financial discretion.

An alternative to the policy of centralization is decentralization. Decentralization encourages local solutions to local problems, it is an effective way of overcoming limitations of central national planning, and it increases the knowledge and understanding of local problems. If it is not well planned, however, it has its own limitations. These include threatening national unity by causing inter-regional disputes, and it could lead to duplication of functions.

An examination of the legal framework and inter-governmental fiscal relations of the Namibian system revealed a number of issues which need urgent attention. Although the Constitution and existing legislation gives reasonable powers to regional governments, financial powers are not devolved adequately.

The financial disparities between central and regional governments in Namibia are brought about by the absence of a sharing formula and of long term funding and budgeting on one hand, while on the other hand, the inability of regional governments to generate their own revenue is also a contributing factor. A fiscal sharing formula has the advantage of enabling the local revenue to be raised and to obtain some elasticity and buoyancy. It also reduces vertical inequalities and fiscal disparities amongst different levels of government. It further fosters inter-governmental co-operation and reduces friction and dependency.

The analysis of the survey carried out in the Okavango region validates the working hypotheses of this research paper. Centralization of inter-governmental fiscal powers hampers socio-economic development of the Okavango Regional Council. Decentralization would facilitate different kinds of development programs of the Council.

The Okavango Regional Council serves as an agent of central government. The role of councilors in the region is mostly to make proposals and forward them to central government, particularly the Ministry of Regional, Local Government and Housing. The central government ministry considers the approval and is largely responsible

for implementation. Development programs initiated on the regional level are not implemented because of a number of reasons, mainly due to a failure of centralization. These reasons include lack of financial resources or programs not being approved by the line ministry and a lack of qualified personnel on regional government level.

The Okavango region is currently faced with an unemployment problem. This problem is attributable to the high number of school leavers without jobs. There is no encouragement or means for people to start with income generating programs, and the education system is knowledge based, not skills based. The lack of skills makes it difficult for people to achieve gainful self-employment.

Centralization of fiscal powers in central government has resulted in economic and social harm to the people of the Okavango region. It is, however, not too late to institute corrective measures in order to have socio-economic prosperity in the Okavango region. What can government do to alleviate the current problem experienced by regional governments? Corrective measures are suggested in the next section.

5.3 RECOMMENDATIONS

In chapter two of this paper, we compared the arguments in favour of and against centralization and decentralization. Although decentralization also has limitations, the majority of respondents in the Okavango region would like functions of government performed in their region. This has the advantage of bringing government closer to the people, enhancing government policy implementation in rural areas, allowing local people to participate in decision-making and eliminating the problem of rural-urban migration. In this regard, the following recommendations are made:

□ Place financial resources at the direct disposal of regional councils to perform responsibilities assigned to them.

The following responsibilities should be assigned to regional councils:

- Community development programs, e.g. food distribution programs and also food for work programs
- Environmental conservation
- Primary education
- Primary health care
- Responsibility for personnel management
- Control of communal lands, resettlement and rehabilitation
- Forest development
- Rural water development and management
- Emergency and risk management
- Drought aid program

□ Revise the tax structure to enable regional councils to raise funds for own use.

The following taxes should be assigned to regional councils:

- Taxes on regionally owned enterprises
- Consumption taxes
- Agricultural and commercial land taxes
- Property taxes

□ Develop a funding formula to enable regional councils to receive predictable funding over five year's period.

- The State Finance Act and Regional Authorities Act should be amended to make provision for a fixed sharing formula between central and regional government;
- Provision for long term funding and budgeting should be made; and also
- Provision for special and general transfers should be made to help regional governments that cannot stand on their own.

- **Encourage regional councils to develop their own human resource capacity through granting suitable funding, which will then enable them to identify their own needs in line with those funded activities.**

The decentralization process should be carried out in phases over a number of years, in order to give allowance for the following:

- Adequate time for capacity building in regional councils and the Ministry of Regional, Local Government and Housing;
- Adequate time for sorting out institutional arrangements and putting in place all the necessary enabling legislation; and
- Also, time to prepare officials in regional councils, line ministries and politicians to be ready for decentralization.

- **Elect regional councillors on individual basis and independent of party politics.**

Regional councillors, as the decentralized voices of the people, are currently subject to central political control. A regional councillor can be dispelled through loss of party print. This diminishes the decentralized power base.

5.4 LIMITATIONS TO THE STUDY

The study was restricted to the Okavango Regional Council, and due to time constraints and other material resources, the sample was selected from an urban population. Although the recommendations are based on the survey conducted in the Okavango, they can be extended to all regional councils in Namibia.

The following is recommended for further research:

- How to effectively increase human resources capacities in regional councils;
- How to enhance participation of residents in the decision-making process of regional councils;
- The role of regional councilors in promoting development in their respective constituencies;
- How should central government ministries set the course for decentralization?
- Designing taxation policies that would suit each regional council; and
- How regional councils can increase their sources of revenue?

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Dear Respondent,

I am conducting a research on a very important topic, which is The Effect of Centralization of Fiscal Powers on Development Activities of the Okavango Regional Council. This research covers the period between 1993, when regional councils were first established to 1999.

The objectives of this research amongst others are to analyze the position of the Regional Councils within the Namibian State. In addition, this research is intended to suggest balanced inter-governmental relations between central government and regional governments in the whole country.

The research forms part of the fulfillment of the requirements of my study towards a Master in Public Administration degree with the University of Stellenbosch.

You are humbly requested to answer the attached questionnaire as honestly as you can. The information gathered will be treated with strictest confidentiality.

It will be appreciated if your completed questionnaire is received on or before September 15, 1999.

Yours sincerely,

LISTER LUTOMBI CHAKA (MR.)
STUDENT NO: 9784969

QUESTIONNAIRE

THE EFFECT OF CENTRALISATION OF FISCAL POWERS ON DEVELOPMENT ACTIVITIES OF THE KAVANGO REGIONAL COUNCIL

Characteristics of respondent:

1) Gender: (tick off)

Male		Female	
------	--	--------	--

2) Age: (tick off)

10-20	
20-30	
30-40	
40-50	
50-60	
60-70	
70-80	

3) Educational Qualification

Grade 8	
Grade 10	
Grade 12	
Post Metric	

4) Relationship with the Okavango Regional Council: (tick off)

Consumer	
Employee	
Political Office Bearer	
Other (specify)	

5) Are you involved in fiscal project planning? (tick off)

Yes		No	
-----	--	----	--

6) If yes, which capital projects were you involved in planning during the following fiscal years:

Financial years	Types of Capital projects
1992/93	
1993/94	
1994/95	
1995/96	
1996/97	
1997/98	
1998/99	

7) What experience do you have in project planning?

8) What training do you have in fiscal planning?

9) Were all projects you were involved in implemented? (tick off)

Yes		No	
-----	--	----	--

10) If not, what were the reasons for lack of implementation? (tick off all that apply)

Lack of qualified personnel	
Lack of political will	
Lack of financial resources	
Limited community participation	
Project not approved	
Time	
Other (specify)	
.....	
.....	

11) List five specific projects that your organization has been involved in, in the Okavango Region during the period 1996 to 1999

1.
2.
3.
4.

12) Have they been completed successfully? (tick off)

Yes		No	
-----	--	----	--

13) If not, what were the reasons?

1.
2.
3.
4.
5.
6.
7.

14) Where did your organization get funds to finance the projects mentioned in 11(tick off)

Central Government	
Own Revenue Sources	
Borrowing	
Non-Governmental Organizations	
Donor Funding	
Other (specify).....	

15) If your organization receives donations, do you need authorization to accept those donations? (tick off)

Yes		No	
-----	--	----	--

16) If not, why not?

.....

.....

17) If yes, why and from whom?

...

18) Are there organizations and enterprises that have relocated from the Okavango Region to other regions? (tick off)

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

19) If yes, what kind of organizations/enterprises?

.....
.....
.....
.....

20) What were the reasons for relocation?

.....
.....
.....

21) Are there organizations/enterprises that have relocated from other regions to the Okavango Region? (tick off)

22)

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

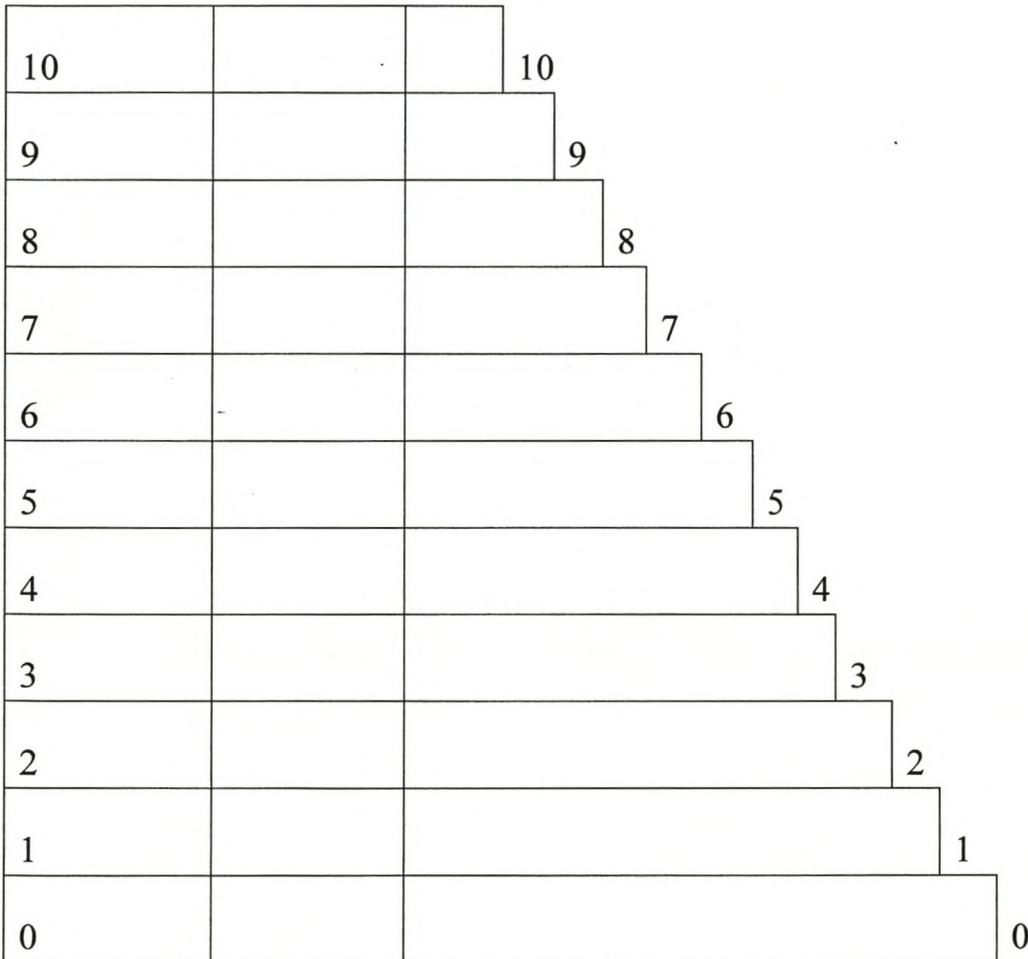
23) If yes, what kind of organizations/enterprises?

.....
.....
...

24) What were the reasons for relocation?

.....
.....
.....
.....
.....

24)



This is a ladder on which tenth rung represents the best possible situation and the first rung the worst. I would like you to think of the unemployment situation in the Okavango Region in general. Do not think of any outstanding incidents – think in general.

a) On which rung of the ladder do you think the unemployment situation in the Okavango Region stands today? Nr.

aa) Why?

.....
.....

b) Where do you think the unemployment situation stood five years ago? Nr.....

bb) Why?

c) And where do you think the unemployment will stand in five years? Nr.....

cc) Why?

25) List the Council's sources of income since its inception

.....

26) Has there been a decline in the contribution of any source to the revenue of the Council? (tick off)

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

a) If yes, list sources which have shown a decline

.....
.....
.....

b) What do you think are the reasons for the decline?

.....
.....
.....
.....

27) What were the Councils fiscal deficits in the following fiscal years?

Financial Year	Fiscal Deficit
1992/93	
1993/94	
1994/95	
1995/96	
1996/97	
1997/98	
1998/99	

a) What were the reasons for the deficits?

.....
.....
.....
.....

b) How was the deficit financed?

.....
.....
.....

c) What are your own ideas on how the Council should be properly financed?

.....

.....

28) Are you satisfied with the decentralization policy of the government?
(tick off)

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

a) If yes, why?

.....
.....
.....

b) Will decentralization improve financial autonomy and capacity of the Okavango Regional Council? (tick off)

Yes	No	Partly	Don't know
-----	----	--------	------------

b) It yes, no or partly, why?

.....

.....

.....

29) The quality of service rendered by the Okavango Regional Council improved in the past seven years. (tick off)

Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
----------------	-------	-----------	----------	-------------------

30) The quantity of service rendered by the Okavango Regional Council increased in the past seven years. (tick off)

Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
----------------	-------	-----------	----------	-------------------

31) What do you think are the reasons why consumers of service provided by the Okavango Regional Council default from paying their accounts?

.....

.....

.....

- 32) Please use this space to expand on any answer you gave in the questionnaire, or anything that you would like to highlight, which might not have been reflected in the questionnaire.

.....
.....
.....
.....
.....
.....
.....