

REPOA Brief



Strengthening Decentralisation and Local Economic Development in Tanzania: Challenges and Opportunities

By Ambrose T. Kessy

Key Messages

Many Local Government Authorities (LGAs) struggle with limited financial resources and inadequate capacity to manage LED initiatives effectively.

Despite the D-by-D policy, central government interference remains pervasive, undermining local autonomy and the effectiveness of LED efforts.

There is often limited coordination between different levels of government, leading to inefficiencies in the implementation of LED policies.

Introduction

The research on decentralisation and Local Economic Development (LED) in Tanzania reveals several key challenges and opportunities. One major challenge is the inconsistency between decentralisation goals and actual implementation, where local government authorities (LGAs) often prioritize service delivery over economic development initiatives. The lack of adequate funding, inadequate capacity among local officials, and insufficient coordination between the central government and LGAs further hinder the success of LED programmes. However, decentralisation presents opportunities for enhancing local autonomy and fostering community-driven economic growth.

Successful initiatives often involve collaboration with private sector entities and development partners, though these efforts remain limited in scale. Key policy recommendations include increasing financial autonomy for LGAs, improving the capacity of local officials to manage LED, promoting greater public participation in development planning, and enhancing partnerships with the private sector and NGOs. This policy brief examines key challenges and offers recommendations for strengthening the role of local governments in driving LED.

Findings

Resource Allocation Mechanisms

The allocation mechanisms for LED in Tanzania face several significant challenges, as evidenced by limited transparency, bureaucratic inefficiencies, and misalignment between local and central government priorities. While formal procedures exist for fund allocation, local officials and community members often express confusion or dissatisfaction with the process, citing inadequate participation in decision-making. Funds are frequently directed toward projects that align with central government mandates rather than addressing pressing local economic needs, undermining the autonomy of LGAs. For example, the LGAs allocate 10% of their budgets to provide loans to youth, women, and persons with disabilities (commonly referred to as **Mikopo ya Mama Samia -Mama Samia Loans**). These loans are disbursed at the council level. The role of the wards is to identify socio-economic groups that meet the eligibility criteria for the loan and forward them to their respective municipalities for further procedural steps. However, the final determination of qualifying groups rests with the municipalities. Furthermore, not all eligible groups may receive the loan, as disbursement is contingent upon the availability of funds. These challenges hinder the effectiveness of LED initiatives, perpetuating financial instability at the local level and obstructing meaningful economic development.

Central Government Intervention

The challenges posed by central government intervention in the decentralisation and LED process are cited across multiple regions, including Dodoma, Iringa, Kigoma, and Mtwara. In Dodoma, local authorities struggle with the central government's frequent imposition of directives that override local priorities, limiting the flexibility of LGAs to implement context-specific economic strategies. Similarly, in Iringa and Kigoma, central control over key financial resources, such as tax revenues and grants, undermines local financial autonomy, with LGAs relying heavily on centrally allocated funds that often come with restrictive conditions. In Mtwara, central directives are seen to displace local decision-making, particularly in sectors like agriculture and small-scale industry, where local initiatives are frequently overshadowed by national programmes. This top-down approach not only stifles innovation at the local level but also diminishes the accountability of LGAs, as local leaders are often more focused on meeting central government targets than addressing the needs of their communities identified as their priorities. Consequently, the intended devolution of power remains incomplete, with local governments still constrained by central intervention.

Coordination Challenges

Challenges in coordination within decentralisation and LED initiatives are pervasive across regions such as Dodoma, Kigoma, Iringa, and Mtwara. In Dodoma, the lack of clear communication channels between the central government and LGA hampers the effective implementation of LED projects, leading to duplication of efforts and misaligned priorities. Kigoma faces similar issues, where sectoral ministries often operate in silos, making it difficult for LGAs to coordinate across different sectors such as agriculture, infrastructure, and trade. Iringa and Mtwara also noted poor coordination between LGAs and private sector partners, as well as non-governmental organizations, limiting the effectiveness of public-private partnerships crucial for LED. Inconsistent support from central government ministries and inadequate integration of local plans into national frameworks further exacerbate these challenges, resulting in fragmented and inefficient economic development efforts at the local level.

Best Practices and Areas for Strengthening

The study finds some best practices in some regions that offer opportunities for scaling up and enhancing the success of LGAs in promoting LED. These includes:

Promotion of Public-Private Partnerships (PPP)

In regions like Kigoma and Mtwara, fostering collaborations between local governments, private businesses, and NGOs has proven effective in addressing LED challenges. Successful initiatives include small-scale enterprises and community-led development projects, which have contributed to local economic empowerment. Expanding these partnerships and ensuring sustained coordination can significantly enhance LED outcomes.

Capacity Building for Local Government Officials

In Iringa and Dodoma, ongoing training for local government officials on LED planning, financial management, and entrepreneurship has shown promise. Strengthening these programmes by providing continuous, targeted education on decentralised governance will empower local leaders to manage resources more effectively and encourage innovation in addressing community needs.

Increased Community Engagement Best practices observed in Mtwara and Dodoma highlight the importance of involving local communities in decision-making processes. Encouraging participatory budgeting and development planning ensures that projects align with local priorities. Enhancing this community involvement through regular consultations and transparent communication will strengthen trust between citizens and local authorities, fostering a more inclusive approach to development.

Implications for Policy and Practice

Strengthening Fiscal Autonomy of LGAs

The reliance of LGAs on central government funding, as observed in some regions limits their capacity to implement locally driven LED projects. Policy reforms that grant LGAs greater control over local revenue generation and expenditure would enable more responsive and tailored economic development initiatives.

Enhancing Decentralised Decision-Making

The central government's top-down approach often conflicts with local priorities. Policies that reinforce the principles of decentralisation by devolution, ensuring that LGAs have the authority to set and pursue their own LED agendas, are essential for fostering innovation and addressing region-specific challenges.

Improving Coordination Mechanisms

The fragmentation between sectoral ministries and LGAs suggests a need for improving coordination frameworks. Policies that promote inter-agency collaboration, data sharing, and joint planning between local, regional, and national stakeholders would improve the coherence and effectiveness of LED programmes.

Tanzania's decentralisation and LED initiatives face significant challenges, including central government interference, inadequate funding, and weak coordination. However, opportunities exist through improved public-private partnerships, capacity building for local officials, and enhanced community engagement. Strengthening fiscal autonomy, reinforcing decentralised decision-making, and fostering better coordination mechanisms are critical for success. Future research should focus on assessing the long-term impacts of these reforms, comparing rural and urban contexts, exploring the effectiveness of PPPs and community engagement in LED programmes, and exploring the role of different degrees of devolved governance in promoting sustainable LED.

The study recommends the following:

First, LGAs should be empowered to generate and manage their own revenue sources, reducing dependence on central government funds to enable more locally tailored economic development initiatives.

Second, LGAs should be empowered to independently design and implement development strategies that reflect the unique needs of their communities, fostering innovation and accountability at the local level.

Third, formal frameworks for improved coordination and collaboration between LGAs, sectoral ministries, and private sector partners need to be instituted to ensure alignment in the planning and implementation of LED initiatives.

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REPOA HQs
157 Migombani/REPOA streets,
Regent Estate, PO Box 33223,
Dar es Salaam, Tanzania.
Tel: +255 (22) 2700083
Cell: +255 78 455 5655
Website: <https://www.repoa.or.tz>
Email: repoa@repoa.or.tz

Branch Office
2nd Floor Kilimo Kwanza Building 41105,
Makole East, Kisasa,
Dodoma, Tanzania

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