CONCEPT NOTE ON LOCAL GOVERNANCE REFORM

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CONCEPT NOTE ON LOCAL GOVERNANCE REFORM

A. Introduction
This paper has been prepared by the Ministry of Atolls Development (MOAD) to explain proposals related to the President’s agenda for local governance reform. It is not intended to be a definitive statement of government policy, but an aid in identifying issues and facilitating discussion of options to consider. MOAD hopes that readers will find the material useful and will contribute constructive suggestions for further clarification and improvement of the proposals outlined here.

B. A time of change
The people of the Maldives are facing a time of great change and opportunity. During the past decade, the country has experienced substantial progress but this has not been shared equally among all islands. Economic growth has remained strong, matched by few other countries. Businesses have multiplied and prospered, although the creation of jobs has lagged the growth in the workforce, particularly among school leavers. Infrastructure and services have steadily improved throughout the country, especially telecommunications, but many communities still lack adequate power and water supplies. Schools and health facilities have improved and expanded, but people scattered among islands with smaller populations have difficulty accessing them. As reported in the Vulnerability and Poverty Assessment Report of 2004, poverty has declined and family incomes have risen steadily across the country. But while the gap between the rich and poor has narrowed in aggregate, it has widened significantly between the capital Male and other islands.

As Maldivians witness progress, they raise their expectations for better living standards. What sufficed before is no longer enough. Rising incomes expand demand for consumer goods. Households clamour for basic infrastructure that others already have. Parents seek better education for their children, closer access to improved health services and other public facilities. But the geography of the country makes this difficult, costly and often not feasible. While the government seeks to ease the situation through population resettlement, only the prospect of better economic opportunities will trigger major movement. Few islands offer such prospects, and none can compete with Male, which will long remain the favoured destination.

More importantly, progress brings with it a better educated electorate. People are no longer content to let others decide their destiny. They seek more and better information on what the government intends, on how it spends its money. They want a chance to hear about future plans before they are finalised, to make known their own views and needs, and to have a greater say in making decisions.

C. The President’s response
In response to these changes and opportunities, the President has already announced an ambitious and far reaching reform agenda for strengthening democracy and good governance in the Maldives. This includes elements for:
• Promoting the rule of law and access to justice
• Democratisation and political rights
• Promoting human rights
• Promoting transparent, accountable and efficient public administration
• Strengthening the role and participation of the Maldives in the international arena.
• Decentralising government and establishing local councils

Each of these is described in more detail in the Seventh National Development Plan for the period 2006 – 2010. This paper explains in more detail current proposals for decentralisation and local governance reform.

D. Goals of local governance reform

The reforms required to improve local governance in the Maldives are many and complex. Given the difficulties of sea travel in earlier times, island communities developed a long tradition of self-reliance. However, the imperatives of building a nation following independence called for strong government with centralised authority over many matters previously handled locally. Now, after four decades of sustained progress and development, priorities have changed. The current task of strengthening democracy and good governance calls in part for restoring authority to island communities.

E. Proposed policy measures

To achieve these goals, the government will adopt two broad policies during the period of the 7th National Development Plan 2006 - 2010. These are:

• To strengthen local governance by decentralising government, and
• To empower local communities to be self-reliant.

The measures implied by these policies will require new government institutions, a redefinition of roles and responsibilities among government agencies, and changes in current operating procedures. Some of these changes will require new legislation, notably a Law on Local Government, which is currently being drafted. Others can be handled through ministerial regulations.

F. Decentralising government

The policy of decentralising government will be pursued through four broad strategies. These are:

• To establish local councils
• To arrange elections of council members
• To transfer responsibilities and resources to the councils, and
• To strengthen the capacity of local government council members and administrative staff
1. Establishing local councils

A central premise underlying the goal of improving government administration is that this can best be achieved by forming local councils to undertake some of the tasks of government. Given the large number of inhabited islands spread across a large geographical area and the expanding range of public services required, it has become increasingly impractical to administer these services centrally. Conditions vary widely among the islands, as do development priorities. Existing Atoll and Island Development Committees serve a useful purpose in articulating local needs and sometimes managing project implementation. But they are only advisory bodies and are not recognised as legal entities. Local administrations, duly established under law, and authorised to make their own decisions within broad national policy parameters, are better placed to serve and respond to citizen’s needs. A precedent already exists with the Male Municipality.

What kind of councils. The question then arises: at what level should local councils be established? Options include atolls, islands and possibly regions. Among factors which need to be considered are: community identity, geography and efficiency. Regional councils are least preferred, since there is no precedent for them and they have no clear constituency. The Regional Development Management Offices (RDMOs) are better positioned instead to provide technical support to local councils, rather than to be transformed into councils themselves. Atoll councils are the obvious candidate as an intermediate level of administration between the centre and the islands, and have a clearer constituency, but again geography makes it difficult for them to provide close support for many services. On the other hand, the principle of subsidiarity, (the lowest level of government that can perform functions efficiently and effectively), points in favour of island councils for many smaller scale local services. However, some people argue that most islands have populations that are too small to warrant their own council, and that this would result in almost 200 separate entities implying increased costs.

Another option to consider is a hybrid, in which Atoll Councils comprise wards representing each island. This would avoid the need to create separate island councils, but not necessarily costs, since some form of island committee would still be needed to ensure adequate representation.

In light of these considerations, the President’s reform agenda envisions devolving powers to both island and atoll councils. These will take the place of existing island and atoll offices under MOAD as well as the existing IDCs and ADCs. New legislation is being prepared for this purpose, laying out specific responsibilities and functions for each kind of council. In addition, legal procedures will need to be completed to formally establish councils in each island and atoll.

2. Electing council members

Method of selection. If councils are to be formed, the next question is how are members to be selected: by nomination, election or a combination of both? Those who are concerned about maintaining national political stability and some form of central control favour adoption of the current system applied to Atoll and Island Development Committees, whereby all or at least some council members would be nominated. But this runs counter to the goal and spirit of enhancing democracy and undermines the purpose of forming local councils in the first place. Besides, experience from other countries at a similar level of social development indicates that
elected local councils can successfully co-exist and work together with central government.

The main arguments in favour of electing members concern voice and accountability. An elected council not only gives citizens an opportunity to choose members who best represent their interests in local matters, but also provides a civil forum and agreed procedures for resolving controversial issues and potential conflict. In this regard, it may be argued that elected local councils can provide a more effective means of promoting political stability than central controls designed to suppress divisive opinions.

A process of electing council members also creates powerful incentives for local governments to be more accountable for their actions and more responsive to citizen priorities. Quite simply, if voters are dissatisfied with the performance of their representatives they have the option of choosing others at the next election.

System of election. Accountability is also an important factor to bear in mind in weighing alternative systems for conducting local elections. As discussed elsewhere, there are several ways this can be done, two of which are commonly applied. Under the Block Vote system currently used for national elections, candidates are directly elected by voters and hence directly accountable to them. Under a Party List Proportional Representation system, candidates first have to win support from party chiefs to be included in the list, and hence tend to be more concerned about satisfying their party than their constituents.

In the Maldives, only variants of the Block Vote system need to be considered, since political parties will not participate directly in local council elections. Members of political parties may stand as candidates for election on their own merits, but not as representatives of their party.

Election of leaders. A further question concerns the method of selecting council leaders, or chairpersons. Should they be elected directly by the voters or indirectly by members of the council from among themselves? Direct election endows the successful candidate with greater legitimacy and allows for strong leadership. This can be an advantage if the leader is capable and well intentioned, but can also become a liability if power and authority is used for the wrong purposes. Indirect election obliges the leader to collaborate more closely with other members of the council, which may promote greater harmony and collective responsibility. But if members keep changing their minds, it may also result in instability. Procedures would be needed to prevent this happening except under unusual circumstances.

Role and responsibilities. In defining the role and responsibilities of the council members and the leader, it is important to keep in mind the distinction between the legislative and administrative (or executive) arms of government. Reports from the field suggest there is some confusion on this matter, in part stemming from the use of terminology.

The terms “local council” or “local government” are often used to refer to both the legislature and the administration. As a result, some envisage the elected council members as being responsible for both functions, implying they would need to devote full time to the job. They worry this would discourage potential candidates

from standing for election, since most capable people already have full time occupations. This misunderstanding needs to be clarified.

Elected council members would be primarily responsible for local legislation and key decisions concerning policies, plans and budgets. In the course of this work, they would also need to confer with administrative staff. However the execution of the bye-laws, regulations, policies, plans and budgets approved by the council members would remain the primary responsibility of the administrative staff. In this regard, the staff of the Island and Atoll Offices would largely remain in place, but instead of answering to central government, they would answer to council members.

**Role of the council leader.** Opinions differ over the role of council leader. Given the long tradition associated with Island and Atoll Chiefs, many people assume the council leader should de facto become the Chief, and as such should also head the administration. It is argued that such an arrangement would ensure close cohesion between the two arms of local government. There is merit to this argument, but the skills and experience required for an effective leader of the council are quite different from those required for a professional manager or head administrator. This suggests the two positions should be clearly separated, and the title of Chief should be discontinued to avoid such confusion and replaced by other titles more appropriate for each position.

**Duration of council tenure.** Elections should be held at suitable intervals. Council members need enough time to pursue policies and achieve results. Citizens need opportunities to assess performance and make changes where needed to cut short incompetence. Typically, local elections in most countries are held every three, four of five years. In the Maldives, most favour a period of four years.

**Opportunities for women as candidates.** Current social traditions in the Maldives present barriers for women who might wish to stand as candidates for election as council members. In an attempt to promote the participation of women in local government, Women’s Development Committees have been set up. But these have proven largely ineffective and even counter productive in that they have often been delegated exclusive responsibility for menial public services such as street cleaning and garbage collection.

A number of ideas have been put forward to promote the participation of women in local councils, most based on some form of quotas. As mentioned earlier, local elections will not be held under the Party Slate system. But if they were, then political parties should be required to include a minimum number of women candidates high enough on the list to stand a chance of being elected. Under the Block Vote system, a minimum number of women should be included among the candidates. However, this may result merely in window dressing, since it does not guarantee any would be elected. A much stronger option would be to reserve a minimum number of council seats for women, who would be elected by all voters across the constituency. Quotas are not an ideal solution, but under present circumstances this may be the only way to ensure their effective participation.

3. **Transferring responsibilities and resources**

Under the current system of centralised administration, local officials are required to seek approval and decisions from central ministries on numerous matters, even minor ones. This causes delays and inefficiencies in service delivery, undermines
community self-reliance, and has resulted in frustration among citizens, local officials and staff. To ameliorate these problems, steps are needed to delegate authority and decision making from the centre to atolls and islands.

One objective, then, of setting up local councils is to make government more accessible to people, and to allow government to better respond to citizen needs. Towards this end, the President’s reform agenda envisages the transfer of certain responsibilities and resources from central agencies to island and atoll councils.

This transfer of responsibilities and resources lies at the heart of government decentralisation. The transfer of both must be undertaken simultaneously, since island and atoll councils will not be able to undertake new responsibilities unless they have adequate financial resources for the purpose.

a. Responsibilities.

In determining which responsibilities and functions are to be devolved to local councils, it is useful to make a distinction between three aspects of service delivery: policy, planning and production.

- **Policy**, which entails both general policies and sector specific policies. General policies include a large set of national strategies affecting local government and the private sector, covering such items as structural reforms, liberalization, deregulation, decentralization, privatization and particularly taxation and government spending. Sectoral policies include those directed to specific sectors involved in infrastructure and services, such as physical planning, transportation, water, health and education, and involve such matters as planning and budgeting at the national level, drafting and oversight of any administrative regulations, model bylaws, standards and guidelines that may be needed.

- **Planning**, which has to do with planning, budgeting and supervising the delivery of infrastructure and services in specific communities around the country. This entails three main tasks: allocation, delegation, and oversight. Allocation refers to determining needs and demand for a service, estimating the financial resources required, and allocating budget resources for capital investment and recurrent expenditures among different services. Delegation refers to decisions on how infrastructure and services are to be produced, and who should produce them. Standard options include sub-national offices of central line agencies typically at the provincial and district levels, local government itself, the private sector, NGOs, community groups, or some combination of these. Oversight refers to the monitoring and evaluation of production, including both the execution of capital investments as well as the running of the service.

- **Production**, which refers to the actual delivery of a service on the ground to consumers and residents. This may involve the purchase of supplies, equipment and machinery (for offices, schools, health facilities, or road maintenance), the construction of physical facilities (classrooms, marketplaces or water treatment plants), as well as the operation and maintenance of facilities or services.

**Roles of central and local government.** Under the present system in the Maldives, central government agencies are responsible for all matters related to policy, most functions of planning and budgeting, and many elements of production. Commentators have expressed concern that transferring responsibilities to local councils will undermine the ability of central government to maintain control over
national policies and public spending. They worry in particular that once island and atoll offices are transferred to local councils, central government will no longer be represented at the local level to monitor council activities.

It should be stressed that devolution can be implemented without undermining central government authority over matters of national importance. In the first place, the purpose of devolution is to give local councils more control over matters of local concern. While some functions will be devolved, others will not. In addition, central government may use several instruments to set the parameters for local decision-making and to ensure that local governments adhere to national policies and priorities. These include legislation, regulation, budgeting controls, operating standards and monitoring procedures.

Responsibility for policy making for national and most sectoral matters will remain with central agencies. Examples include taxation, justice and education. Responsibility for planning, budgeting and supervision can be shared or delegated in many cases to atolls and in some cases to islands. But central government will still need to determine sectoral budget allocations for local councils, and sectoral agencies will vet local council budgets for the proposed use of these resources. They will also continue to supervise and monitor the facilities and services for which these funds are used.

Responsibility for production depends mainly on the nature of the infrastructure or service and to a lesser extent local capacity. Facilities serving the population of only one jurisdiction (island) can usually be delegated to that level. Those serving multiple jurisdictions will need to be assigned to a higher level (atoll or perhaps a regional office). A key concern here is the cost involved and responsibility for procurement. At present, central government practice is to place limits on the value of purchases and contracts that island and atoll offices are authorised to make. With the creation of local councils, rules for procurement will have to be reviewed and revised accordingly.

**Services to be transferred.** The President’s reform agenda for local government has already identified several public services where responsibility for planning and production might be devolved to atolls or islands. These include:

- Construction and maintenance of local roads
- Waste management
- Harbour maintenance
- Electrification, water, sewerage and local telephone networks
- Island health posts and health centres
- Primary health care and disease prevention
- Nursery and primary schools
- Community centres, parks, sports and recreational facilities
- Environmental management
- Land management
- Social protection service centres.
Sectoral agencies are currently assessing the feasibility of devolving these and other services, and working out how this is can be achieved most effectively.

b. Resources

Local councils will need financial resources both for ongoing recurrent expenditures and development purposes. These may be discussed in terms of locally generated revenues, revenues shared with central government, specific grants for each sector, block grants and equity transfers.

Locally generated revenue. Each atoll and island has one or more community accounts that until very recently were held in Male and administered by MOAD on their behalf. Atoll accounts are now being transferred to atoll branch offices of the Bank of Maldives.

Communities receive revenue from a variety of sources. In some cases the revenue is collected by the community and retained. The chief sources are user charges for services such as water, electricity and telephones, which usually go directly into separate accounts to cover the cost of providing each service. Several communities have attempted to boost local revenues by investing in income generating activities such as guest houses, pharmacies, ferry services and the like. While some may yield a profit, many do not and wind up becoming a liability rather than an asset. They find it difficult to compete successfully with private enterprise.

There are many options to enable local councils to generate their own revenue. In other countries, these typically include taxes on property and vehicles, business licenses and administrative fees, but there are many other possibilities. To determine which options would be appropriate for the Maldives, they will need to be assessed in terms of revenue potential, cost of collection, potential impact on people and businesses, and public support. Central government will then need to set a policy defining which kinds of revenue local councils are authorised to collect.

Revenue sharing. In other cases, revenue is collected by the community or the central government (Department of Inland Revenue) and later shared with the community. Atolls, for example, receive 50% of rents from properties in Male jointly owned with the central government, 50% of revenue from leases extended to companies for the use of uninhabited islands within their jurisdiction, and 50% of certain fees and licenses for sea craft and other activities. Islands receive 90% of rents charged on community owned land within their jurisdiction including plantations.

One way to increase locally generated revenue would be to allow local councils to retain 100% of some of these revenues instead of sharing them with the centre.

In other countries, revenue sharing is often related to major sources of revenue such as oil, gas, minerals and similar natural resources. While the jurisdictions where such activities are located certainly deserve a share of revenues to pay for the added costs incurred, this benefits some places much more than others. In the Maldives, one potentially major source of revenue to share with local governments is the hotel bed tax, particularly if current policy is relaxed to allow other islands to develop tourist facilities.

If new sources of revenue are to be shared with island councils, it may also be necessary to demarcate the boundaries of island jurisdictions. This may be necessary for other reasons as well and may take some time to resolve. In the
meantime, to avoid delays, it might be easier to share such revenues with atolls instead, and then have atolls share these funds with island councils.

**Specific purpose grants.** These refer to grants to local governments for specific purposes. As dependencies of MOAD, Atoll and Island Offices are funded at present through the central government budget. Recurrent expenditures for many other local facilities and services provided by central government agencies are funded in the same way. These include for example salaries for teachers and administrative staff, allowances and travel costs, office supplies, utilities, routine building maintenance, and suchlike.

Where appropriate, recurrent expenditures for certain activities could be converted into specific purpose grants. Although there is often limited scope for adjusting current spending without a major restructuring of a facility or organisation, this would allow local councils a stronger voice in running these services.

For the same reasons, spending on certain national government programmes – such as AIDS prevention, pre-schools, or skill training – might also be converted to special purpose grants.

**Block grants.** These may include sectoral block grants to local government for unspecified sectoral support or open ended block grants for general budget support. While they allow local governments greater flexibility in deciding how to use these resources, they are often intended for development purposes, and usually come with conditions specifying a negative list of activities they may not be used for.

In the Maldives, there may be scope initially to convert some sectoral development expenditures into sectoral block grants, for example for local power generation, minor roads, water supplies, perhaps some smaller health and education facilities.

Funds for open ended block grants to local councils would have to come either from additional central government revenue or from existing sectoral budgets. Since this requires the collaboration of sectoral agencies, it may take a while to build up sufficient resources to start providing such grants. Furthermore, given the large number of local councils to be formed, it may be more practical to provide these grants only to atoll councils. They would then be responsible for allocating these resources either to atoll-wide projects or to island councils for community projects.

**Local Development Funds.** In some countries, block grants for development purposes are allocated to what is generically known as a Local Development Fund (LDF). These may be set up to highlight local development efforts, to simplify planning and disbursement, to attract donor contributions or for other reasons. LDFs may simply be a line in the budget for a central government ministry (usually Finance or Planning) administered by the ministry’s own staff, or make take the form of separate local institutions performing multiple tasks.

Variations on this theme already exist in the Maldives. At the national level, funding for community development under the Public Sector Investment Programme is a start in this direction, but at present its resources are minor. At the local level, MOAD and UNDP have set up Atoll Development Funds in two atolls for similar purposes, although currently these mainly provide small loans for income generating activities. These two initiatives should be evaluated as potential models for wider replication.
Equity transfers. When measured in terms of public revenue per capita, some councils will wind up receiving far greater resources than others. Differences will be especially noticeable when comparing islands that receive the most with those that receive the least. There may be good reasons for this in some cases, but steps will be necessary to correct obvious imbalances. One way to do this is through equity transfers, but this assumes central government has sufficient resources for the purpose, which may not be the case.

Allocation criteria. A better way to correct imbalances is to avoid creating them in the first place. Decisions on resources for revenue sharing and how to share them, will be based on the nature of the revenue, the costs incurred by the activity that generates the revenue, and negotiations between central government and the local jurisdictions involved.

The allocation of special purpose grants and block grants, both from the centre to atolls and from atolls to islands, will need to be determined in a manner that is transparent to all concerned and minimises favouritism and undue political influence. This calls for formulas that reflect a set of rational criteria. This sounds sensible and straightforward, but in practice it is quite difficult. There are no standard formulas, since conditions vary widely from country to country. Criteria may include many factors such as population, geography, development indicators reflecting local conditions, service level indicators reflecting existing facilities, potential for locally generated revenue, even level of effort in generating local revenue. On top of all this is the need to keep in mind equity considerations.

Not surprisingly, much trial and error is involved in finding solutions that generate results that are acceptable to those concerned. Even then, there will always be some who complain the results are biased or unfair.

4. Strengthening capacity of councillors and staff

When governments discuss proposals for decentralising government, commentators and sceptics often express many fears. Local capacity is too weak, they say. Staff are not up to the job. Infrastructure and services will deteriorate and collapse. Disaster and chaos will ensue. Some worries may be well founded, but most are not.

The Maldives is fortunate in having many of the building blocks for local government already in place. Atoll and Island Offices have long been established and proven themselves capable of handling many matters that local councils will need to deal with. The ADCs and IDCs, whatever their shortcomings, have provided opportunities for many citizens to learn about the workings of government, development planning and project implementation. In most places the physical infrastructure to house local councils is adequate and unusually well maintained, supporting services are available, and most staff have the necessary office equipment.

Nevertheless, actions will be needed to ensure that MOAD Offices make a smooth transition to becoming local council administrations. Actions relate to three main areas: the transfer of staff from MOAD to local councils; orientation and training for staff and council members on their new roles and responsibilities; and the provision of continuing technical support.
a. **Transfer of staff**

To minimise disruption, the government plans to transfer the staff of Atoll and Island Offices to the new councils. A few people may be transferred to other posts, some may wish to stand for election as council members, others may of course choose to resign. To enable staff transfers to take place, it will first be necessary to define the scope of council authority in matters of staffing and human resources, and to clarify the status of council staff as public servants.

The challenge is to find an appropriate balance between central control and local autonomy. Central government will need to define rules and regulations governing the operation of local councils, but these should be couched in ways that allow them enough latitude to organise themselves in a manner that ensures efficient and effective administration for the local community.

Initially, Atoll and Island Offices may be transferred to councils en bloc as they stand. But some reorganisation will be needed to service the council members and possibly for other purposes such as local economic development. Central government may consider designing model organisational structures for local councils. But this should not discourage innovation and experiment in testing other arrangements involving the deployment of staff and writing of job descriptions.

A key question concerns the terms of employment of council staff. Some people argue they should remain employees of central government, or at least the senior staff and particularly the head administrator. This would supposedly provide better protection for employees, offer better opportunities for promotion and transfer, and ensure that local governments operate in line with central government policies. However, this arrangement runs counter to the spirit of decentralisation and greater local autonomy.

Once again this raises the issue of accountability. As employees of the local government, staff would be more accountable to council members and the citizens they represent. It would also allow management greater flexibility in recruiting personnel and dismissing them if needed. To prevent abuse in hiring and firing, central government can set standards and procedures, which local councils would be required to follow. More isolated communities may find it hard to recruit competent staff, which suggests they be allowed flexibility in offering incentives. Poorer councils may have difficulty meeting salary standards, but this can be taken into account in computing special purpose grants.

These and other issues will need to be discussed with the Public Service Division in relation to ongoing deliberations on public service reform.

b. **Training and capacity building**

The creation of local councils will require an extensive programme of training and capacity building for both staff and council members. Although the staff of atoll and island offices are already largely familiar with government practice, action will be needed to explain new arrangements and procedures and what these mean for their work, both as employees and as public servants.

An orientation programme will also be needed for council members. Hopefully, local elections will be successful in attracting a broad spectrum of candidates and widespread citizen participation. This may well result in the election of many members with little or no exposure to democratic local government, particularly the first time
round. Experience from other countries indicates that special efforts will be needed
to acquaint them with their powers and responsibilities, their role vis à vis the council
administration, and the support available to them.

For both staff and council members, emphasis should be placed on reiterating prin-
ciples of good governance, transparency and accountability, and explaining how
these can be applied in the course of their duties. Since local councils will be
independent bodies, training should also cover methods of promoting local develop-
ment, generating local revenue, and mobilising resources both from within the
community and from outside.

A large number of people will require orientation and training and this needs to be
completed promptly within a few months after the elections. Appropriate provision
will need to be made in the budgets for 2007 and 2008.

In addition, provision should be made for group visits to other countries in the region
to learn from their experience in decentralising government and strengthening local
government. MOAD has already arranged such visits for senior officials to the Phil-
ippines and Kerala state in India. More are needed to provide similar opportunities
not only for staff and members of local councils, but also for lawmakers, staff of
sectoral agencies and others involved in implementing decentralisation.

c. Continuing technical support

Initial orientations and training will not be enough for the new councils. As indepen-
dent entities, they will need to be able to count on continuing guidance and technical
support. In the early days, they will need help on a wide range of matters as they
arise in the course of finding their way under the new institutional environment. As
the process of decentralisation evolves, additional policies, regulations and proced-
ures will need to be drawn up. In the longer term, as experience gradually accumu-
lates, earlier decisions will need to be evaluated, and perhaps modified or replaced.

At present, MOAD has been assigned primary responsibility for steering the process
of decentralisation and the creation of local councils, since it is the only ministry with
a network of island and atoll offices throughout the country. Now that local councils
are to be formed, it will be necessary to provide ongoing technical support to them.
For this purpose, MOAD will need to be restructured and human and financial
resources will have to be shifted accordingly. A longer term solution may require
rethinking the allocation of responsibilities between MOAD and other sectoral
agencies, particularly the Ministry of Home Affairs (MoHA).

Proposals are also being discussed for the establishment of an institute for local
government. Its mandate would be to provide independent advice on local govern-
ment matters. This would entail undertaking comparative research on models of
decentralisation and devolution in other countries, evaluating current practice and
policies in the Maldives, and making recommendations for further reforms.

Attention should also be given to establishing links with local government institutions
in other countries. Some may be willing to provide advice, training, short and long
term technical assistance. The Maldives has already become a member of the
Commonwealth Local Government Forum, and the International Union of Local
Authorities may be another source of assistance.
G. Empowering local communities

Decentralising government is one policy element required to achieve the larger goal of strengthening local governance in the Maldives. As mentioned earlier, the second policy element is designed to empower local communities to become more self-reliant. This might perhaps be phrased more accurately as “restoring self-reliance”, since islanders in the Maldives have long traditions of looking after themselves, prior to the centralisation of government starting in the late 1960s.

In applying this policy, the government plans to pursue three key strategies:

- Promote the adoption of good governance principles by local councils
- Engage the community in development
- Involve the private sector in public service delivery

Each of these strategies is explained below.

1. Promoting principles of good governance

A prerequisite for effective community empowerment is the adoption and practice by central and local government of the principles of good governance. If these are not practiced, the scope for empowering the community is severely limited. They have been alluded to earlier, but may be summarised as follows:

- **Equitable representation** of all members of society in elected local councils and other public assemblies, particularly those groups often excluded, such as women, the poor, children, the elderly, and minority ethnic or religious groups

- **Participation and empowerment** that allows stakeholders to share in decision making related to the planning and implementation of public programs and services, and that engenders a sense of ownership and self-determination

- **Openness and transparency** in the conduct of government business and decision making that provides due notice of proposed actions, ensures access to relevant information, and promotes fair competition in the procurement of goods and services

- **Accountability to stakeholders** that includes timely reporting on decisions made and actions taken, a full and accurate account of the proposed and actual use of public funds, and effective monitoring and evaluation of public programs

- **Capable local government** that makes good use of available resources, provides efficient delivery of public services, and adopts procedures to ensure that plans and programs are responsive to the needs of the community, particularly the poor and disadvantaged.

Given the importance of good governance in the President’s reform agenda, guidelines should be prepared for the use of council members and staff indicating how these principles may be applied in the course of conducting government business. There are many ways this can done. Some of the more important measures to be considered are explained below.
a. **Local council elections**

A first step is to ensure that all adult citizens have the opportunity to participate in the election of council members to represent their interests. Under current laws, only those over the age of 21 are entitled to vote in presidential and legislative elections. However, given the demographics of the country which is heavily weighted towards youth, this excludes more than 50% of the population. Many have suggested the voting age be reduced to 18 so that a larger proportion of the country’s citizens can participate. This proposal should be pursued.

The right to vote, however, does not necessarily mean that a person can vote or will vote. A voter registration campaign will be needed to ensure that people can exercise their right. This will require island offices to collaborate with the Elections Commissioner in identifying and locating all eligible citizens, and will need to be completed prior to the holding of elections. The campaign will also need to explain the purpose of the election, why people should vote, and who may stand as a candidate for election as a council member.

b. **Council member meetings**

In countries where the concept of democracy is not well understood, people are often under the impression that government business is confidential and should not be disclosed to the public. This is unfortunate, since it engenders an atmosphere of secrecy and mistrust, particularly over issues that affect many people. Rumours proliferate, most based on misinformation, creating tension in the community.

The principle of openness and transparency not only makes for good governance, but also allays suspicion and rumour, and enhances the public image of government officials. Towards this end, local councils should be encouraged to conduct their business transparently. One way to achieve this is to open council member meetings to the public, posting agendas beforehand and publishing minutes afterwards.

c. **Business with government**

Most citizens at one time or another have to do business with government, but often find the process complicated, time consuming and frustrating. Information is hard to obtain, many forms may have to be completed, and numerous visits may be required to different offices. The process can be especially vexing for those who wish to start a business, buy land, or construct a building, even more so if the process requires action or approval by central government.

One aim of decentralisation is to give local governments greater authority in handling such matters. Local governments, for their part, need to consider how they can further simplify transactions with the public. One approach that has proven effective is to set up a “one stop counter” for people to obtain information and process documents. Simplifying government bureaucracy is especially important in facilitating small business start-ups, and attracting investment by larger enterprises.

d. **Monitoring council performance**

The establishment of local councils is not without risks. Critics claim it would open the door to widespread abuse, corruption and misuse of public funds. Evidence from other countries shows this does happen, particularly at the beginning as those so inclined exploit holes in the system. Some council members may be motivated more
by opportunities for personal enrichment than public service. But these fears may be exaggerated, and similar abuse can happen even under the current system.

More importantly, it points to the need to strengthen measures to minimise opportunities for abuse and to set up methods of monitoring performance. This can be done in several ways. The central government can encourage local councils to adopt best practices for administration, procurement and financial management. Procedures are already in place for auditing accounts of public agencies, and these will need to be adapted and expanded to cover local governments. Mechanisms can be introduced to allow for independent monitoring of council performance and reporting of findings to citizens and central agencies. In the interests of monitoring and evaluating the process of decentralisation nationally, a set of performance indicators should be designed to measure change and progress, the impact of legislation, and the performance of local councils.

At the local level, councils themselves can provide opportunities for citizens to monitor their performance. Opening council member meetings to the public is one way. Another is to hold annual public gatherings to explain next year’s plans and budget and to report on works accomplished during the previous year. A third is to establish user committees for public services such as water, power, schools and health clinics. There are many models to choose from, some of which are already found in the Maldives.

2. Engaging the community in development

Under a centralised system of administration, communities have little control over available resources for service delivery and local development. Proposals may or may not be funded. Resources may or may not be allocated to local priorities. This leads to unmet expectations, frustration and lack of interest among citizens in serving as members of IDCs, ADCs. While islands vary, citizen participation in planning is generally weak and ineffective. This is partly because the current system provides limited opportunities to practice it, and partly because few local officials and administrators are familiar with the concept or have tried to implement it.

An effective means of empowering community self-reliance is to create a process of participatory planning that allows people to engage in the development of their own communities. MOAD and UNDP have for several years been evolving such a process in several atolls through a project titled Atoll Development for Sustainable Livelihoods (ADSL). Experience gained from this and similar projects in other countries provides valuable lessons for designing a model for wider application in the Maldives.

The process entails four main elements. One involves mobilising the community by forming small groups of households, some of whom may choose to operate their own group savings and lending scheme for income generating activities. This is popular among those who are unable to access credit from other sources. A second element would require atoll governments to allocate a budget to each island for development purposes. Given limited resources and the large number of small communities in the Maldives, these allocations may be small or not provided every year. But allocating budgets eliminates wasted effort in preparing proposals that do not get funded, and often spurs the community into raising substantial additional funds. A third element requires the community to collaborate in planning how best to use available resources and in designing one or more projects accordingly. The last
step involves organising project committees to work with government in implementing the project(s), monitoring contractors, and making arrangements for operating and maintaining facilities. To make the process work, communities will need technical assistance that can be provided by NGOs, community facilitators or the local council itself.

Communities that have applied this kind of approach in the Maldives and elsewhere have often achieved impressive results. Active participation of the community working together can improve project designs, facilitate land acquisition, mobilise substantial funds, and minimise their misuse. Community ownership or management of infrastructure and facilities can result in improved maintenance and more efficient operation. Other communities should be given the opportunity to adopt similar methods.

3. **Involving the private sector in public service delivery**

Local governments have a tendency to want to do many things that might better be done by others. Evidence of this is already apparent among certain island and atoll offices, and newly elected councils may be tempted to try to do even more, not least to demonstrate their initiative and competence. Budget constraints will probably curb this tendency initially, but it is always latent. The desire to show competence, however, may be channelled in more productive ways.

Local councils should be encouraged instead to consider opportunities for empowering the community by involving them directly in supplying goods and delivering local services. This may be achieved by involving local businesses, NGOs, service cooperatives and other local private sector organisations in various activities that may also help to spur employment and economic activities.

Local governments need all kinds of goods and services for their operations. Typically these include office materials and equipment, services for cleaning, food preparation, repairs and maintenance. Some of these can be purchased from local suppliers. Opportunities also may exist for outsourcing activities related to utilities such as power generation, water supply and solid waste collection. These may include revenue collection, book-keeping, auditing, equipment maintenance, or contracts for the entire management and operation of the facility. Likewise, there may be opportunities to contract NGOs, CBOs and other entities to deliver specific services. Examples include family planning, recreation activities, skill training, neighbourhood security to mention only a few.

One island alone may have few bodies capable of performing these tasks, but a group of islands together may have several. There may be scope for organising a clearing house at the atoll level to service government needs, disseminate information on opportunities, and assist local suppliers to market their goods and services to government buyers and possibly others. Complementary action will also be needed to introduce legislation or revise current regulations in order to make it possible for NGOs and CBOs to participate in the delivery of public services.

**H. Putting the pieces together**

Once all the pieces are in place, the resulting institutional framework will look like the diagram below. This shows the main institutions and players at each level of the
administrative hierarchy from the centre down to the community level, and the
linkages between them.

In the centre of the diagram are the elected assemblies including the National
Parliament (Majilis), the atoll councils and the island councils. While there is no
direct connection between the National Parliament and the local councils, the atoll
councils are directly linked to the island councils, since the former will comprise
members representing the latter. At the community level are numerous private
sector groups, NGOs, CBOs and other civic bodies, some of which may also have
an informally elected leadership. Their role will be to participate in community
planning and development, and to assist in the delivery of local public services.

On the right hand side of the diagram are the administrative or executive arms of
government. At the centre or national level are the various sectoral agencies
answering to the National Parliament. These will continue to be responsible for all
matters pertaining to national policy, laws, regulations and setting of standards.
They will also monitor and provide technical support for sectoral activities that have
been devolved to local councils. Monitoring will include vetting of proposed budgets
for activities funded through fiscal transfers and periodic inspections.

Each atoll and island council will be supported by an administrative office. Initially,
these will be established simply by transferring the existing Atoll and Island Offices
now under MOAD to the newly formed local councils. Eventually, as local councils
develop their own agendas, they may wish to reorganize these offices in different
ways.

On the left hand side of the diagram are the bodies responsible for research, capa-
city building and technical assistance for the local councils. At the national level will
be the proposed local government institute, an independent body, which is to be
responsible for comparative research on decentralisation in other countries, evalu-
ating current practice in the Maldives, and recommending further reforms. At the
regional level are the Regional Development Management Organisations. Only two
have been formed so far, but others are planned to cover the entire country. These
will be linked to sectoral agencies, but their main task is to coordinate large scale
programmes covering more than a single atoll, and to provide technical assistance to
local council administrative units.

I. Phasing reforms

As may be seen, much needs to be done to bring about decentralisation, create local
councils and put in place services to support them. The whole process will require
the collaboration of many sectoral agencies. Some have already been thinking
about the matter for a while, but others have only recently started.

The attached table provides a preliminary indication of the phases involved and the
timeframe for each.

Broadly speaking, the aim is to have the local councils in place by the end of Sep-
tember 2007, so that the newly elected council members can assume office at the
beginning of October 2007. This assumes that Parliament will enact legislation on
local government no later than April. Once enacted, legal procedures will need to be
completed to establish local councils in all islands and atolls, staff will have to be
formally transferred to the councils, and elections will have to be held no later than the end of August. This is an ambitious timetable and will not be easy to achieve.

Individual sectoral agencies may start to transfer responsibilities and resources during 2007, but the aim is to implement the first phase of transfers at the start of 2008, coinciding with the start of the new fiscal year. Subsequent phases may be implemented at the start of 2009 and 2010, as determined by each sectoral agency.

Capacity building efforts will need to begin in July 2007 with senior staff prior to the formal establishment of local councils, and continue over the following months for other staff. Orientation workshops for elected council members should start immediately after elections are held and should ideally be completed for members of all councils within three months after taking office, but may take longer given the size of the task.

Steps to empower local communities should begin if possible with legislation to lower the voting age to 18 in time for local elections to be held in the third quarter of 2007, and with revising the system of planning and budgeting in time to prepare plans and budgets for 2008. The design of procedures to promote principles of good governance can begin before the formation of new councils, but should be continued and finalised with the active collaboration of council members to ensure their commitment to the goal. The aim should be to start implementation of these procedures early in 2008. Likewise, steps to facilitate the participation of the private sector, NGOs and CBOs in the delivery of public services should be completed before the end of 2007, so that contracting can begin early in 2008. Initiatives to promote local business in each atoll may take longer to implement, but should aim to start in 2008.

J. The benefits and costs

The goal of improving governance through decentralisation and the creation of local governments will have costs, but once achieved, it will also bring significant benefits. Many of these costs and benefits can be anticipated now, others will only become apparent as the process unfolds.

1. Benefits

As a component of the President’s larger reform agenda, government decentralisation will contribute both to national and local objectives for improving the welfare of Maldivians.

Briefly summarised, potential benefits at the national level are expected to include:

- A stronger democratic state and the wider practice of democratic principles that give citizens a stronger voice in determining their future
- Stronger citizen participation in local government and community development through forums and procedures to resolve differences and reach consensus
- Smaller geographical disparities in living standards and social wellbeing through a more equitable distribution of public resources
- Greater trust in government through the transparent allocation of national and local resources for the support and development of local communities
- Greater confidence among the international community in the government’s commitment to reform
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- Enhanced access to international resources and donor assistance for national and community development.

Potential benefits at the local level are expected to include:

- Government that is closer and more accessible to the people and more responsive to their needs and priorities
- Government that is more transparent in conducting its affairs and more accountable to its citizens
- Communities that are more cohesive and self-reliant, empowered to undertake a more active role in shaping their own development
- Social and economic development that is more sustainable and more effective in reducing poverty
- More effective use of public funds coupled with increased mobilisation of other resources for local development
- Enhanced provision of public infrastructure and services through expanded community ownership
- Closer collaboration and partnership with the private sector in service delivery and community development.

This is a long list of potential benefits and no doubt some will not be achieved to the extent expected. People make errors of judgement, partnership fail, things don’t work out the way they are supposed to. The important thing is to set the stage and allow the actors opportunities to do their best. Some will fail, but many will succeed.

2. Costs

The costs of decentralisation have yet to be determined with accuracy, but may be considered in general terms under four categories: one time initial costs for start up, periodic costs, recurrent expenditures and development expenditures.

One time costs. The largest item of additional cost will be for the initial start-up. The bulk of these costs will be for training and capacity building, including the orientation of council members. Training for senior staff will be needed prior to the establishment of new councils, but training for others can be phased in over the following twelve months. Orientation will be needed for all council members within a relatively short period after they are elected. Since there will be some 1400 of them, an intensive effort will be needed involving quite a large team of instructors and facilitators.

Periodic costs. The main additional cost item here is for local council elections to be held every few years. Prior to each election, provision also needs to be made for registering voters and voter education.

Recurrent expenditures. A large part of local council recurrent expenditures will be covered from existing resources. For example, the budget now allocated for running the atoll and island offices can simply be transferred with the staff to the council administration. Most of the same people will be doing many of the same tasks working in the same buildings. Some tasks may be reduced or eliminated, the savings from which may be shifted to new tasks, primarily support to council members. As such, there is little reason why costs should change much.
Similarly, whatever functions sectoral agencies decide to transfer to local councils should be accompanied by the transfer of funds for recurrent operations similar to existing budgets.

There will, however, be one important additional recurrent cost in the form of salaries for council members. In smaller islands where offices have few existing staff, the addition may be relatively large. But in bigger offices with more numerous employees, the impact should not be great.

**Development expenditures.** Initially, the same reasoning holds largely true for development expenditures. Funds now allocated by each sectoral agency for investment in local infrastructure and services may be partly transferred to local councils, or possibly pooled into a block grant for development purposes. However, once local councils are in place, they will no doubt start making strong pleas for additional funds for development.

The scope for increasing public investment will depend in part on aggregate revenue available to central government. In response to local council demands, central government may raise funds in three ways: by allocating a part of increased public revenues, by shifting more resources from sectoral agencies to local councils, or by shifting resources from recurrent budgets to development budgets. Whichever way this is done, it may result in increased funding for local councils, but does not necessarily mean a larger burden on national resources.

### K. Current and potential areas of donor support

Ironically, just at the time that the government is introducing a far reaching programme of governance reform, the United Nations has determined that the Maldives will no longer be eligible for preferential status as a less developed country (LDC). This change of status was initially scheduled to take place after a three year transition period starting in 2005 but this has now been postponed three years due to the tsunami disaster in Dec 2004. The change of status means losing benefits such as preferential treatment in trade, low interest rates and longer repayment periods on concessionary loans, and high levels of Official Development Assistance (ODA). This may make it harder for the Maldives to attract donor support for local government reform.

#### 1. Current activities

At present, the government receives support for this purpose mainly from the United Nations Development Programme (UNDP) through the Atoll Development and Sustainable Livelihoods project (ADSL), which is executed by MOAD. For several years, this project and its predecessors have worked in five atolls with the goal of alleviating poverty and enhancing community participation in planning and development. Towards this end, the project has mobilised communities, introduced a participatory planning process and strengthened the capacity of Island and Atoll Development Committees. More recently, ADSL has provided technical assistance to MOAD on policy matters related to decentralisation and local government reform.

Separately, the European Union and the Asian Development Bank are providing technical support to the government on other matters related to the President’s agenda for governance reform.
2. Potential areas of donor support

While the government gratefully acknowledges the support currently provided by the donor community, there remain many critical areas where further support is needed. Briefly summarised, these include:

- Local council elections, voter education and registration
- Orientation and support for newly elected council members
- Promoting principles of good governance at the place of work
- The form and design of fiscal resources for local councils including local revenue generation and central government transfers
- The design and operation of a management information system to support decentralisation, assist local councils and monitor progress and performance
- Community empowerment and strengthening self-reliance
- Establishment of a local government institute to undertake independent research on devolution policy and to provide technical assistance to local councils.

Donors that may be interested in supporting any of these activities are encouraged to discuss proposals with MOAD or other sectoral agencies.