Chapter 10
Fiscal Decentralization:
Constraints to Revenue-Raising by Local Government in Zimbabwe

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ABSTRACT

Decentralization has been adopted in a number of African countries, in part to improve the capacity of the state to mobilize "additional" resources that are needed for development. Several years after the adoption of decentralization programs, the critical question is whether local government have indeed managed to mobilize this "additional" revenue. This question is answered by examining revenue mobilization by local governments in Zimbabwe. Practice in Zimbabwe, as in many other African countries, paints a gloomy picture on local revenue-raising, since local governments are constrained in this respect by a number of factors, many of which are outside their control and influence. The lesson from this finding is that the effectiveness of a decentralization program should not be judged solely on the quality of its design, but also on the basis of the prevailing contextual environment.

INTRODUCTION

The demise of the Soviet block and its socialist ideologies in the 1980s and 1990s opened the gates for the expansion of capitalism and market-driven policies throughout the world. Market-driven policies, such as liberalization and decentralization, were championed by the World Bank and the International Monetary Fund (IMF), among other international development and donor agencies (Erk, 2014; Manor, 2013; Ojendal & Dellnas, 2013). Decentralization gained prominence, particularly in Sub-Saharan Africa, where it was perceived as a potential solution to a variety of challenges and "ills". It was expected to widen the democratic space, improve development potential, and contribute to state-building, especially in post-conflict settings (Erk, 2015; Ojendal & Dellnas, 2013; Smoke, 2003; UN-Habitat, 2002). The potential of decentralization to improve the resource mobilization capacity of the state as a whole was also appealing. Local governments were expected to access revenue sources that were unavailable to national governments due to administrative procedures involved in collecting such taxes (Bahl, 1999b;

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Conyers, 1986). Several years after the adoption of decentralization reforms in Africa, the question remains as to whether this promise has been fulfilled. In particular, have local governments succeeded in raising revenue from their "own" sources? In general, evidence across Sub-Saharan Africa, and Zimbabwe in particular, paints a bleak picture (Erk, 2014; Ojendal & Dellnas, 2013; Smoke, 2003). Using the example of local governments in Zimbabwe, this chapter investigates why local governments are failing to collect revenue due to them, and therefore failing to realize the potential resource mobilization for the state as a whole.

Effective decentralization requires an appropriately designed implementation program (Bahl, 1999b; Eaton & Schroeder, 2010; Ojendal & Dellnas, 2013; Smoke, 2003). Manor (2013, p. 33) identified "three essentials" for the design of any decentralization program, irrespective of context: substantial powers must be devolved to elected bodies at lower levels; substantial resources must be devolved to them; and accountability mechanisms must ensure horizontal and vertical accountability. While a decentralization program's design is important, the workings of (fiscal) decentralization in Zimbabwe are also influenced by external factors. A similar situation occurs across Africa and is also common in the developed world: "in the established federations of the developed world factors exogenous to institutional design often influence and determine the workings of federalism and decentralization" (Erk, 2014, p. 539). Thus, this chapter suggests that the success or failure of decentralization, particularly in the developing world, should be judged not only on the basis of its design but also on the prevailing contextual environment – political, economic, social, and geopolitical factors. This moderate view of the promise and future of decentralization is gaining momentum in the emerging literature (see, for example, Chigwata, 2015; Erk, 2014; Ojendal & Dellnas, 2013). This view departs from the "appropriately designed decentralization cures all ills" approach, which has thus far failed to explain the gap between policy intent and reality in post-colonial Africa, as far as decentralization is concerned.

The chapter is divided into five sections. First is a brief theoretical overview of fiscal decentralization, followed by a discussion of the Zimbabwean system of local government. The next section evaluates the performance of local governments in Zimbabwe in raising revenue from their "own" sources. An examination of the five main factors constraining local revenue-raising then leads to proposals for improving local revenue-raising potential, and the chapter concludes with some final remarks.

BACKGOUND

Fiscal Decentralization

Decentralization encompasses various ways of diffusing power, authority, and resources from the national or regional government to government(s) organized at regional or/and local level(s) (Ojendal & Dellnas, 2013; UN-Habitat, 2002).[1] This chapter focuses on local governments, those below the national and provincial levels of governments. As highlighted above, decentralization has been linked to a diversity of goals, ranging from helping to realize developmental goals and deepen democracy, to accommodate ethnic minorities. The design of a decentralization program should take into account the prevailing local environment, including historical, social, political, and economic background (Chigwata, 2015; Erk, 2015). Further, an appropriate mixture of political, administrative, and fiscal instruments is pivotal to maximizing the benefits of decentralization, as well as minimizing pitfalls such as corruption, widening inequalities, and ethnic polarization (Erk, 2014; Manor, 2013). Without properly defined fiscal instru-

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