FISCAL DECENTRALISATION: DOMESTICATING A METHODOLOGY FOR LESOTHO

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DEDICATION

This thesis is dedicated to my parents, my late father Pakalitha Mohapi and my late mother ’Mateboho Mohapi. Let’s celebrate together for you planted the seed and laid the foundation. The value and importance of education will forever be your legacy in my life. This work is also dedicated to my late aunt ’Mathato Palo who, always believed in my academic journey. May their beautiful souls continue to rest in peace.

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ABSTRACT

Lesotho adopted decentralisation as the policy for promoting popular participation and to better local public services for securing socio-economic wellness for Basotho. Pursuant to 2005 local government elections, the country established a full operational subnational government structure. Lesotho experienced a notable progress in implementing political and administrative decentralisation explained through the presence of guiding legal frameworks. However, there is no legislation dedicated for the implementation of fiscal decentralisation. The impact of the absence of fiscal statute is reflected in multiple subnational government financial challenges such as unfunded mandate and dependency on national government financing.

The national decentralisation policy was developed to create a platform for reshaping the decentralisation process through development of comprehensive supporting legislations. The focus of the study is to conceptualise fiscal decentralisation and develop a domesticated methodology for Lesotho. Consequently, the main research question was: What is the best fiscal decentralisation methodology for Lesotho? The literature conceptualise fiscal decentralisation as the legislative allocation of fiscal powers in terms of revenue and expenditure as well as intergovernmental transfer between government spheres. The fiscal decentralisation theories were used to explain the best practices for the assignment of functions and design of intergovernmental transfers for improving local service delivery.

The study was conducted using mixed methods research to enable complementarity of methods. The data was collected through document analysis, questionnaires and interviews within local councils in the four districts namely: Maseru, Berea, Mohale’s Hoek and Thaba-Tseka. The study established that fiscal decentralisation is an important component of decentralisation. The study also revealed that Lesotho does not have fiscal decentralisation statute to guide subnational government financial system. In this regards, fiscal decentralisation is realised as the weakest link in Lesotho’s decentralisation process.

The developed methodology presented the content of fiscal decentralisation statute with regard to assignment of functional responsibilities, subnational government financing, subnational financial management system and intergovernmental fiscal relations. It is believed the methodology will enable Lesotho to achieve decentralisation objectives. The study contributes to the limited body of knowledge on the theories that underpin fiscal decentralisation research aiming at the better diagnosis of its role in the success of decentralisation process. The current study is part of the policy advisory system for the development of fiscal decentralisation statutes for Lesotho. In this regard, the study is a scientific contribution to the policy development process that aims at assisting the country to develop a constructive and effective fiscal decentralisation statute

Keywords: Fiscal decentralisation; functional assignments; intergovernmental transfers; intergovernmental relations; public policy development; public financial management reforms; local authorities; chieftainship; Lesotho decentralisation system; Local Government Act of 1997

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

GENERAL INTRODUCTION

1.1 INTRODUCTION

Decentralisation is a dynamic concept that reflects different connotations and dimensions in different disciplines. Dickovick and Wunsch (2014:3) argue that the standard definition of decentralisation involves devolution of authority, resources and responsibilities from national governments to subnational governments. From the public administration angle, decentralisation is defined as the assignment of functions and revenue responsibilities to subnational governments (Kabi, Kompi & Twala, 2014:52). Decentralisation can also be viewed as the process whereby the central government transfers political, administrative and fiscal authorities to subnational governments with the intention to advance service delivery (Naha, 2015:24). Thus, the establishment of decentralisation is remised on political, fiscal and administrative decentralisation.

Though the trace of decentralisation in Lesotho goes back to the 1930s with the establishment of the Basutoland Council, its major adoption was in 1997 marked by the passing of Local Government Act 6 of 1997. Lesotho adopted decentralisation as a policy for promoting popular participation and to better public services in an effort to achieve socio-economic wellness for Basotho (Lesotho, 2003:2).In implementing this policy, Lesotho integrates the decentralisation components on the basis of progress and readiness assessed through political advocacy.

The country held its first local government elections in 2005, leading to a remarkable achievement of both political and administrative decentralisation. Thus, the establishment of political and administrative structures at subnational government spheres. The political and administration decentralisation were realised through the adoption of Local Government Elections Act 9 of 1998 and Local Government Service Act 2 of 2008respectively.Subsequent to 2005 local government elections, the country successfully held elections in 2010 and 2015, maintaining the functional political and administrative structures at subnational government. The continuous success in political and administrative decentralisation over the three terms of subnational government necessitates the incorporation of the fiscal component of decentralisation. However, Lesotho does not have a legal statute to guide fiscal decentralisation. Therefore, there is a need to develop a domesticated fiscal decentralisation methodology that matches local scenarios and specific needs of Lesotho as a unique country.

This chapter provides the motivation of the study and tabulates the problem that it intends to address. The questions for the research together with the main aim and sub-objectives to be achieved are also presented. The discussion includes the applicable research methodology and the importance of acquiring ethical consideration. It concludes by tabulating the research organisation.

1.2 RATIONALE FOR THE STUDY

Lesotho has made a notable effort to implement both political and administrative components of decentralisation. In addition to general legislation that directs decentralisation, there is the Local Government Elections Act 9 of 1998and the Local Government Service Act 2 of 2008 that guide the execution of political and administrative decentralisation respectively. However, the fiscal component of the process is lacking as there is no delegated statute for fiscal decentralisation, and thus the country is operating within an incomplete intergovernmental relations framework. Litvack and Seddon (2000:v) explain that the structure of intergovernmental relations leads to improved quality of service delivery and poverty alleviation initiatives, the establishment of financial systems and maintenance of economic stability. In analysing the financial sector,

’Nyane (2016:69) points out that fiscal decentralisation in Lesotho is still in its infancy and appears to be lagging behind administrative and political decentralisation. Therefore, the focus of the study is on conceptualising fiscal decentralisation and exploring its compatibility to Lesotho, thereby developing a domesticated fiscal decentralisation methodology. This is for enhancing the success of the decentralisation process, because the absence of a dedicated fiscal statute translates to poor intergovernmental fiscal relations. According to Hendricks (2014:15), intergovernmental fiscal relations refer to a financial system whereby revenue collection authority and expenditure responsibilities are assigned to subnational governments, and intergovernmental transfers are used to share the nationally raised revenue among government spheres. Intergovernmental fiscal relations is about how national and subnational governments share taxing, spending and regulatory functions and the nature of transfers between and among government spheres (Hendricks, 2014:13). Lesotho local authorities do not have their own sources of revenue and do not retain collected revenue. Sections 56 and 57 of the Local Government Act of 1997grant local authorities the authority to identify sources of revenue in terms of taxes, rates and service fees and spend the collected revenue. However, the Public Financial Management and Accountability Act 12 of 2011 contravene the provisions in sections 56 and 57 of the Local Government Act of 1997. The Public Financial Management Act of 2011 is operationalised through the Treasury Regulations of 2014 in managing the national financial management system. In regard to revenue collection, Section 61 of the Treasury Regulations of 2014 provides for the payment of all revenue collected at the district to sub-accountant (the national government finance office located at district) who is to bank the collection to the Consolidation Fund bank account. In this regards, local authorities are compelled to deposit all the collected revenue to sub-accountant as part of national revenue.

Kellam III and Muwanga (2015:30) explain that local authorities have an obligation to inform the national government whenever there is a new source of revenue so that the national government can prescribe the amount to be charged and their application. In this regard, both sources and charged rates of revenue collected by local authorities are determined by the national government, which in turn expend that revenue, as it will all be remitted to it through the office of the sub-accountant. They assert that in this manner, the role of councils is limited to recording and reporting revenue receipts, thus being the collection agencies of the national government. Therefore, there is a need to reconcile legislation and address the needs of local authorities accordingly. ’Nyane (2016:70) states that local authorities depend on the national government for sources and rates of revenue, expenditure and budget management. The absence of financial resources at subnational government, due to the transferring of funds to the national government, results in their total reliance on national government transfers to implement their development plans. This also means that local authorities do not have an income base and therefore cannot borrow. In general, local authorities in Lesotho depend on the national government transfers to finance their entire budget thereby jeopardising their autonomy.

The intergovernmental fiscal relations challenge extends to the expenditure function of local authorities in Lesotho. The expenditure function focuses on planning and budgeting and have a considerable progress at local authorities. Irrespective of the observed progress in the planning and budgeting functions, local authorities are treated as units under the Ministry of Local Government and Chieftainship and this has a negative impact on performance, accountability and transparency. The Ministry contact budget negotiations on behalf of the local authorities and undermine the link between budgeting and performance. The local authorities also have to rely on the ministry governance structures when implementing the budget. In this regard, councils do not have their own internal audit function to assess the risks and improve accountability during the implementation phase of the budget. According to Kellam III and Muwanga (2015:47) in drawing up plans and budgets, local authorities have to submit budgets to the Ministry of Local Government and Chieftainship, which performs final budget negotiations with the Ministry of Finance. Daemane (2012:204) explains that Lesotho local authorities do not have internal audit functions, the audits may be done only if the minister of the Ministry of Local Government and Chieftainship prefers to do so. Kellam III and Muwanga (2015:47) argue that local authorities are addressed as units in the Ministry of Local Government and Chieftainship whereby a three-staff internal audit unit performs the audit function to all councils. In general, not having their internal governance structures and not participating in the budget negotiations is counter-productive to their accountability and performance of local authorities.

In essence, Lesotho needs a strong and stable intergovernmental fiscal relations framework to enable disciplined and successful fiscal operations that promote accountability and reporting at local authorities as well as in the public sector at large. The country has to develop fiscal decentralisation legislation and incorporate it in the decentralisation process for guiding the fiscal management at subnational government. This would enhance the autonomy of local authorities by enabling them to determine their revenue source, collect and utilise revenue for financing local development programs and public service delivery, and minimise dependency on national government transfers. The fiscal decentralisation legislation would create a guiding formula for revenue sharing nationally and among local authorities. The proposed legislation would also facilitate coordination between spheres of government by articulating procedures and the roles and responsibilities of different bodies involved in the planning and budgeting functions.

The planning and budgeting functions go together with the reporting and accountability functions, whereby the proposed legislation on fiscal decentralisation would strengthen the governance system at local level. It would introduce an internal audit function at subnational government and enhance reporting mechanisms between and among government institutions and citizens. The incorporation of an internal audit function is essential because it would enable local authorities to achieve their objectives. The aim of internal audit is to guide decision making processes by engaging a systematic approach for regular review and maintenance of effective risk management and governance processes (Udeh & Nwadialor, 2016:45). According to Okodo, Aliu and Yahaya (2019:47), the systematic and disciplined approach helps institutions to accomplish their objectives.

The World Bank (2007:25) recommends that Lesotho should consider a policy decision on a degree of fiscal responsibilities to be assigned to local authorities. This would increase the capacity to generate and use revenue locally, increase flexibility in using grants from the national government and raising funds through borrowing, increased personnel and asset management and accountability (World Bank, 2007:25).'Nyane (2016:70) also suggests that the ideal would be to develop a dedicated Local Financial Management Act. It could, therefore be reasoned that it is important to develop fiscal decentralisation legislation to govern fiscal management at local authorities, for strengthening intergovernmental fiscal relations in order to guarantee the success of the decentralisation process.

In this regard, the government of Lesotho pronounced its decision about the fiscal decentralisation challenges by providing policy direction through the National Decentralisation Policy of 2014. This policy declares the adoption of devolution as a mode of decentralised governance and establishes a foundation for the development of enabling legal frameworks. Explaining the policy as a bedrock for reforms, 'Nyane (2016:71) argues that the adoption of the policy introduces a set of reforms based on devolution and gives the country another chance to reshape the decentralisation process. This means that the policy provides another opportunity to attempt to develop legal statutes to guide and govern decentralisation in Lesotho. Hence, this study attempts to explore and proffer a domesticated fiscal decentralisation methodology for the decentralisation process, as none has been developed thus far.

The strategic action for providing enabling legal frameworks includes re-examining all existing legal frameworks that have implications on the decentralisation and developing a more inclusive one that includes all components of the decentralisation process (Lesotho, 2014:19). The comprehensive legal frameworks are for providing guidance and ensuring enforcement in the execution of decentralisation, and a special focus is to be among others on the structure and functioning of fiscal relations (Lesotho 2014:19). In this regard, the country needs to review and reassess all legislations that relate to and have implications on fiscal decentralisation. This should be done to develop a comprehensive fiscal decentralisation statute to guide and enforce fiscal decentralisation and intergovernmental fiscal relations.

Kellam III and Muwanga (2015:11) explain that the development of the National Decentralisation Policy necessitates fundamental reforms in the legal framework on decentralisation. The reforms include giving the subnational government powers to collect, generate and use revenue for the development of their areas at their own discretion (Kellam III & Muwanga, 2015:11). In this regard, it is imperative to scientifically contextualise the concept of fiscal decentralisation and develop a more domesticated fiscal decentralisation methodology for Lesotho that would ensure success of decentralisation and economic development. This study is, therefore, a scientific contribution to the policy mandate as it aims to assist Lesotho in its endeavour to develop a comprehensive legal statute for fiscal decentralisation.

1.3 PROBLEM STATEMENT

Mahao (1993:110) points out that decentralisation in Lesotho is traced back to the formation of the nation-state in the 19th century. This is because the country has been practising traditional leadership through the chieftainship system rooted in local governance practises. It is also expressed in the National Decentralisation Policy of 2014 that Lesotho has struggled with decentralisation during its colonial (1948-1995) and post-colonial (after 1996) history (Lesotho, 2014:x). Researchers (Daemane, 2012; Mofuoa, 2005) argue that the previous attempts at decentralisation were the development of the Basutoland Council of the 1930s and District Councils in 1943 as well as the institutionalisation of the District Secretariat in the 1970s and early 1980s.The Maseru Municipal Council was also institutionalised in 1989. Kali (2020:14) argues that the Lesotho subnational government has been fluctuating between traditional leadership, elective representatives and appointed officials due to changing political circumstances.

Despite the oscillate nature of subnational government, Lesotho experienced a remarkable turn in 1993 when decentralisation was considered as a development policy and was endorsed in the Constitution. Section 106.1 of the Constitution Act 5 of 1993 mandates the parliament to create local authorities through an act of parliament for assisting communities to decide and manage their affairs. The endorsement resulted in the development of the Local Government Act of 1997 symbolising the new dawn for decentralisation. The purpose of the Local Government Act of 1997 was to operationalise and implement decentralisation. It was instrumental in holding three political elections in 2005, 2011 and 2017, respectively. The elections enabled Lesotho to have a fully operational subnational government structures that has four types of local authorities: district, community, urban and municipal authorities as stated in Section 3 of Local Government (Amendment) Act 5 of 2004. However, Kali (2020:15) argues that Lesotho decentralisation failed to achieve the intended development and economic growth due to multiple challenges such as lack of funding and poor policy implementation. The National Decentralisation Policy of 2014declares that although the local councils have succeeded in promoting democracy and identifying development needs at local level, they are not sufficient structures for achieving development as they are under-funded and lack necessary frameworks for administration and service delivery (Lesotho, 2014:2).

In analysing the progress of decentralisation in Lesotho, ’Nyane (2016:70) argues that although the political and administration components of decentralisation are yet to mature, there is a considerable progress achieved through implementation of two supporting statutes. That is, the Local Government Elections Act of 1998 and Local Government Service Act of 2008 that led to the elections of political representatives at the local level and the creation of new local government services. However, progress has been lacking when it comes to fiscal decentralisation, as national government transfers remains the basic/sole source of financing for local authorities’ activities. Having national transfers as the sole source of funding is counterproductive to fiscal decentralisation as local authorities operations totally depend on national government and function as department of the national government. This results in subnational government depending on national government for executing their plans and this weakens the autonomy of subnational government.

Fiscal decentralisation is defined as the dispersion of fiscal policy whereby subnational governments independently manage their budget (Ozkok &

Cutcu 2021:1). According to Hendriks (2014:17), fiscal decentralisation is explained through the subnational government having legal authority to independently generate and expend revenue within established criterion. ’Nyane (2019:8) adds that the existence of fiscal decentralisation is reflected by subnational government having sufficient financial resources, the degree to which transfers are stable and predictable and the ability to generate local revenue. Lesotho is experiencing fiscal decentralisation challenges engraved in lack of funding at local spheres, underfunded local mandate and absence of subnational financial management legislation. The fiscal decentralisation in Lesotho, is poorly defined and addressed through multiple legal frameworks causing disharmony and incoherence in the management of public finances in the local government sphere.

There is no statute dedicated to fiscal decentralisation, as is the case with political and administrative decentralisation. ’Nyane (2016:70) explains that fiscal decentralisation issues are addressed through sections in different acts and regulations which have created disharmony and incoherence. They comprise the Local Government Act of 1997, the Public Financial Management and Accountability Act of 2011, the Treasury Regulations of 2014, the Public Procurement Regulations of 2007 and the Municipal and Urban Council Financial Regulations of 1988. For instance, the Local Government Act of 1997 assigns local authorities to collect and utilise revenue at the local level. However, the Treasury Regulations of 2014 assign national government offices at the local level to collect and pay revenue collected at the local level to the consolidated fund. The disharmony in the legislation is affecting local authorities’ operations negatively.

In an attempt to reshape decentralisation, the National Decentralisation Policy of2014 provides the foundation for the country to undertake intensive studies for the development of comprehensive legislative acts to support and guide the decentralisation process. The concept of fiscal decentralisation and prudent public finance management is a key area to the policy. The policy tasks the government to develop systems and procedures to guarantee effective, efficient, transparent and accountable planning, budgeting, public expenditure management, and accountability at all levels of the decentralised service (Lesotho, 2014:17). In this regard, the policy mandates the development of a legal framework focusing on structure and functioning of fiscal relations and public financial management to support the on-going decentralisation process. In consideration of the background, the focus of the study is to conceptualise the concept of fiscal decentralisation and develop a domesticated fiscal decentralisation methodology for Lesotho's decentralisation system. The problem statement for the study is thus: *Fiscal decentralisation in Lesotho is currently addressed through sections in different acts and regulations, which creates disharmony and incoherence in the management of public finances at the local sphere*.

In this regard, it is necessary to explore the detailed nature of fiscal decentralisation and its compatibility to Lesotho in order to develop a domesticated fiscal decentralisation methodology that will ensure the realisation of decentralisation objectives.

1.4 RESEARCH QUESTION

From the problem statement elucidated above, the main research question that this study seeks to addresses is: *What is the best fiscal decentralisation methodology for Lesotho?*

Consequently, the sub-research questions that the study addresses are:

1. What is the nature and scope of fiscal decentralisation within the decentralisation process?
2. What has been published on public finance management reforms and public policy development?
3. What is the nature of Lesotho's decentralisation system?
4. What is Lesotho's regulatory framework on fiscal decentralisation?
5. Which research design and methodology is suitable for the study?
6. How will the collected data be analysed and interpreted?
7. What is the best fiscal decentralisation methodology for Lesotho?

The next paragraph discusses aim and objectives of the study.

1.5 RESEARCH PURPOSE AND OBJECTIVES

The aim of the study is to explore and proffer a fiscal decentralisation methodology for Lesotho through an inclusive understanding of the concept and domesticating it as a strategy for economic development. In an effort to achieve this, the following objectives of the study are identified, to:

1. Explore fiscal decentralisation and its underlying theories, that is, reviewing the literature about fiscal decentralisation,
2. Review the literature on public finance management reforms and public policy development
3. Explain the functioning of the Local Government system in Lesotho (To contextualise Lesotho Decentralisation process),
4. Review fiscal decentralisation management policies in Lesotho,
5. Describe the suitable research design and methodology for the study,
6. Analyse and interpret the collected data in relation to the study objectives
7. Explore and proffer fiscal decentralisation methodology for Lesotho that can ensure economic development.

The subsequent discussion is on the research design and methodology for the study.

1.6 RESEARCH DESIGN AND METHODOLOGY

Research design forms the basis of research as it states several methods used to explain the research problem in detail, its literature and the estimated time as well as the budget required to complete the research (Rajasekar, Philominaathan & Chinnathambi, 2013:22). McMillan and Schumacher (2001:74) explain research methodology as the entire research process to the chosen approach, methods and procedures of collecting data and analysis techniques. Rajasekar *et al.* (2013:5) define research methodology as the processes that researchers undertake in unfolding, explaining and predicting the phenomena under investigation. According to Almalki (2016:290), research methodology presents the justification arguments that rationalise an enquiry and the principles that will be followed in interpreting data and drawing conclusions.

The study will use the mixed methodology to address the research questions. Mixed methods research methodology is an approach that combines the strategies of both qualitative and quantitative approaches in collecting and analysing data to ensure comprehensive understanding and corroboration (Molina-Asorin, 2019:4). Almalki (2016:292) adds that mixed method research enables collection of different forms of data on one subject matter which can be integrated for analysis and interpretation. This implies the complementarity nature of the two approaches leading to results that are more concrete. In support, Creswell (2013:12) argues that mixed method research guarantees maximising the strengths and limiting the disadvantages of both qualitative and quantitative research methods.

With reference to research questions and objectives, the mixed method approach will enable the researcher to access all possible information with different strategies, and analyse it across the methods to ensure concrete results. The detailed discussion on research design and methodology will be presented in chapter six of the thesis. The subsequent discussion is on data collection strategies for the study.

1.6.1 Data collection techniques

Data collection techniques for the study are documentary reviews, interviews and questionnaires. According to Busetto, Wick and Gumbinger (2020:2) documentary review refers to all written materials that can have information about the subject under the study such as annual reports, guidelines and policy documents. In this regard, the research engaged the documentary review as a source of both primary and secondary data, to obtain historical and current literature on fiscal decentralisation as a component of decentralisation and on the Lesotho decentralisation system. Thus, the review of official government documents, past research papers, journal articles on fiscal decentralisation and the Lesotho decentralisation system were considered.

Interviews are conversations in which the researcher collects information and learns about the experiences, behaviours and views concerning the subject under study by questioning the respondents (Busetto *et al*., 2020:3). Kabir

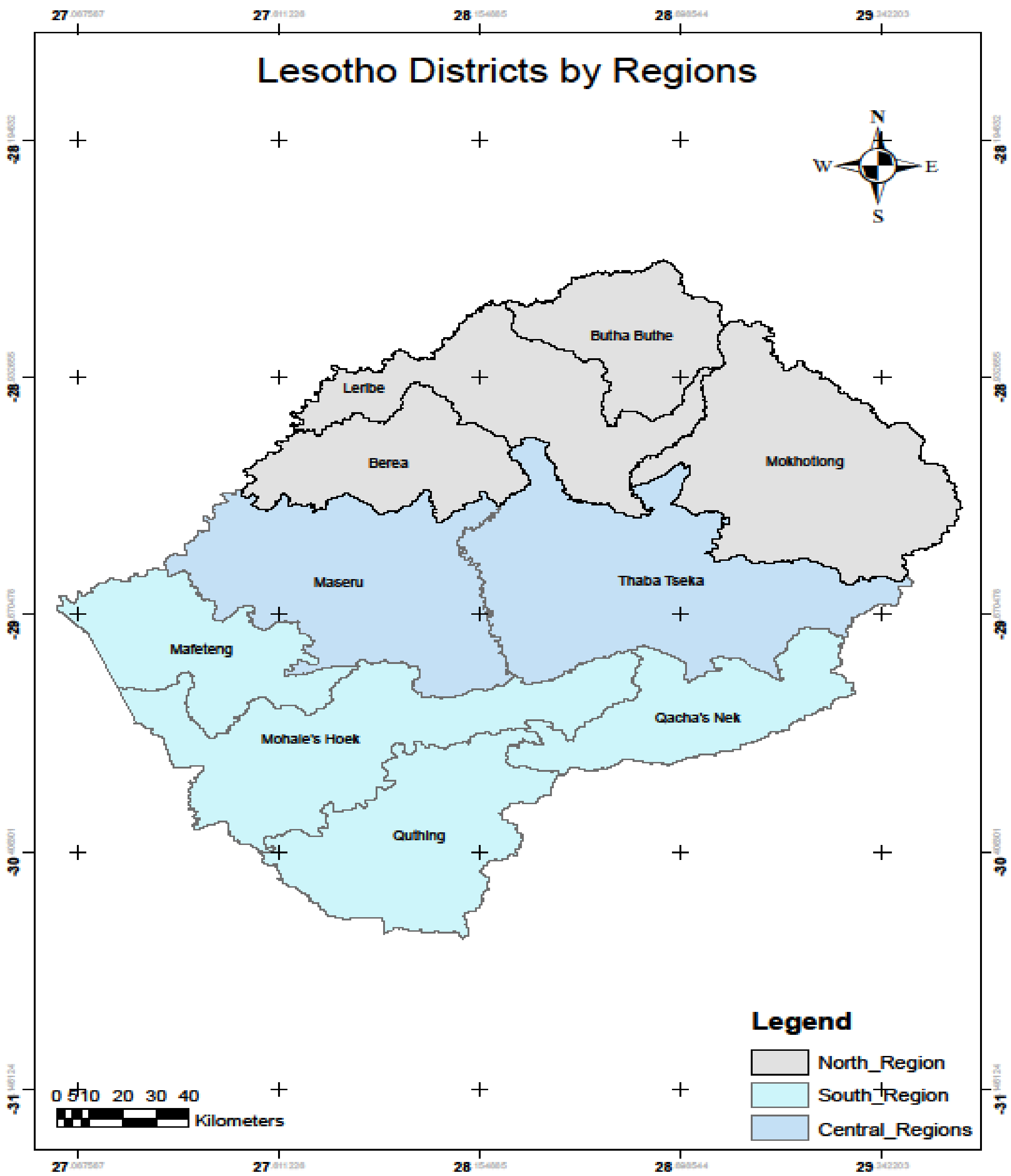
(2016:275) argues that an interview can be taken as an organised method by which a person enters to a certain degree imaginatively into the life of a stranger; it is an art of receiving relevant data. In-depth interviews were conducted with key stakeholders in the financial sector of local authorities and the national government to gather data about the practicality and understanding of financial management at local level and intergovernmental fiscal relations. This assisted the researcher in understanding the status of fiscal decentralisation and intergovernmental fiscal relations thereby establishing the baseline for the development of the proposed legislation.

In addition, questionnaires were administered to gather data. A questionnaire can be explained as a method in which individuals are requested to respond to identical questions in a prearranged order at a certain time (Ragab & Arisha, 2017:8). Kabir (2016:208) defines a questionnaire as a research tool entailing a sequence of questions and other prompts for collecting information from respondents. The officers and councillors who take part in financial management and to a practical extent process financial transactions completed questionnaires. This assisted the researcher in understanding and explaining the current financial management system at the local authorities. The questionnaire also made provision for officers and councillors to present suggestions for improving financial operations. The following section will discuss the population and sampling for the study.

1.6.2 Population and sampling

Population represents the universe of units that share common characteristics from which a sample is selected (Ragab &Arisha, 2017: 6). It encompasses people who are knowledgeable about the subject under study and can assist to address research questions. Similarly, Asiamah, Mensah and Oteng-Abayie (2017:1607) describe a research population as the collection of persons having at least one similar character of interest pertaining to a research study. Lesotho, as the area of focus for the research, is divided into ten administrative districts and three regions (Bureau of Statistics, 2018:17).The central region has two districts, Maseru and Thaba-Tseka while the southern region has four districts of Mafeteng, Mohale’s Hoek, Quthing and Qacha’s Nek. The northern region also has four districts, namely Berea, Leribe, Butha-Buthe and Mokhotlong, as displayed in figure 1.1 below. Figure 1.1 is a Lesotho map displaying regional and districts boundaries. The district councils are equivalent to administrative district as the two share the boundaries, for instance the territorial boundaries of Berea district are also the territorial boundaries of Berea District Council.

Figure 1.1: Lesotho Regional Map



Source: Lands, Surveys and Physical Planning (2023)

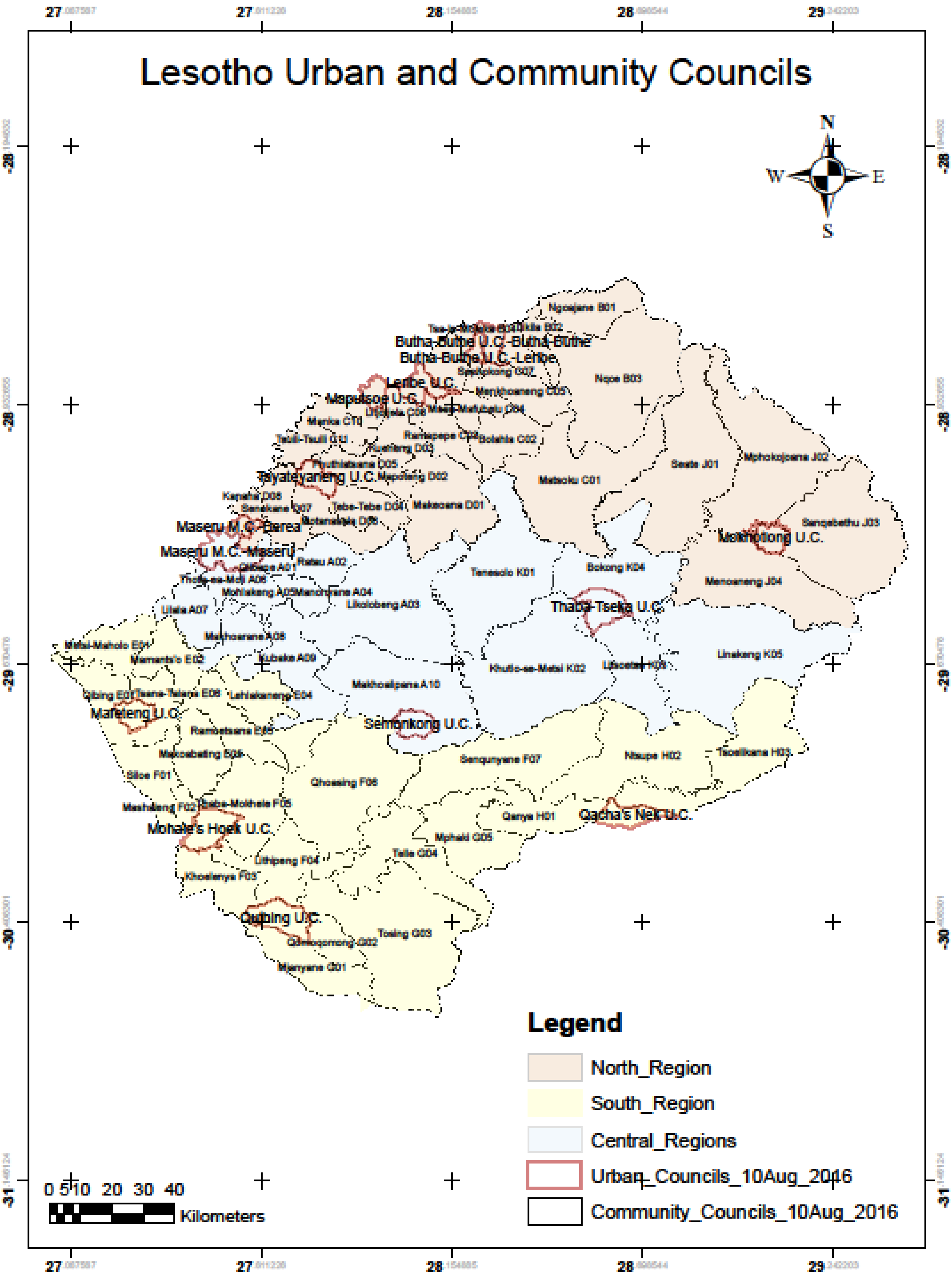
In an effort to ensure representation of all regions of the country, three districts were considered: Thaba-Tseka for the central region, Mohale's Hoek for the southern region and Berea for the northern region. Thus, the population for the study constituted employees of the local authorities in the three districts. However, each district has one district and urban council and a number of community councils (one community council is considered for each district) as shown in Table 1.1 and Figure 1.2 below. As illustrated in Table 1.1, there is only one municipal council, Maseru City Council in the district of Maseru; therefore, it was also studied due to its uniqueness of being the sole municipal council in the country. The inclusion of Maseru City Council ensured representation of all types of local authorities in the study, as presented in Section 3 of the Local Government Act of 2004. In addition, more focus was given to key players from the national government such as internal auditors and the budget controller at the Ministry of Local Government and Chieftainship. Thus, the population basket consisted of employees of local authorities in the three districts (Thaba-Tseka, Berea & Mohale's Hoek), employees of Maseru City Council and the internal auditors and budget controller from the national government.

Table 1.1: Types and quantity of local authorities in Lesotho

District name	**Number of District Councils**	**Number of Municipal Councils**	**Number of Urban Councils**	**Number of Community Councils**
1. Berea	1	0	1	8
2. Butha-Buthe	1	0	1	4
3. Leribe	1	0	2	11
4. Mafeteng	1	0	1	7
5. Maseru	1	1(Maseru City Council)	1	10
6. Mohale's Hoek	1	0	1	7
7. Mokhotlong	1	0	1	4
8. Qacha's Nek	1	0	1	3
9. Quthing	1	0	1	5
10. Thaba-Tseka	1	0	1	5
Total	**10**	**1**	**11**	**64**

Source: Lesotho (2004:2); 'Nyane (2016:60)

Figure 1.2: Lesotho Local Authorities Map



Source: Lands, Surveys and Physical Planning (2023)

Local authorities through the application of the Local Government Elections Act of 1998 and Local Government Service Act of 2008, have a composition of elected members and technical/administrative staff. The recruitment of local authority staff started in 2005 in line with Section 17of the Local Government Act of 2004 (Sperfeld, 2006:51). Similarly, local government elections were held in 2005 for the first time, resulting in a full engagement of elected members of councils. This means that the research population is a composition of both the technical staff and elected members, hence the need to ensure the inclusion of both in the study. Rahi (2017:3) asserts that a population refers to all elements that one is interested in studying, while sampling is a method of identifying a section of the population for enquiry. Sampling is the process of choosing a small group which is a subset of the defined population to build the sample (Neuman, 2011:241)

Etikan, Musa and Alkassim (2016:3) explain sampling as a process of selecting a subset of the population for purposes of observation. The study used purposive sampling. Purposive sampling is a sampling technique where research subjects are selected on the bases of the objectives of the study and meet a clear criterion or have the rationale to participate in the study (Obilor, 2023:4). Shaheen, Pradhan and Ranajee (2019:34) identified various types of purposive sampling, of which criterion sampling is one of them. In criterion purposive sampling, researchers consider/set predetermined criteria and select all cases that meet the criteria (Hendricks, 2014:132).Shaheen *et al.* (2019:34) argue that the criterion purposive sampling adds a qualitative aspect to management of research information and is used to identify cases for close-ended questionnaires for an in-depth study. The researcher used criterion purposive sampling to identify groups for the study.

This study was based on criterion purposive sampling because of the limited time and financial resources and the unpopularity of the topic whereby information was available only from certain employees of local authorities. The knowledge and understanding of Lesotho decentralisation system, the subnational financial management and fiscal intergovernmental relations was an important criterion for the study. Based on the criteria four groups were selected to participate in the study. These includes members of the council management teams with a minimum of three years in their positions, members of council finance committee for the current councils term (2018-2022) who served a full committee term, council finance staff with professional finance/accounting qualification, internal auditors and budget controller with minimum of three years' experience working with subnational government financial management. The total number of the population that meet the criterion added up to 144 elements of which 62 are members of the council management team, 60 members of council finance committee, 18 members of council finance officers and 4 internal auditors. Shaheen et al (2019:34) argue that the criterion purposive sampling directs researcher to review/study all cases that meet the pre-determined criteria. In this regard, the researcher studied all the units of the identified groups.

The management team group includes management teams of all the types of councils, that is, from each district council management, urban council management, community council management and municipal council management. Section 17 of the Local Government Act of 2004 caters for the recruitment of a District Council Secretary for the district council, Town Clerk for the municipal and urban council and Community Council Secretary for community councils as chief executive officers for their respective councils. The District Council Secretary has an Administration Manager, Human Resource Manager, Finance Manager, Procurement Officer and Legal Officer providing management support to the district council (Sperfeld, 2006:51). For coordinating the district, the management team of the district council also includes chief executive officers of all local authorities in the district, thus the town clerk and community council secretaries from all community councils in the district. The researcher also asserts that to support community council secretaries and town clerks, the second recruitment resulted in councils receiving the position of an Accounts Clerk, Assistant Administration and support staff such as cleaners and messengers. The management structures of local authorities are summarised in Table 1.2 below with the inclusion of a management structure of the municipal council as per Maseru City Council Organogram.

Table 1.2: Council Management Structure

District Council	**Municipal Council**	**Urban Council**	**Community Council**
District Council Secretary	Town Clerk	Town Clerk	Community Council Secretary
Administration Manager	Director Administration	Assistant Administration Officer	Assistant Administration Officer
Finance Manager	Director Finance/City Clerk	Assistant Human Resource Manager	Accounts Clerk
Human Resource Manager	Director Planning	Assistant Procurement Officer	
Procurement Officer	Director Parks	Accounts Clerk	
Legal Officer	Director Health		
Town Clerk and Community Council Secretaries	Director Works		

Source: Sperfeld (2006:51); Lesotho (2004:6)

In addition to management teams from the technical staff side, the council finance committees are considered to represent elected members. Section 22 of Local Government Act of 1997 asserts that councillors will elect a standing committee on finance and any other as necessary, consisting of at least three members and presided over by the mayor or chairperson depending on the type of council. The summary of the council's finance committee structure is presented in Table 1.3 below.

Table 1.3: The Council Finance Committee Structure

District Council	**Municipal Council**	**Urban Council**	**Community Council**
Chairperson	Mayor	Mayor	Chairperson
First Member	First Member	First Member	First Member
Second Member	Second Member	Second Member	Second Member

Source: Lesotho (1997:405)

As mentioned above, data collection techniques included document analysis, interviews and questionnaires. The management teams of the district councils and the municipal council were interviewed together with leaders of the finance committees for both councils. The considered interviewees counted to 68 units including the internal auditors from the national government as presented in table 1.4 below. The research purposely targeted key informants who are knowledgeable and play a critical role in financial management at local authorities. The management teams are made up of chief executive officers and senior officers at local authorities with financial decision making authorities. Chairpersons of local authorities also play an important role in financial management at their respective councils and have financial decision making powers. Thus, the aforementioned interviewees, by virtue of their positions in local authorities, are pivotal for assessment and understanding of fiscal decentralisation in Lesotho. Being the leaders of local authorities, they become the most coordinating players that communicate with the central government and have a role in policy formulation processes hence they are suitable candidates for explaining the nature of intergovernmental fiscal relations. They are key players at the strategic level of local institutions and their inclusion provided valuable insights into the status of fiscal decentralisation in Lesotho.

Questionnaires were administered to the management of the community and urban councils (excluding their chief executive officers) and to the finance committee of all local authorities (excluding chairpersons/major). Questionnaires were further administered to employees at the districts and municipal council finance departments. As reflected in table 1.4 below, 76 respondents were to complete the questionnaire. These respondents represent the individuals who are hands on and in accordance with their job descriptions as they process financial transactions on a daily basis at local authorities. In their daily job activities, finance officers and accounts clerks implement financial decisions; therefore, they are familiar and knowledgeable about financial practices and procedures in their respective councils. This makes them suitable candidates for explaining the practices and challenges of financial management at the councils. These groups of respondents also included middle level officers and councillors who are often exposed to financial discussions and processes. Thus, they are chosen on the basis of their experiences and expertise about financial management.

Table 1.4: Participants presentation

Identified groups	Frequency	Method of participation	Description
Council management teams	62	44 Interviews 18 Questionnaires	Interviews: District council and municipal council management teams Questionnaires: community council and urban council management teams(excluding chief executive officers)
Council finance committee members	60	20 Interviews 40 Questionnaires	Interviews: Chairpersons of the finance committee Questionnaire: ordinary members of the finance committee
Council finance officers	18	18 Questionnaires	All council finance officers
Internal auditors and budget controller from national government	4	4 Interviews	Internal auditors and budget controller

Source: Mohapi (2022)

In conclusion, the identified groups consists candidates who have best knowledge about Lesotho subnational financial management. The researcher purposely concentrated on the key players in financial management who have technical and practical knowledge of fiscal decentralisation and can present the fiscal processes and experiences at local authorities. The detailed discussion on research design and methodology is presented in chapter six, the next section considers ethical issues in undertaking the study.

1.7 ETHICAL CONSIDERATIONS

In the general view, ethics in research field deal with what is considered to be acceptable and not acceptable (McMillan & Schumacher, 2001:169). Ethics reflect the need to respect the fundamental human rights of research subjects. Amdur and Bankert (2011:8) explain that fundamental principles of research ethics translate into the need to acknowledge the right for informed and voluntary participation, a productive risk assessment and the right for participants to withdraw their consent at any stage of the research without consequences. The researcher obtained written permission from the Ministry of Local Government and Chieftainship as custodian of decentralisation in Lesotho and ethics clearance from the University of South Africa before collecting data. The clearance certificate and permission letter are attached as Appendix 3 and 1 respectively. The participants were informed of the research goals to enable them to make conversant decision regarding their participation and the findings are presented as an aggregated report.

1.8 CONCEPTS FOR CLARIFICATION

The following are concepts that are central to this study and require clarification and contextualisation to its readers.

1.8.1 Decentralisation

Decentralisation refers to a public sector reform process in which responsibilities and resources are transferred from national to subnational governments depending on the country's history and characteristics/country profile (European Union, 2016:7). Khambule (2021:24) defines decentralisation as the reassignment of the administrative, political and fiscal authority to independent subnational government.

1.8.2 Political Decentralisation

Political decentralisation is the devolution of political power to subnational governments, which are locally elected and have a certain level of autonomy (Rao, Scott &Alam, 2014:1). Khambule (2021:25) explains that political decentralisation is implemented through the provision of locally elected government that has authority within their territory. In addition, Fatile and Ejaloniba (2015:3) argue that political decentralisation means local governments can independently plan, finance and administer devolved functions.

1.8.3 Administrative Decentralisation

Administrative decentralisation refers to the transferring of authority, resources and responsibilities from national government to subnational government or semi-autonomous agencies (Rao *et al.*, 2014:1). Fatile and Ejaloniba (2015:4) define administrative decentralisation as the assignment of managerial functions from the national to semi-autonomous institutions at the local level.

1.8.4 Fiscal Decentralisation

Fiscal decentralisation relates to the assignment of revenue and expenditure power to subnational governments (Hart & Welham, 2016:8). Rodriguez-Acosta (2016:2) adds that together with power to manage revenue and expenditure, subnational governments should have authority to independently generate their own revenue.

The implementation of decentralisation processes is done in three forms, devolution, deconcentration and delegation (Naha, 2015:49). Daemane (2012:23) indicates that the forms of decentralisation are primarily distinguished on the basis of the powers that national government transfers to local units. This results in different representation arrangements of the local community, a different degree of decentralisation of government power, different climate of rules, regulations and expectations as well as different resource control arrangements (Daemane, 2012:23).

1.8.5 Deconcentration

Deconcentration refers to management of responsibilities and staffing within national government structures (Hart & Welham, 2016:8). Khambule (2021:29) echoes that deconcentration is the transfer of responsibilities and resources of national government to its regional and local structures.

1.8.6 Delegation

Fatile and Ejaloniba (2015:3) explain that delegation is a form of decentralisation through which national government decision-making and administrative responsibilities are transferred to semi-autonomous bodies that report to, but are not fully controlled by national government.

1.8.7 Devolution

Devolution is the transfer of authority from the national government to semi-autonomous subnational governments for decision-making, resourcing, administration and delivery of services (Fatile &Ejaloniba, 2015:3).

European Union (2016:1) reports that in understanding decentralisation, the focus should be on drivers behind the adoption of decentralisation processes and the potential of local spheres to address inequality and development challenges. Thus, decentralisation becomes a strategy of encouraging a territorial approach to enhance development through self-governing and answerable local authorities, hence the need for an effective intergovernmental system to enhance the role of local authorities in development.

1.8.8 Subnational government

Sikander (2015:172) defines subnational government as an autonomous self-governing institution that manages the local affairs with local resources without any interference from the national government. It refers to the institution that represents and addresses matters of the people living in a certain locality.

1.8.9 Domesticate

Domestication is a process of adopting the provisions of international agreement into the legislations of the country so that they can be practiced and enforced in the country (UNDP, 2023:7). According to Casis (2021:129), domestication is a process by which a state applies international agreements/principles. Domestication seeks to facilitate integration of continental commitments into national policy framework and programs (African Union, 2017:2). In this study, domesticating refers to the process of incorporating international fiscal decentralisation theories/principles into the Lesotho fiscal decentralisation methodology to match local circumstances.

1.8.10 Inter-Governmental Relations

Briggs (2022:51) defines inter-governmental relations as the structures, processes, interconnectedness and cooperation among government spheres and their structures as they exercise their powers and perform their functions in a political system. Lowatcharin, Crumpton and Pacharoen (2019:45) explain that inter-governmental relations encompasses a range of areas such as the separation of powers and functions between and among government sphere and the administrative and political relations between and among government spheres. Inter-governmental relations represents the ways in which different government spheres and their units relates and interact with each other in issues of public policy and service delivery.

The organisation of the study is subsequently discussed.

1.9 STUDY OUTLINE

In this section, chapters of the study are explained in line with identified objectives.

Chapter one is the general introductory chapter that presents the proposed study. It introduces the intended study and motivation for undertaking it. It tabulates the research problem, the research questions as well as the research purpose and objectives. This is followed by a discussion on the research methodology, ethical considerations and the structure of the research.

Chapter two provides a comprehensive literature review on the theoretical underpinning of the research. It defines the fundamental notion of fiscal decentralisation and its territory within the decentralisation process and expresses its international underpinning bases with specific reference to the success of the decentralisation process.

Chapter three is also a literature review chapter that focuses on public financial management reforms. It tabulates different theories and models for financial reforms that can influence fiscal management and service delivery. The chapter discusses the development of public policy to illustrate the good guiding practices on public policy development.

Chapter four provides an explanatory discussion of the local government system in Lesotho. It presents the design and operational structures and procedure of the decentralised system. It also illustrates the legal parameters within which the system operates.

Chapter five analyses the fiscal management system in Lesotho. The discussion is on the legal frameworks that guide the management of public funds in Lesotho. It includes the historical perspective of fiscal decentralisation within the decentralised structures of Lesotho.

Chapter six presents the research design and methodology that is adopted in the study. It explains different research methods, techniques, the selected approaches and the motivation for selecting them.

In **Chapter seven**, results of the study are presented. The data collected is analysed and interpreted to draw meaningful conclusions.

Chapter eight summarises the research findings and concludes the research. This includes developing a domesticated fiscal decentralisation methodology for Lesotho, as the study's contribution to knowledge.

CHAPTER TWO

A REVIEW OF FISCAL DECENTRALISATION LITERATURE

2.1 INTRODUCTION

Decentralisation encompasses the transfer of political, administrative and fiscal responsibilities and authority to subnational governments in order to deliver services more economically, efficiently and effectively. Each sphere of government has its unique responsibilities and functions. It logically follows that each sphere of government requires adequate resources to fulfil its responsibilities within its jurisdiction. In this regard, a decentralisation process makes provision for the fiscal component through fiscal decentralisation. Fiscal decentralisation involves the allocation of financial resources from national government to subnational governments for financing their mandate.

The process of allocating authority and responsibilities between government spheres is an important aspect of the decentralisation process as it has a significant impact on the success of the decentralisation process (Allain-Dupre, 2018:3). This is applicable in the financial sector, whereby division of fiscal authority and responsibilities is considered to have a critical impact on the decentralisation process (Kim & Dougherty, 2018:14). According to Reingewertz (2014:2), the method of allocating fiscal responsibilities between different government spheres has consequences for economic growth, government efficiency, participation and ultimately the performance of the decentralisation process.

Fiscal decentralisation can be regarded as part of intergovernmental fiscal relations as it covers principles of fiscal relations between national and subnational governments (Hendricks, 2014:16). Amin (2018:3) argues that fiscal decentralisation is important for the decentralisation process as it signifies the public dimension of intergovernmental relations that deal with transferring expenditure and revenue raising power from the national to subnational government. It becomes the key component for success of a decentralisation process by enabling subnational governments to independently generate their own revenue and expend it. In highlighting the significance of fiscal decentralisation, Hobdari, Nguyen, Salvatore and Ruggiero (2018:16) explain that the design of intergovernmental fiscal relations determines the overall impact of the decentralisation program.

The chapter contextualises fiscal decentralisation and articulates its parameters within the decentralisation process. The discussion also includes the theoretical literature on fiscal decentralisation.

2.2 DEFINING FISCAL DECENTRALISATION

Fiscal decentralisation refers to the reforms whereby the power and responsibilities in respect of revenue and expenditure functions are devolved from the national government to subnational governments (Hard & Welham, 2016:7). According to Yushkov (2015:405), fiscal decentralisation is indeed the vertical financial structure of the public sector and the system of intergovernmental transfers. Digdowiseiso, Murshed and Bergh (2022:1) elaborate that fiscal decentralisation specifically refers to the authority of subnational governments to independently manage their budgets in terms of spending and revenue. Fiscal decentralisation is concerned about sharing taxing and spending responsibilities between spheres of government, whereby subnational governments are accorded revenue and expenditure autonomy (Otoo & Danquah, 2021:2).

Fiscal decentralisation focuses on dispersing of fiscal policy whereby subnational governments are authorised to independently make fiscal decisions about revenue and spending in their jurisdiction (Ozkok & Cutcu 2021:1).Rodriguez-Acosta (2016:27) adds that this autonomy should also apply to utilising the funds transferred from national government. Fiscal decentralisation entails the capacity of subnational government to independently generate and manage their financial resources and have authority over expenditure (Rodriguez-Acosta, 2016:26). According to Hendriks (2014:17), fiscal decentralisation exists to the extent that subnational governments have legal authority to raise and expend taxes within clearly established legal criteria. Fiscal decentralisation is assessed through the extent to which subnational governments have sufficient resources, the extent to which transfers are stable and predictable and the extent to which subnational governments are able to generate their own revenue ('Nyane, 2019:8).

Having considered different definitions of fiscal decentralisation, the following definition of fiscal decentralisation is articulated. Fiscal decentralisation can be defined as the allocation of budget powers in terms of revenue and expenditure as well as intergovernmental transfers between government spheres. The subnational governments are given authority through a legal framework to manage their fiscal system and ensure the availability of resources to finance their mandate. The central objective is to ensure autonomy of subnational government in fiscal resources management for fulfilling their assigned mandate.

The subsequent discussion is on the theories of fiscal decentralisation.

2.3 THEORIES OF FISCAL DECENTRALISATION

The theoretical base of fiscal decentralisation assists in understanding factors influencing success of fiscal decentralisation, the principles guiding the allocation of expenditure and revenue sources to different government spheres and the design of a preferred intergovernmental transfer system (Jha, 2012:1). The literature recognises the first-generation theory and second-generation theory in analysing fiscal decentralisation.

2.3.1 First-generation Theory

The first-generation theory of fiscal decentralisation is a traditional one that analyses fiscal decentralisation from an economic angle focusing on efficiency and equity (Martinez-Vazquez, Laga-Penas & Sacchi, 2016:3). Thus, it focuses on how to best implement the assignment of revenue and spending authority and responsibilities among different government spheres in order to secure efficiency and welfare. The first-generation theory presupposes a responsive government whereby the allocation of resources is matched with public needs and preferences resulting in high efficiency in public service delivery (Jilek, 2018:4). Jha (2012:2) explains that the role of the public sector is to maintain an efficient utilisation of resources, create an equitable distribution of income as well as maintain economic stability. This means that the public sector has three major functions, allocation of resources for public service delivery, income distribution and macroeconomic stability that can be considered in designing or analysing fiscal decentralisation systems (Yushkov, 2015:405).

The public sector functions highlighted above, critically influence the success of fiscal decentralisation. A macroeconomic stability policy and the design of income distribution functions are assigned to national government as it is the provider of national public goods (Ejobowah, 2018:221).The subnational governments are tasked with the provision of local public goods and services based on the argument that they have knowledge of local preferences due to their positioning (Yushkov, 2015:405). This is also based on the capability argument of different spheres of government and the scope of beneficiaries who receive the service.

The first-generation theory advocates for the devolution of allocation function as it builds on the subsidiary principle. The subsidiary principle points to the need to organise responsibilities in a way that functions are performed by the smallest, least centralised and capable authority (Martinez-Vazquez *et al.,* 2016:3). The main objective of the subsidiary principle is to enhance efficiency and accountability by linking service benefit to the costs of their provision through local taxes or service fees (Sharma, 2015:20). Yushkov (2015:405) argues that the decentralisation of allocative function improves the welfare of local citizens because subnational governments are in a better position to supply public goods and services that match the preferences and needs of local citizens. This is opposed to the inefficiencies that can result from the uniform provision of public goods and services to the entire citizenry by the national government that does not consider local needs and preferences (Jha, 2012:6).Subnational governments have information advantage as they are positioned closer to citizens and use the information in designing and prioritising their service delivery programs. Reingewertz (2014:4) maintains that an information advantage leads to a match between preferences and policies, an efficient government and an increased economic growth. According to Boadway and Eyraud (2018:15), the subsidiary principle is advantageous because subnational plans and programs will prioritise and reflect local needs and preferences, cost effectiveness and fewer layers of bureaucracy.

The first-generation theory prescribes to devolution of the allocative function to enhance consumer efficiency and economic growth, and centralisation of the distribution and stabilisation function in analysing factors that have an impact on the success of fiscal decentralisation (Ozkok & Cutcu, 2021:5). However, the first-generation theory does not match the devolution of functions with that of revenue sources. The subsequent discussion is on the assignment of expenditure and revenue responsibilities.

2.3.1.1 Assignment of expenditure and revenue responsibilities

The first-generation theory, as discussed in the preceding paragraphs, acknowledges the assignment of the allocation function to subnational governments and the distribution and stabilisation functions to national government. The theory suggests a consideration of the correspondence between the spheres of government and the beneficiary area in allocating expenditure responsibilities (Hard & Welham, 2016:9; Boadway & Eyraud, 2018:15). In this regard, national government is expected to provide services that are intended to benefit the entire nation and those that their provision goes beyond subnational government territories. Then, subnational governments provide all other services that are needed within their jurisdiction.

In effort to avoid economic distortion and ensure stability, the first-generation theory allocates benefit tax (user fees and property taxes) to subnational government and reserves all other tax bases for national government (Jha, 2012:9). Hart and Welham (2016:9) explain that the general rule that finances follow functions, is used to allocate revenue sources to subnational governments. Thus, the spending assignment should precede revenue responsibility assignment as the former must be instrumental in guiding the latter (Hart & Welham, 2016:9). The primary need for assignment of revenue raising sources is to ensure availability of resources for financing subnational mandate.

Jha (2012:2) explains that the first-generation theory centralises revenue responsibilities in order to achieve efficiency and maintain economic stability and stresses the importance of transfers for addressing fiscal imbalances. According to Martinez-Vazquez *et al.* (2016:4), revenue generation at subnational government spheres must follow the benefit principle as it promotes government accountability and reduces distortions. The application of the benefit principle results in fiscal challenges including vertical imbalances, horizontal inequalities and spill over/externalities that the first-generation theory exponents suggest should be addressed through intergovernmental transfers (Ozkok & Cutcu, 2021:3). Thus, the national government will have more revenue than their spending requirements while the subnational governments will have less revenue than their spending needs resulting in fiscal gaps. This discrepancy between financial resources and spending requirements between governments is called vertical fiscal gap (Hendricks, 2014:20).

The vertical fiscal gap is described as the financial structure of a decentralised system focusing on the extent to which the government depends on their own revenue to finance their mandate (Boadway & Eyraud, 2018:5).It is the product of the situation where national government has excess funds relative to its spending needs while subnational government has revenue shortfall relative to its spending responsibilities (Hendricks, 2014:21). In addition, the disparity between spending needs and financial resources exists among subnational governments at the same level resulting in a horizontal fiscal gap (Al-Samarri & Lewis, 2021:12).

According to Hendricks (2014:26), a horizontal fiscal gap occurs when subnational governments experience disparities in their ability to raise revenue and deliver services. Boadway and Eyraud (2018:8) explain that a horizontal fiscal gap occurs when subnational governments have different vertical fiscal gaps. This means a horizontal fiscal gap is the disparity in revenue generation among subnational governments at the same level. Khan and Agrawal (2016:124) assert that the horizontal fiscal gap is the disparity among subnational governments at the same level with similar responsibilities. The disparity is caused by varying revenue raising capacity due to demographic and economic differences(Khan & Agrawal, 2016:124).In this regard, the fiscal decentralisation legislation should consider the relations between functions and revenue assignment at subnational government to facilitate availability to resources to ensure good service delivery. It is imperative to identify and manage the vertical and horizontal fiscal gaps given that Lesotho decentralisation is striving for equitable development.

In acknowledging the fiscal gaps, the first-generation theory supports the engagement of intergovernmental transfers as a source of subnational governments' revenue. Ejobowah (2018:6) argues that the theory inherently assigns national governments to address any disturbance to macroeconomic stability through subsidies and grant transfers (equalisation function), by putting the controlling percentage of fiscal management under the national government. Boadway and Eyraud (2018:6) and Hendricks (2014:20) are of the opinion that the mismatch between finances and functions results in subnational governments relying heavily on national transfers to fill the vertical fiscal gap. In conclusion, the first-generation theory recognises the need for utilising fiscal transfers to address fiscal gaps in the decentralised fiscal system.

The following section discusses the intergovernmental fiscal transfers.

2.3.1.2 Design of intergovernmental transfers

Intergovernmental transfer refers to a multidimensional component of fiscal decentralisation whereby finances are transferred from one government to another (Hart & Welham, 2016:12; Leon, 2019:14). Shotton and Gankhuyag (2019:31) explain that central to intergovernmental transfers are the asymmetry between subnational expenditure needs and revenue supply. This is qualified by Hobdari *et al.* (2018:13) who argue that the basic intention of transfers is to ensure availability of resources to correct fiscal gaps for effective delivery of services. In general, intergovernmental transfers are inevitable due to an unavoidable revenue shortfall at subnational government. In this regard, transfers become interim strategies injecting financial resources to adjust the fiscal gaps and ensure sustainability of service delivery and macroeconomic stability.

The primary objective of intergovernmental transfers is to complement the subnational revenue for addressing the inevitable fiscal gaps between and among spheres of government (Lual, 2018:7). Lual (2018:14) also adds that intergovernmental transfers are used for returning a portion of revenue collected centrally from local territories. The literature provides more detailed objectives for engaging transfers. These objectives become the critical factors in determining the design of transfers in addition to other considerations. Hobdari *et al.* (2018:14) point out that transfer designs should also consider transparency, simplicity, equity and building a conducive environment for resource mobilisation at subnational governments.

In consideration of the provisions of the first-generation theory, transfers focus on addressing policy objectives such as addressing vertical fiscal gap, horizontal fiscal gap(equalisation grant) to correct externalities and to support national priorities (Boadway & Eyraud, 2018:19; Shotton & Gankhuyag, 2019:33). The various transfers are discussed below.

2.3.1.2.1 Transfer for addressing vertical fiscal gap

Intergovernmental fiscal transfers can be engaged to correct the vertical fiscal gap with the intention to secure enough resources to finance the totality of the subnational government mandate (Ozkok & Cutcu, 2021:3). Shotton and Gankhuyag (2019:31) argue that in almost all countries, the amount of expenditure needs at the subnational governments are always greater than revenue supply, resulting in a revenue shortfall. Intergovernmental transfers are then designed to achieve a match between assigned spending responsibilities and financial resources, so that service delivery is not compromised (Hobdari *et al.,* 2018:14). In this regard, the fiscal transfer is made to bridge the fiscal gap and ensure that resources are directed to the spending responsibilities to avoid unfunded mandates and maintain suitability in the availability of resources.

2.3.1.2.2 Transfer for addressing horizontal fiscal gap/equalisation

The intergovernmental equalisation transfer is for correcting the horizontal fiscal gap/financial disparities among subnational governments at the same sphere of government (Al-Samarri & Lewis, 2021:12). Boadway and Eyraud

(2018:20) define equalisation transfer as the means of promoting national equity and efficiency by reducing disparities in the ability of subnational governments to offer similar services at a similar tax rate. In support, Lual (2018:12) states that the central objective of fiscal equalisation transfer is to ensure equal treatment of all citizens in the country irrespective of their residential location. Thus, the equalisation fiscal transfer is a means to address revenue generation capacity disparities among subnational governments to ensure equality in service delivery and cost for all citizens of a country irrespective of their location.

2.3.1.2.3 Transfer for correcting externalities

Externalities occur when the public services provided and financed by one subnational government benefit citizens from another subnational government who did not bear the cost of providing the service (Jha, 2012:10). Thus, the activities of a subnational government are enjoyed beyond its borders by citizens who do not contribute to its provision. Boadway and Eyraud (2018:21) explain that in such situations, transfers are designed as a compensation strategy to mitigate the impact of externalities.

2.3.1.2.4 Transfer for supporting national standard

Intergovernmental transfers may also be designed to encourage subnational governments to implement expenditure programs that satisfy national standards (Boadway & Eyraud, 2018:21). Shannon and Gankhuyag (2019:33) explain that in this regard, transfers are designed to inspire subnational governments' spending on national priority areas that without the transfer would not be given priority at local level. This transfer is made to secure national efficiency and equity in the country (Lual. 2018:13).

To fulfil intergovernmental transfer objectives, governments adopt different implementation strategies. Shotton and Gankhuyag (2019:33) explain that intergovernmental transfers can be classified as grant transfers and revenue-sharing transfers. Grant transfer refers to transfers of finances derived from general national revenue to subnational government through various ways such as conditional and unconditional grants, whereas revenue-sharing transfers are transfers of a share of revenue collected from the receiving subnational government by the national government (Boadway & Eyraud, 2018:27; Shotton & Gankhuyag, 2019:33).

2.3.1.3 Revenue-sharing transfer

According to Steffensen (2010:18), transfers also come as revenue sharing, whereby a subnational government receives a share of revenue collected within its territory by national government. According to Boadway and Eyraud (2018:27), these transfers are made on a formal base and can be utilised for any purpose identified by the recipient government within its mandate. However, subnational governments do not have the authority to alter the tax, base and sharing rates (Martinez-Vazquez *et al.,* 2016:4). Smoke (2016:2) adds that revenue sharing transfer is for ensuring availability of resources for improving efficiency and equity. According to Shotton and Gankhuyag (2019:37), revenue sharing can also focus on tax collected from natural resources such as mining whereby governments share natural resources such as royalties.

2.3.1.4 Grant transfer

According to Shotton and Gankhuyag (2019:33), grant transfers are classed into conditional, unconditional and performance-based grants. The grant transfers are discussed below.

2.3.1.4.1 Unconditional grants

According to Shotton and Gankhuyag (2019:33), unconditional grants, also known as general purpose transfers, are for supporting subnational government budgets with the intention to provide funding for local mandate and addressing fiscal gap challenges. This allows subnational governments to determine their own policy direction in using the transfer and promote local autonomy, planning and budgeting (Steffensen, 2010:16; Shotton & Gankhuyag, 2019:34). Kitching in Hendricks (2014:33) adds that the general purpose of the transfers is to provide equity, efficiency, predictability, flexibility and accountability.

2.3.1.4.2 Conditional grants

Conditional grants refer to restricted grants for supporting subnational governments spending on a national government driven agenda such as on national priorities or on addressing externalities (Shotton & Gankhuyag, 2019:36).The conditional grants target specific programmes and are more detailed on how they should be utilised specifying the type of expenditure and the expected output (Hendricks, 2014:40; Boadway & Eyraud, 2018:32).

2.3.1.4.3 Performance based grant

Performance based grant is a transfer aimed at encouraging good performance of subnational government as it is designed in line with their overall performance (Shotton & Gankhuyag, 2019:33). Steffensen (2010:18) explains that a formula is used to determine the allocation and allocations are adjusted against the overall performance of the subnational government. Thus, the access and size of the transfer is calculated based on the performance of the recipient on predetermined areas. The areas may include budget absorption performance or availability of project proposals.

In general, the first-generation theory is a normative approach that presupposes a responsive government whereby the allocation of resources is matched with public needs and preferences resulting in high efficiency in public service delivery (Jilek, 2018:4). The first-generation theory prescribes to decentralisation of expenditure responsibilities and centralisation of revenue management for maintenance to secure efficiency and equity and maintain macroeconomic stability(Ozkok & Cutcu, 2021:3).In this regard, the fiscal gaps are inherent in the first-generation theory due to disparity in assignment of expenditure and revenue functions (Jha, 2012:3). The intergovernmental transfers are engaged to address the fiscal imbalances resulting from the distortion in assignment of responsibilities (Logan, 2021:15; Al-Samarrai & Lewis, 2021:12). The researcher acknowledges that the government of Lesotho should make a policy decision on the degree of spending and revenue assignment to subnational governments and develop a suitable transfer system to ensure good service delivery at subnational spheres.

The literature refers to the second-generation theory that becomes an extension of the first-generation theory.

2.3.2 Second-generation Theory

The second-generation theory is an extension of the first-generation theory. This is because the second-generation theory is complementary to the former as it extends the scope of items to consider in developing a fiscal decentralisation system. Valdesalici (2018:3) argues that the second-generation theory enriches the scope of fiscal decentralisation by considering the incentives generated by political and fiscal institutions.Ejobowah (2018:224) asserts that the second-generation theory subscribes to the primary bases of functional assignment of the first-generation. However, the second-generation theory directs more focus on the revenue assignment by stressing the need for subnational governments to generate their own revenue for financing their functional responsibilities (Ejobowah, 2018:224).

Studies by Jilek (2018:4) and Leon (2019:12) have shown that the second-generation theory classifies public officials as actors with divergent goals, whose actions are influenced by political and fiscal incentives as they interact within and across government spheres. In this regard, the second-generation theory focuses on the institutional (political and fiscal) incentives that encourage or discourage the behaviour of public officials (Ejobowah, 2018:222). Jilek (2018:4) adds the relevance of legal and administrative institutions in influencing the behaviour of public officials. Valdesalici (2018:3) states that the second-generation theory provides a broader inclusive approach drawing from various disciplines. These include issues of efficiency from economists, coordination from political scientists and the principle of autonomy and solidarity within legal parameters from public law scholars (Valdesalici, 2018:3). The central issue is on the design of government structures for achieving decentralisation objectives (Martinez-Vazquez *et al.,* 2016:4; Leon, 2019:13).

Regarding the tax assignment problem, the second-generation theory asserts that subnational governments should have their own revenue to finance their functions and prefer minimal intervention by national government (Martinez-Vazquez *et al.,* 2016:4). Similarly, Jha (2012:2) points out that the important issue becomes the incentives or motivation yielded by tax collection authority at subnational sphere. The theory capacitates subnational government with bargaining power and promotes autonomy (Leon, 2019:13). Thus, the second-generation theory emphasises self-reliance and financial independence of subnational government.

According to Boadway and Eyraud (2018:14), the ability of subnational government to finance their functions would promote accountability. This is grounded on the view that owning revenue raising powers increases the fiscal responsibility of subnational government through expanded spending and this would require increases in taxation and places more accountability to local taxpayers (Hobdari *et al.*, 2018:11). That is, for subnational government to spend more, they must collect more revenue and promote fiscal responsibility and accountability.

In highlighting the significance of the source of subnational financing, Hart and Welham (2016:11) argue that the principle of finance following functions also means considering the balance between the fraction of locally raised revenue and the fraction of national transfers in the subnational government revenue. The composition of subnational government revenue is important because it has a critical role in determining the autonomy that the subnational government enjoys over expenditure management (Luiz &De Mello, 2000:367). Thus, it is imperative for subnational government to have their own sources of revenue independent of the national government. Hendricks (2014:19) argues that the absence of independent sources of revenue at subnational government would result in them depending on national government finances and compromise their autonomy.

In promoting subnational government fiscal autonomy and limiting national government intervention, the literature considers the concept of soft budget constraints and hard budget constraints. Soft budget constraints refer to a situation whereby institutions continually dispatch losses and be bailed out with state funds (Ejobowah, 2018:224). The second-generation theory considers soft budget constraints as distortionary policies that encourage subnational governments to spend excessively and accumulate unnecessary deficits counting on the bailout/assistance from the national government. This results in dependency on national government as subnational governments are discouraged from generating local revenue and maintaining disciplined financial management. In this regard, the second-generation theory recommends adoption of hard budget constraints. According to Ejobowah (2018:225), hard budget constraints refer to a situation where institutions take full responsibility for their financial activities by funding their expenditure with their own revenue and internalise any deficits without considering external intervention. The researcher in this study, recommends the adoption of hard budget constraints in an effort to create independent and autonomous subnational structures with fiscal discipline.

The practicality of hard budget constraints is coined to the existence of market-based and rule-based institutions, whereby government structures would be designed in a way that they motivate and encourage public officials to strive for economic prosperity (Leon, 2019:13). Ejobowah (2018:225) explains that in a market-based setting, subnational governments become independent actors with autonomous taxing and spending powers and they can borrow and manage their financial systems. The rule-based institutional design refers to the legislative frameworks that prevent subnational governments from taking part in fiscal malpractices that can cause excessive losses (Ejobowah, 2018:225). On the one hand, these legal instruments set the parameters within which subnational government can exercise their full fiscal autonomy without disturbing the macroeconomic stability. On the other hand, the legal instruments protect subnational government from national government intervention in their spending and taxation decisions.

The researcher acknowledges that the adoption of market-based and rule-based institutions makes subnational governments independent institutions that can autonomously consider borrowing as a source of revenue. It also means subnational governments must maintain an effective financial management system to ensure economic stability. It is necessary to explain subnational government borrowing and the financial concepts to consider for an effective financial management system.

2.3.2.1 Structure of subnational borrowing

Subnational government borrowing is about the capacity of subnational governments to borrow funds to cover and finance their mandate. It is another source of subnational government financing. Steffensen (2010: 23) argues that a strong system of subnational borrowing can ensure fiscal discipline and motivate subnational governments into good financial management practises. Hobdari *et al*. (2018:15) add that in order to foster fiscal discipline and ensure a safe environment for subnational borrowing, fiscal responsibility laws that determine the borrowing threshold and articulate administrative controls on borrowing should be adopted. The administrative controls include conditions for creditworthiness, purposes for borrowing, monitoring and supervision systems (Steffensen, 2010:25; Hobdari *et al.,* 2018:16).

2.3.2.2 Subnational government financial management

According to Steffensen (2010:5), subnational government financial management consists of: 1) the system of planning, 2) budgeting, 3) accounting, 4) auditing, reporting and monitoring, and 5) fiscal accountability measures. The existence of an effective financial management system promotes fiscal discipline and enables a stable and predictable fiscal system at the subnational government (Lawson, 2015:3). Smoke (2016:11) asserts that fiscal responsibility and discipline at subnational government depends on motivated and empowered subnational governments with adequate systems of planning, budgeting and financial management. According to Hobdari *et al*. (2018:16), fiscal decentralisation reforms should have a strong accountability framework whereby financial reporting, auditing and compliance to fiscal rules and regulations are practised to promote fiscal responsibility and discipline. This highlights the importance of an effective financial management system towards the successful implementation of fiscal decentralisation (Hobdari *et al*., 2018:16). Public financial management system will be discussed later in this chapter.

In summary, the first-generation theory prescribes for the assignment of spending and revenue authority between government spheres for efficiency and macroeconomic stability. In maintaining macroeconomic stability, it resorts to minimal assignment of tax authority to subnational government, and this is supplemented by national government transfers to address fiscal imbalances. In complementary, second-generation theory advocates for the autonomy of subnational governments by matching expenditure and revenue assignments to ensure availability of local revenue.

In accordance with second-generation theory, transfers are kept at a minimal in order to have a significant impact on subnational efficiency efforts. The goal is to create a broader approach and consider the significance of designs of government structures regarding the incentives that influence the behaviour of individuals within the fiscal decentralisation system. That is, ensuring that the designs of government structures can encourage public officials to strive for economic growth and achievement of decentralisation. On the one hand, Jha (2012:15) explains that in line with promoting efficiency and equity, the first-generation theory considers fiscal decentralisation on the basis of efficiency, accountability, manageability and autonomy principles. The second-generation theory, on the other hand, promotes efficiency through interpreting fiscal decentralisation as a mechanism for imposing discipline on self-serving public servants as its focus is on the ill-effects of the public service due to centralisation.

The researcher recommends the second-generation theory. While acknowledging the importance of the subsidiary principle for Lesotho decentralisation, the researcher prefers independent and autonomous subnational government structures. The researcher acknowledges that the engagement of the subsidiary principle in allocating functions in Lesotho would allow subnational governments to effectively serve local communities. The National Decentralisation Policy of 2014 spells that Lesotho's local governance and decentralisation model is influenced by the ragged terrain and scattered settlements that pose a challenge to service delivery especially in remote areas (Lesotho, 2014:6). In this regard, the researcher believes that allocating functional responsibilities in a way that functions are performed by the smallest, least centralised and capable structures located within communities would enhance effective service delivery and local development.

The researcher envisages that adopting the second-generation theory in developing the fiscal decentralisation legislation would be beneficial as it would ensure the creation of autonomous and financially independent subnational structures with capacity to finance their functional responsibilities. The researcher also believes that considering hard budget constraints in developing the legislation would enable Lesotho to design subnational government structures for achieving objectives of decentralisation. However, there is a need to incorporate the transfer system from the first-generation theory. It is important to include the design of the transfer system in the fiscal decentralisation legislation to secure a more manageable transfer system that can support functionality of subnational governments without jeopardising their autonomy.

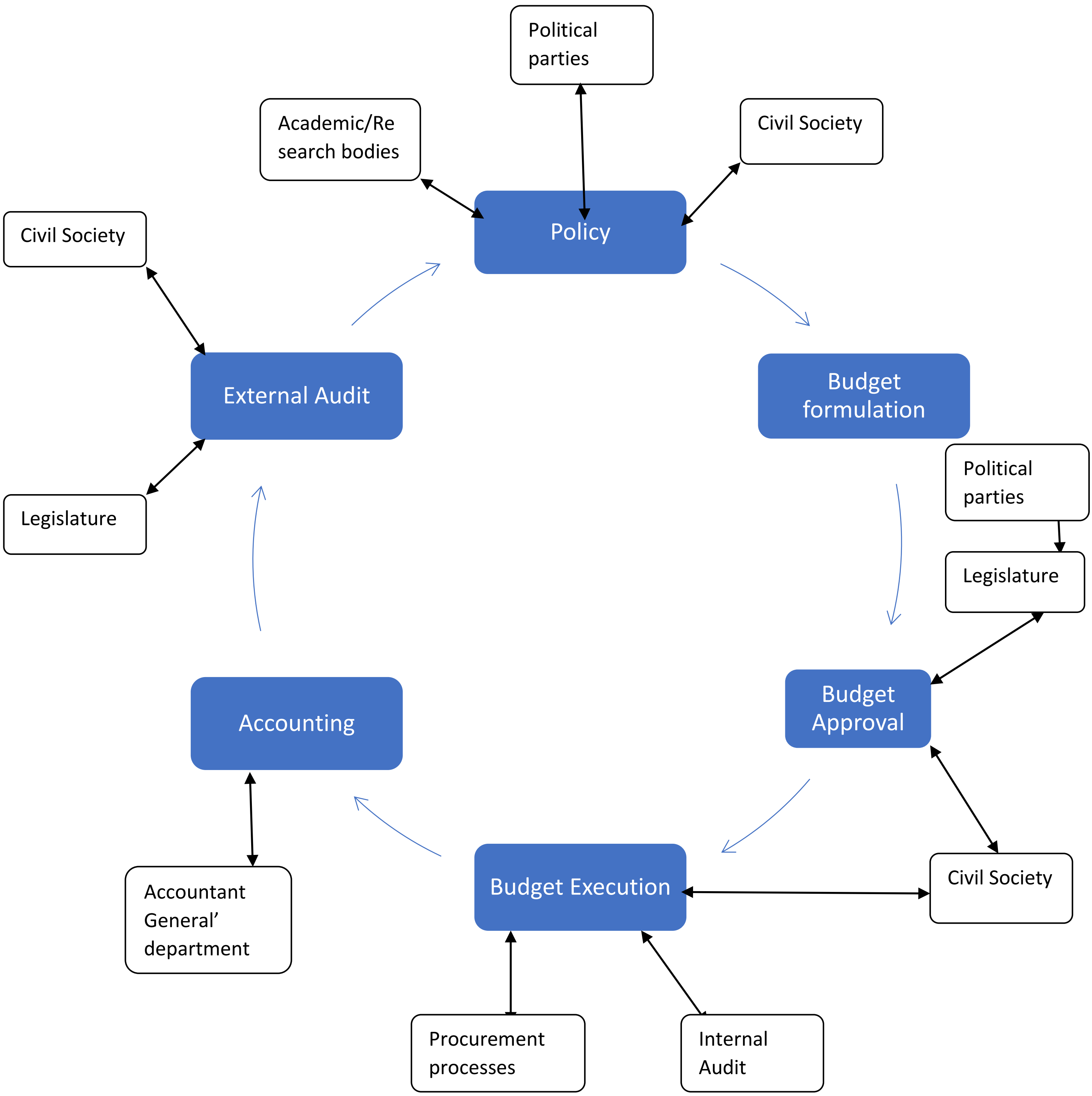
2.4 PUBLIC FINANCIAL MANAGEMENT SYSTEM

Public financial management is an important aspect for both national and subnational governments, hence an integral and an inevitable part of the intergovernmental financial system (Hendricks, 2014:17). Both national and subnational governments must effectively manage their financial resources as that has a determining impact on the quality of public services (Morgner & Chene, 2014:2). In this regard, the devolution of fiscal responsibilities should incorporate effective financial management systems to ensure an effective and efficient use of public funds and delivery of quality services to the local population (Tkachenko, 2020:74). Cheruiyot, Oketch, Namusonge and Sakwa (2017:213) explain that public financial management concentrates on the prioritisation and effective utilisation of scare resources and attaining value for money in delivering public services.

Public financial management is a combination of regulations, processes, procedures and systems utilised by government spheres to generate and allocate resources, expend the resources, report on the expenditure and undertake audits for accountability purposes (Lawson, 2015:1; Cheruiyot *et al.,* 2017:212). According to Tkachenko (2020:78), public financial management is a system of principles and approaches for making decisions about generation, distribution and utilisation of public financial resources. The author argues that public financial management involves monitoring and evaluation strategies for risk management (Tkachenko, 2020:78). Similarly, Morgner and Chene (2014:2) explain public financial management as a set of strategies for collecting, allocating, spending and accounting for public financial resources. Public finance management thus focuses on the generation, allocation, control and management of public financial resources.

Nyamita, Dorasamy and Garbharran (2015:26) cite that public financial management encompasses budgeting, financial expenditure management, accounting, financial reporting and auditing provisions through which public finances are generated, utilised and reported. Furthermore, Kriestensen, Bowen, Long, Mastapha and Urska (2019:1) assert that public financial management is often explained in terms of the components of the budget cycle that intends to ensure the planning, execution, accounting and analysis of public expenditure. Practically, public financial management is part of the legal and institutional framework for managing various stages of the budget cycle (Republic of Zambia, 2017:6). The budget cycle is structured as policy formulation, budget preparation and execution management, internal controls and audit, monitoring and reporting and external audit and evaluation (Republic of Zambia, 2017:6). In consideration of the budget cycle and practicality of public financial management, Lawson (2015:7) argues that it is conceived as various phases of the budget cycle with its multiple actors as illustrated in Figure 2.1 below.

Figure 2.1: The public financial management cycle and the key actors involved



Source: Lawson (2015:7)

In a general view, public financial management system focuses on the planning, directing, managing and controlling of public financial resources to promote economic, efficient and effective public service delivery. Kriestensen *et al.* (2019:62) argue that an effective public financial management system maintains aggregate control, prioritisation, accountability and efficiency in public financial resource management and service delivery. Public financial management system refers to the systems intended to produce information, processes and regulations for development and implementation of fiscal policy, covering public resources management, resource mobilisation, debt management and risk management of the public finance sector (Cangiano, Curristine & Lazare, 2013:2). On the same note, Holynskyy (2017:23) views public financial management as a system of interconnected and mutually dependent elements of financial resource management, fiscal forecasting and planning as well as financial regulations control. Lesotho fiscal decentralisation legislation should provide the detailed description of procedures, processes, systems and regulations regarding generation, distribution and utilisation of public funds at subnational government sphere.

2.4.1 Objective of Public Financial Management

According to Tkachenko (2020:83), the objectives of public financial management include improving the management of public finances, efficient budget process, accountability and transparency to secure economic development. This translates into the three primary objectives of public financial management as reflected in the literature. These include aggregate fiscal management, operational management and governance (Ueshima, 2014:12; Kriestensen *et al*, 2019:2). Parry (2010:98) adds the fourth objective as fiduciary risk management. The objectives are subsequently explained.

2.4.1.1 Aggregate fiscal management

Public financial management system aims at maintaining fiscal management by ensuring that revenue generation and public expenditure are consistent with the budget to avoid unnecessary and unsustainable borrowing (Tkachenko, 2020:84; Kriestensen *et al.,* 2019:2). The aforementioned emphasises the need to contain public spending within accurate revenue forecasts and sustainable debt level. Parry (2010:99) points out that the purpose of aggregate fiscal management is to maintain fiscal sustainability to maximise resource mobilisation and ensure that resources are allocated on the bases of policy priorities. National and subnational governments use revenue generation and borrowing (loans) as sources of finance for their developmental activities; therefore, the financial management processes must ensure that this does not affect fiscal sustainability. That is, aggregate fiscal management focuses on the relationship between the budget (revenue and expenditure) and the degree of public debt as well as their impact on fiscal sustainability.

A budget is a financial declaration presenting plans and policies of an institution. Budgeting becomes a planning process for drawing an institutional operational plan and its financial implications (Cheruiyot *et al.*, 2017:217). Juras and Czerny (2016:180) define budgeting as a process with multiple management activities and functional features for budget preparation, implementation and control. The primary objective of a budget is to maintain fiscal discipline, ensure that resources are appropriately allocated to agreed and prioritised plans and programs, and to promote operational efficiency and effectiveness through performance management systems (Cheruiyot *et al*., 2017:218). In this way, a budget becomes a fiscal policy tool as it is used by governments to influence the economy through revenue and expenditure. Nyamita *et al*. (2015:17) assert that national and subnational governments use the budget as an instrument of attaining and distributing resources on the basis of identified priorities and a management mechanism for achieving public objectives. Thus, it is an operational financial plan that links spending objectives with their estimated costs and creates a public sector performance system. In this regard, a budget also becomes a planning tool that articulates, supports and supervises the service delivery agenda.

In addition to revenue generation, public financial management promotes resource mobilisation through the production of reliable and timely financial statements and audit reports that are used in aggregating debt risk and borrowing capacity (Parry, 2010:99). Subnational governments experience the challenge of financial shortages due to a perceived mismatch between their financial supply and expenditure needs as discussed in the beginning of the chapter. In this case, the adoption of a financial management system at subnational government contributes to their ability to qualify for loans as a financing source. This is because accurate financial information produced by a financial management system is instrumental in decision making processes and resource allocation (Cheruiyot *et al.*, 2017:212). Kriestensen *et al.* (2019:2) explain that public financial management could guarantee allocation efficiency by ensuring that resources are allocated to strategic priorities. Parry (2010:100) adds that, practically, public financial management ensures the optimal linkage of policy objectives and resource allocation through a budget, whereby budget allocation aims at directing funds to prioritised policy programs. Cangiano *et al.* (2013:2) support that the linkage would result in a sustainable fiscal position marked by macroeconomic status with inclusiveness and balanced growth. The researcher recommends the strengthening of subnational government budget processes and their role in the national budget process. It is recommended that district councils should be budget heads at the Ministry of Finance with fiscal responsibilities to produce accurate financial reports for fiscal projections and budget management to ensure fiscal sustainability at the districts. This would allow them to independently negotiate and discuss their budget requests with the Ministry of Finance and improve the stability of budget allocation and financial projections.

2.4.1.2 Operational management

Operational management focuses on the daily operational activities of government to ensure efficiency. Parry (2010:102) explains that operational management as the objective of public financial management must promote effective performance and budget management. According to Kriestensen *et al.* (2019:2), the public financial management system should aim at achieving operational efficiency by observing value for money (price-quality ratio) in service delivery. Although value for money and performance management seem to be intertwined concepts, Parry (2010:102) argues that performance management is about the achievement of objectives while value for money is concerned with promotion of effectiveness, efficiency and economy through financial management practices. In this regard, the proposed fiscal decentralisation statute should enable subnational governments to establish performance management strategies within their financial management systems to link and assess their inputs against outputs and outcomes. Performance is managed better through an effective budget management system whereby public managers have to ensure adherence to budget prescription.

In the public financial management sector, value for money is achieved through good public procurement processes. Emmanuel and Haruna (2017:2) posit that public procurement is the process through which public institutions purchase goods, services and works needed to implement their programs from external suppliers. It is a process of public spending regulated by legal frameworks whereby public resources are utilised for the achievement of public objectives (Nijboer, Senden & Telgen, 2017:451). The primary objective of public procurement is to ensure value for money in procurement processes in terms of price and quality, whereas the secondary goal is to support the implementation of identified policy objectives (Nijboer *et al.*, 2017:451). Emmanuel and Haruna (2017:6) explain that as a policy tool, public procurement aims to promote efficiency in public spending and influences the economic position of a country. Grandia (2015:15) also argues that governments use their market power to compel other institutions to contribute towards the achievement of public goals. Thus, an effective implementation of public procurement could result in the achievement of value for money in spending and achievement of public objectives (Emmanuel & Haruna, 2017:3). Mrak, Vretenar and Antonic (2016:51) asset that the effectiveness of public procurement is determined by transactional costs, time needed to procure and quality of services. Emmanuel and Haruna (2017:3) argue that an effectively planned and implemented public procurement process improves resource mobilisation, ensures suitability and management of public debt, promotes public financial management and decreases economic and financial dependency. The researcher recommends the development of subnational government procurement regulations as part of fiscal decentralisation legislation to enable subnational governments to ensure operational efficiency.

2.4.1.3 Governance

One of the primary objectives of implementing local governance is to allow local communities to determine their development and manage their local affairs. This is achieved through public participation in local activities that are meant to develop their community. Parry (2012:104) argues that for both national and subnational governments, public financial management systems should promote governance through the budget and financial reporting process which should both consider public participation. To enhance governance, Tkachenko (2020:84) adds that the public financial management systems ought to be transparent and accountable through timely and accurate publication of financial and audits reports. Lawson (2015:2) contends that the participation of stakeholders and their access to financial reports plays an important role in promoting accountability as public officials who have the authority to spend public money would be held accountable. In this regard, the fiscal decentralisation statute should address issues of governance by describing the role of local communities in subnational government financial management system and prescribe reporting strategies through which subnational governments report to local communities.

2.4.1.4 Fiduciary risk management

The public sector, both at national and subnational spheres, have the challenge of losing public funds through various ways such as corrupt activities, misallocation or misdirection of funds and theft. In this regard, governments should adopt different strategies such as processes, procedures and legal frameworks to manage and monitor financial resources in an effort to safeguard the funds and minimise potential risks. According to Parry (2010:103), public financial management systems should establish internal control strategies such as processes for authorising payments and ensure compliance to financial regulatory instruments to safeguard public funds. This reflects the importance of the internal audit function. The Institute of Internal Auditors in Turetken and Ozkan (2019:3) defines an internal auditing as an autonomous, objective and consultative process intended to add value and improve the operations of an institution. Tackie, Marfo-Yiadom and Achina (2016:184) assert that in assisting institutions to achieve their objectives, internal audit functions should establish systems to appraise and reinforce the value of risk management, control and governance processes. Risk management, control and governance should cover all policies and processes for achieving objectives, including risk assessment activities, consistency of reporting and accounting processes and compliance to laws, regulations and ethical prescription of an institution (Tackie *et al.*, 2016:184).

Jones and Beattie (2015:66) emphasise that local authorities as trustees of public funds with the responsibility to administer and manage financial resources, need an internal audit function for ensuring good governance and accountability. As mentioned by Tackie*et al.* (2016:185), the increasing demand for public sector accountability and transparency in allocating and spending public funds signals the importance of internal audit as it is instrumental in managing public expenditure, promoting financial accountability and reinforcing the governance systems of public institutions. Similarly, Turetken and Ozkan (2019:4) reason that a functioning internal audit system could result in efficient public governance, quality of public services and accountability. In this regard, there is a need to establish an internal audit function at Lesotho subnational government structures as a control strategy that safeguards, appraise and strengthens operations to ensure the achievement of objectives by promoting good governance, accountability and increase confidence in public financial management systems.

Fiduciary risk management is also about ensuring compliance to financial rules and regulations and the adoption of an oversight function to ensure accountable financial transactions (Cheruiyot *et al*., 2017:212). Morgner and Chene (2014:50) point out that in addition to internal controls, public institutions are subject to external audits and legislative oversight whereby an independent audit institution performs audit exercises to assess the accuracy of their financial statements, compliance of spending with legal prescriptions and performance of the institution against identified goals. Simson, Sharma and Aziz (2011:19) explain that external audit as a compliance mechanism for public financial management, is authorised to scrutinise government transactions and practises by conducting financial, compliance and performance audits. Financial audit is a process of examining an institution's financial statements and reports, operations, products and service specifications to verify their legality and regularity, whereas performance audit focuses on efficiency in the utilisation of public funds, the effectiveness of projects and program implementation, and the productivity effectiveness and absorption of audit recommendations for strengthening performance and quality of public service delivery (Ismajli, Perjuci & Prenaj, 2019: 127).

Section 63(1) of the Local Government Act of 1997 explains that the accounts of every council shall be audited by the auditor general as an external independent institution. In a similar manner, Section 34(3) of the Public Financial Management Act of 2011 provides for councils to submit audited annual reports to the Minister of Local Government who is to appear before the public accounts committee (a parliamentary committee) to account for subnational government financial practices. However, the National Decentralisation Policy of 2014 points out that the engagement of the auditor general's office has been low at subnational government due to the absence of policy guidance as well as technical and institutional capacity among other factors. The researcher acknowledges the significance of external audits at subnational government to support the financial management system.

2.5 CHAPTER SUMMARY

In this chapter, the author reviewed literature on fiscal decentralisation. Fiscal decentralisation was described as an intergovernmental element that is concerned about the fiscal assignment of responsibilities to different spheres of government. It is a financial concept of the decentralisation process; therefore, its successful implementation requires the existence of an effective financial management system. The first section of the chapter focused on the conceptualisation of fiscal decentralisation and discussed its theoretical foundations. Fiscal decentralisation was explained as a comprehensive framework that focuses on the assignment of budget powers between government spheres and the intergovernmental transfers system. Fiscal decentralisation concentrates on the devolution of spending and revenue raising powers from national to subnational governments, whereby the latter are given authority to manage their financial system with the intention to ensure availability of resources for financing their mandate. It also includes an analysis of the design of an intergovernmental transfer system to address fiscal imbalances in a multilayer government system.

Theoretical foundations of fiscal decentralisation were explained. The first-generation theory and the second-generation theory were discussed in relation to fiscal decentralisation. It was discovered that the first-generation theory presupposes a responsive government whereby the allocation of resources is matched with public needs and preferences. The theory prescribes to decentralisation of public functions whereby the services with a national scope are assigned to national government and the provision of local public goods and services becomes the responsibility of subnational governments. Although the theory recommends the devolution of functions, it prefers centralisation of revenue management for purpose of maintaining economic stability. In this regard, transfers in the form of grants and revenue sharing are to be engaged as a relief strategy for addressing vertical and horizontal fiscal gaps.

In complementing the provisions of the first-generation theory, the second-generation theory was considered. The second-generation theory perceives public officials as selfish actors who need to be managed though structures and legislation to channel and influence their actions towards economic prosperity. Thus, the theory adds the significance of government structures design in shaping the behaviours of actors in the fiscal decentralisation system. In addition to devolution of functional responsibilities, the theory argues for decentralisation of revenue management to enable subnational governments to generate their own revenue for financing their mandate. This is to ensure their budget autonomy. In this regard, transfers are kept at a minimal with the intention to encourage subnational governments to generate their own resources. The second-generation theory recommends a market and rule-based system in which subnational governments become independent entities that can manage their finances without external intervention. The market-based system reflected the need to promote an effective subnational government financial management system.

The chapter concluded by highlighting the significance of a public financial management system. Public financial management is explained as an art of planning, budgeting, spending and managing public finances. The public financial management system includes multiple subsystems for generating, allocating, spending and accounting for public financial resources. The system is practically demonstrated through the budget cycle with its stages that intend to plan, control and manage public financial resources for improved performance. These include strategic planning and budgeting, budget preparation and implementation, internal controls and auditing activities, accounting and reporting processes and external auditing and accountability. These subsystems aim at achieving a transparent and accountable financial management system for providing quality public services and achieving an improved, sustainable economic and social environment for citizens.

The primary objectives of a public financial management system are identified as maintaining sustainable fiscal position, effective allocation of public financial resources and the efficient delivery of public services as well as maintenance of fiduciary risk management strategies. Thus, a public financial management system is a critical foundation for macroeconomic analysis and policy making as it supports financial analysis, forecasting and planning to influence the economic position of a country.

CHAPTER THREE

PUBLIC FINANCIAL MANAGEMENT REFORMS AND PUBLIC POLICY DEVELOPMENT

3.1 INTRODUCTION

Chapter three discusses the literature on public financial management reforms. The objective is to explore the argument on how public financial management reforms are undertaken to present a broader view on how the Lesotho can approach fiscal decentralisation reforms.

The previous chapter discussed the theoretical explanations of fiscal decentralisation and elaborated on public financial management systems. This chapter extends the discussion by focusing on public financial management reforms, tabulating different theories and models for financial reforms that can influence fiscal management and service delivery. This would contribute by guiding the development of fiscal decentralisation legislation as a public financial management framework.

3.2 PUBLIC FINANCIAL MANAGEMENT REFORMS

Public financial management as defined in Chapter two of this study is about the collection, allocation, expenditure, reporting, control and management of public financial resources for efficient and effective utilisation of the resources and improved public services (cf. Section 2.4). Omollo (2018:172) asserts that an effective practice of public financial management is a prerequisite for effective macroeconomic management and sustainable economic development. Cangiano, Curristine and Lazare (2013:22) explain public financial management as an umbrella term for a variety of connected processes for managing government finances that can be grouped as processes for estimating economic conditions and prospects, for allocating public funds and reporting financial results. In a similar way, Abdulai (2020:424) defines public financial management as an art of budgeting, spending and managing public financial resources that focus on providing the instruments for implementing fiscal policy in order to achieve policy objectives. The primary objective of public financial management is to promote aggregate control prioritisation, accountability and efficiency in the management of public financial resources and public service delivery to secure public policy objectives (Omollo, 2018:174).

In aggregate, public financial management becomes a set of multiple subsystems, policies and procedures used to implement government fiscal policy for the betterment of the citizens. In this regard, public financial management reforms refer to alterations and changes on the aforementioned processes and policies to improve their performance to secure optimal objectives of public policy. Pretorius and Pretorius (2009:2) define public financial management reforms as beneficial changes that involve institutions (regulations and procedures) and organisations (systems, processes and structures). Public financial management reforms are the restructuring processes aimed at increasing financial awareness in public sector decision-making processes for improving financial management (Alkaraan, 2018:4). Similarly, Omollo (2018:172) explains that public financial management reforms are about strengthening fiscal policy decision processes and institutions that promote efficient generation and spending of public financial resources and promote financial discipline.

Cangiano *et al.* (2013:21) argue that public financial management reforms use new information, process modifications and constructive rules to influence changes in behaviour and outcome. The authors explain that reforms are progressive starting with a supply of constructive information to policy makers, engagement of processes to assist policy makers to make prudent and effective decisions resulting in the establishment of rules and regulations to guide operations (Cangiano *et al.*, 2013:21). Njenga, Omondi and Omete (2014:148) explain that public financial management reforms are developments and changes in the financial sector that intend to improve transparency and promote strategic allocation of finances. Moreover, Magani and Gichure (2018:46) add that the intention of reforms is to increase accountability in financial management, separate policy and management functions, enhance performance and ensure devolution of government activities to address inefficiencies and poor management of public funds.

The expected result of public financial management reforms includes (i) improved financial reporting systems, moving from cash accounting to accrual accounting, (ii) devolution of budgets, (iii) market-based costing and pricing, (iv) performance tracking framework, and (v) performance-based auditing (Alkaraan, 2018:4). Njenga *et al.*(2014:148) point out that public financial management reforms enable restructuring of organisations with fiscal cries, improvement of economic performance and devolution of government functions. In addition, Magani and Gichure (2018:47) argue that reforms are pursued to address the challenges of the devolved system of government and public institutions, to remedy inadequate strategy orientation and transform institutions to perform better. In addressing the challenges of devolved systems of government, public financial management reforms strengthen the financial operations of subnational governments. According to Alkaraan (2018:4), the outcomes of public financial management reforms include devolution and accountability as critical concepts of fiscal decentralisation. Cangiano *et al*. (2013:363) elucidate that public financial management reforms are important for securing the benefits of fiscal decentralisation because of their influence in maintaining fiscal discipline, promoting efficient provision of public services and accountability of subnational governments to national governments and local citizens. Alkaraan (2018:4) posits that the importance of public financial management reforms in fiscal decentralisation is reflected in the impact of reforms on the financial management system whereby the budget process is decentralised and becomes more responsive to priorities and the flexibility of management practises that promote autonomy of subnational structures.

In totality, public financial management reforms refer to the changes and developments of the public financial management system processes and systems to influence the optimal achievement of fiscal policy objectives within financially disciplined structures. The National Decentralisation Policy explains that Lesotho is undertaking financial reforms to develop a comprehensive legal framework to support devolution as a mode of decentralisation (Lesotho, 2014:19). The objective is to reform fiscal relations structures and promote their functionality to ensure effective intergovernmental relations and financial management systems at subnational governments for the success of the decentralisation (cf. Section 1.2).Thus, in implementing the National Decentralisation Policy of 2014, Lesotho is undertaking a public financial management reform exercise to improve the subnational government financial management. The subsequent section discusses the theories and models of public financial management reforms.

3.3 THE THEORIES AND APPROACHES OF PUBLIC FINANCIAL MANAGEMENT REFORMS

Public financial management is a multidiscipline subject that cuts across economics, political science, public administration and accounting. In this section, the researcher reports on the theoretical models and approaches to public financial management reforms. The discussion reflects on the theoretical arguments from multiple disciplines and includes expenditure management models and approaches, political economy models and revenue management approaches.

3.3.1 Expenditure Management Models and Approaches

Expenditure management approaches were developed to improve public sector management especially public financial management. The discussed approaches include, New Public Financial Management, Public Expenditure Management, Sequencing (Getting the Basics Right and Platform Approach) and the Strengthened Approach to public financial management reforms.

3.3.1.1 New Public Financial Management

New Public Financial Management comes as a financial aspect of New Public Management; the model that was introduced to review public sector management and introduced new techniques and tools that allow managers to manage and account for their activities (Pretorius & Pretorius, 2009:7). Robinson (2015:7) defines New Public Management as a series of approaches to public administration and management to overcome public sector inefficiencies through the adoption of private sector management principles. The primary objective of New Public Management is to incorporate private sector practices and principles in the public sector management to promote effectiveness, efficiency and client-oriented processes and enhance quality management (Nyamita *et al.*, 2015:28).

In a similar manner, Colak (2019:521) points out that New Public Management is based on professional management, competitiveness, mission-driven, result-oriented, decentralised and market-driven government. Nyamita *et al*. (2015:29) support that the objective of New Public Management is to create a customer and result based culture, to develop decentralised authority and control systems/organisation and strengthen separation of policy making from service delivery. In general, New Public Management focuses on input and output relations and evaluation, cost management, performance management and application of market principles in the management of public resources (Robinson, 2015:8). To achieve these principles, New Public Management involves a series of reforms in the structures and processes in public sector institutions (Colak, 2019:520). In the financial sector, it resulted in the development of New Public Financial Management.

New Public Financial Management is an aspect of New Public Management focusing on finances. It is a reform process with the intention to increase financial awareness in public sector decision-making (Pretorius & Pretorius, 2009:8). Garcia-Sanchez and Cuadrado-Ballesteros (2016:1) define New Public Financial Management as the reforms on the systems, procedures, organisation and laws for effective collection and utilisation of public financial resources, including revenue and expenditure in terms of budgeting, accounting, internal and external control as well as financial reporting. In a broad view, the reform focuses on five key elements: changes in financial reporting systems, establishment of market-oriented management, development of performance measures, devolution of the budget and changes in external and internal public auditing systems (Pretorius & Pretorius, 2009; Garcia-Sanchez & Cuadrado-Ballesteros, 2016). In this regard, the New Public Financial Management approach can contribute to the development of a constructive fiscal legislation through the incorporation of market-oriented principles, performance management and strategic reporting and monitoring tools on the systems, processes and rules under reforms.

The primary objective of the New Public Financial Management approach to reforms is to ensure fiscal discipline, effective resources mobilisation, distribution and utilisation as well as promotion of efficiency and accountability in public financial management (Omollo, 2018:168). Garcia-Sanchez and Cuadrado-Ballesteros (2016:2) reason that the reforms enhance accountability through outcome orientation, transparency, monitoring and responsibility. Therefore, it is arguable that an effective integration of New Public Financial Management principles in the development of fiscal decentralisation legislation would contribute positively to its monitoring and evaluation strategy with effective performance management and governance tools. This would ensure effectiveness in service delivery.

3.3.1.2 The Public Expenditure Management Approach

Public Expenditure Management is an approach for viewing expenditure management in public institutions, that highlights the importance of the network of multiple actors and institutions (rules and procedures) that are involved in the budget process, with the intention to link expenditure with outcomes (Pretorius & Pretorius, 2009:8). The approach was developed to address the challenge of public financial resource allocation and the unsatisfactory outcomes of public expenditure. It marks the transition from conventional budgeting to a broader approach that recognises a network of multiple actors and institutions that participate in the budget process as illustrated in Table 3.1.

Table 3.1: The Public Expenditure Management paradigm shift

Conventional Budgeting		**Public Expenditure Management**
Budget process	→	Budget policies and institutions
Rules	→	Incentives
Inputs	→	Outputs/outcomes
Compliance	→	Performance
Centralised control	→	Decentralised responsibility
Bureaucratic openness		Transparency and accountability

Source: Pretorius and Pretorius (2009:9)

Public Expenditure Management is a financial reform approach to public sector budgeting that focuses on the achievement of desired outcomes through consideration of identified objectives and necessary expenditure processes for achieving them. As shown in Table 3.1 above, Public Expenditure Management highlights the importance of having processes and incentives as well as consideration of formal and informal rules of budgeting that have a significant influence on the budget execution outcomes. Thus, in addition to technical capacity, Public Expenditure Management acknowledges the importance of multiple actors and informal rules and incentives on the budget outcome. The optimal target is ensuring high performance and promotion of transparency and accountability. Scott (2019:73) posits that Public Expenditure Management endorses decentralisation because fiscal decentralisation promotes effective and accountable local infrastructure and service delivery, and this makes public investment in local governments more progressive and responsive.

Scott (2019:72) argues that the successful performance of government is reflected in Public Expenditure Management practices because they represent government policies, priorities and actions that influence the standards of public services. Thus, Public Expenditure Management becomes an instrument for achieving a country's economic policy goals that is, growth, equity and stability. In this regard, governments should secure fiscal discipline for economic stability while economic growth and equity arguably depend on strategic allocation of resources. The effective operational management is a prerequisite for economic stability and economic growth. AS highlighted by Scott (2019:73), general basic objectives of Public Expenditure Management approach to public financial reforms are as follows:

1. Aggregate fiscal discipline which refers to expenditure control whereby public expenditure is aligned to available revenue to avoid unnecessary deficit.
2. Allocative efficiency, meaning strategic allocation whereby expenditure is based on policy priorities and effectiveness.
3. Operational efficiency, that is, the promotion of operational management to achieve efficiency and effectiveness, thus producing within possible minimum costs and attaining intended objectives.

Pretorius and Pretorius (2009:9) argue that the improvement of public expenditure management needs changes in budget institutions, the roles of executors and managers as well as the rules under which resources are collected, allocated and utilised. The proposed fiscal decentralisation legislation is expected to promote devolution of budget processes thereby facilitating coordination between spheres of government by articulating procedures, roles and responsibilities of different actors involved in the budget process (cf. Section 1.2). Thus, the approach is imperative for guiding budget process reforms as a critical part of the fiscal decentralisation legislation.

The researcher believes that it is important to develop fiscal decentralisation legislation with practical and inclusive budget processes that address issues of coordination and create prudent intergovernmental relations that cater for multiple actors involved in the budget processes to mobilise support for the achievement of set objectives. This is because the comprehensive fiscal decentralisation legislation requires an effective and successful implementation process to translate the budget into preferred outcomes. The successful execution of the budget is critical as it reflects the responsiveness and accountability of subnational governments.

3.3.1.3 Sequencing

Public financial management reforms literature also identifies the importance of sequencing in pursuing financial reforms. Beitenhader and Bergmann (2010:53) explain that issues of sequencing in public financial management reforms are addressed through getting the basics right approach and the platform approach.

- Getting the Basics Right

The Basics First approach was introduced in 1998 by Allen Schick arguing that developing countries should first focus on the basics that form the foundation for the reforms in implementing financial reforms (Pretorius & Pretorius, 2009:10). Beitenhader and Bergmann (2010:53) clarify that the approach is contextualised within the public expenditure management scope because it focuses on budgetary aspects by identifying the components of the budget system which are considered as basics and therefore should be implemented first. The important aspects that are considered when sequencing reforms are illustrated below.

Table 3.2: Basic elements for Getting the Basics Right

• Foster an environment that supports and demands performance before introducing performance or outcome budgeting. • Control inputs before seeking to control outputs. • Account for cash before accounting for accruals. • Establish external controls before introducing internal control. • Establish internal control before introducing managerial accountability. • Operate a reliable accounting system before installing an integrated financial management system. • Budget for work to be done before budgeting for results to be achieved. • Enforce formal contracts in the market sector before introducing performance contracts in the public sector. • Have effective financial auditing before moving to performance auditing. • Adopt and implement predictable budgets before insisting that managers efficiently use the resources entrusted to them.

Source: World Bank in Pretorius and Pretorius (2009:9)

➢ The Platform Approach

The Basics First approach is not popular because scholars do not agree on what should be considered as basics although they acknowledge the interdependency and the overlapping nature of budget elements (Public Expenditure and Financial Accountability, 2019:33).The Platform approach was developed as a broader approach to sequencing public financial management reforms. Beitenhader and Bergmann(2010:57) explain that the Platform approach presents a comprehensive concept enabling sustainable development of the public financial management system by adding the elements of accounting, internal controls and performance management to budgeting. The Platform approach highlights the importance of implementing packaged activities of reforms aimed at achieving increasing platforms over a manageable timeframe (Pretorius & Pretorius, 2009:10). Similarly, Diamond

(2013:37) defines the Platform approach as a strategic approach to reforms that intends to achieve desired outcomes by programming a set of related actions in a sequential manner to support a further set of reforms usually implemented in a long-term framework depending on the success of each platform/level. In this regard, Public Expenditure and Financial Accountability (2019:33) explains that the packages should establish a logical sequence for reforms whereby the completion of one package of activities set the basis for another package that is to follow.

In general, the Platform approach explains financial management reforms as a chain of practical steps that are defined in terms of improved outcomes whereby the outcomes of one step become the foundation for launching the next step. Pretorius and Pretorius (2009:11) posit that this gradual character of the Platform approach enables an effective change management process of the reforms enabling genuine government leadership and a politically acceptable pace of change as both politicians and managers have enough time to accept and internalise the change gradually.

Sequencing as an integral part of public expenditure management is about the development of an implementation strategy that can yield the success of reform processes. Lesotho opted for the Platform approach in implementing its decentralisation program since 2005, whereby the decentralisation components were integrated on the bases of progress and readiness of the country assessed through political advocacy(cf. Section 1.2). Similarly, the National Decentralisation Policy implementation framework adopts a phased approach in which policy areas are to be prioritised and implemented in phases over a period of 15 years (Lesotho, 2014:30). The phased approach is to enable government to monitor progress, learn by doing, manage the process with existing capacity and ensure effective resource mobilisation and utilisation (Lesotho, 2014:XI). The researcher’s preferred implementation strategy is therefore the phased implementation strategy for the fiscal decentralisation legislation implementation strategy. This is to enable the country to gradually incorporate fiscal decentralisation into the public financial management system within a reasonable change management and control scope. The Platform approach can also allow the country to gather necessary support and the required capacity to ensure the successful implementation of legislation.

3.3.1.4 The Strengthened Approach

The Strengthened Approach to public financial management reforms comes as a response strategy to diagnostic results on the study on public financial management reforms by Public Expenditure and Financial Accountability (an intervention initiative by countries to support public financial management systems and reforms for economic growth and development) (Pretorius & Pretorius, 2009: 12). Hadley and Miller (2016:7) explain that the Strengthened Approach is based on three primary principles, a country-led agenda reform program, a coordinated program of support and a shared information pool. The country-led agenda represents a government-led reform strategy and action plan with designs, implementation and monitoring strategies that reflect country priorities and are integrated into institutional structures (Hawke, 2017:2). Hadley and Miller (2016:7) posit that the implementation stage of the reforms should be accompanied by a well-coordinated financing strategy and technical support from donors and international finance institutions. Pretorius and Pretorius (2009:13) highlight the need for effective coordination and control to ensure that the support is sustainable and aligned with government's reform strategy. The establishment of an information pool with a framework for measuring reform performance is also important (Hadley & Miller, 2016:7). Hawke (2017:3) explains that the pool is for providing consistent information about reform performance and progress to all stakeholders.

The Strengthened Approach forms a core aspect of this study as it promotes domestication of reform processes. The researcher believes that building a country-led reform agenda can contribute to domestication of the concept of fiscal decentralisation and ensure the development of the proposed legislation within a country context. It is also important to incorporate a sustainable financing strategy to support the implementation phase and a comprehensive communication strategy to publicise the legislation and gather support.

3.3.2 Political Economy Models to Public Financial Management Reforms

In addition to the technical factors addressed through economic and accounting theories, the literature makes reference to the significance of political economy models for analysing the political issues that can affect reform process. Political Economy Models refer to the means of analysing and interpreting economic phenomena that highlight the significance of political factors, focusing on involved actors, their possible interests and incentives and institutions that control their behaviour as well as incentives that such institutions may provide (Wehner & De Renzio, 2013:84). Cangiano *et al.* (2013:26) explain that the achievement of public financial management reforms is influenced by public financial managers and political leaders responsible for fiscal matters as policy makers for strategic allocation, managers and general staff at institutional level. Pretorius and Pretorius (2009:13) explain that to address the complex and highly political nature of public sector reforms, the Department for International Development developed the ‘Drivers of Change’ approach in 2004. The political economy model presents a framework for understanding the political context within which public financial management reforms are implemented and is explained below.

3.3.2.1 Drivers of Change Approach

Drivers of Change Approach was developed to establish the link between a country’s political framework and operations of development institutions. McLaughlin (2014:10) explains that the approach focuses on identifying opportunities, incentives and obstacles to change through analysing three items, agents, structural features and institutions. Agents refer to individuals and organisations with their respective interests while institutions represent formal and informal rules and regulations that govern the agents (McLaughlin, 2014:10). The Department for International Development (2004:1) defines structural features as the country context characteristics comprising historical, natural, economic and social structures of the country. The Drivers of Change approach is a conceptual model presenting how the interactions between agents, structures and institutions impact on the outcome of reform or change processes.

Shaxson and Heymans (2016:4) posit that the objective of the Drivers of Change Approach is to understand the process through which interests are mediated, decisions are made and resources are allocated by studying the political interests and power relations between agents, instructions and structures and how these influence policy outcomes. Thus, the approach assists countries to develop baseline cases to strengthen planning and identification and mitigation of potential reform risks (McLaughlin, 2014:10). Pretorius and Pretorius (2009:14) argue that the success of public financial management reforms processes depends on the availability of political will and commitment, sustainability and strengthened oversight structures to ensure accountability. The Department for International Development (2004:2) adds that due to the complex nature of reform processes, there is no single design that can be applied universally; however, it provides the following guidelines to be adopted as general guidance:

1. Basic country analysis: social, political, economic and institutional factors,
2. Medium-term dynamics of change: policy process and capacity to implement policies,
3. Role of external forces: the role of donors and supporters,
4. Link between change and development: the expected outcome of the reform,
5. Operational implications: development of reform strategies.

The Drivers of Change Approach generally explores the broader view of factors that drive and determine the outcome of reform processes by focusing on the political and economic operations of the country. The Drivers of Change Approach enables countries to build a baseline for designing country specific strategies and programs for public financial management reforms. The approach also controls for the impact of support as it makes provision for aligning donor support to national strategies. The Drivers of Change Approach can contribute to domestication of the fiscal decentralisation methodology for Lesotho by presenting a detailed analysis of the country context and exploring available opportunities to mobilise the political and technical support and commitment. The approach is also important for guiding the planning and development processes of the legislation by providing a baseline case presenting opportunities, possible risks and threats to the development of the fiscal decentralisation methodology.

Expenditure management deals with processes to implement financial policies to enhance aggregate fiscal discipline, allocation of resources in conformity with government policy objectives and ensure operational efficiency in public service delivery (Tommasi, 2013:4). Both expenditure management and political economy models and approaches are contextualised within the scope of public expenditure management. The researcher envisages that using all the approaches discussed above can contribute to the development of more comprehensive and inclusive fiscal decentralisation legislation that addresses the primary objective of the legislation, that is, creation of systems and procedures to ensure effective, efficient, transparent and accountable planning, budgeting, public expenditure management and accountability of government institutions (Lesotho, 2014:17). That is adopting the complementary view whereby all approaches are used to analyse and understand public expenditure management through the budget process as the core component of the public financial management system in an effort to build inclusive and constructive fiscal decentralisation legislation.

3.3.3 Revenue Models and Approaches

The last group of approaches for public financial management reforms are about revenue models that focus on the design and administration of tax systems. Don and Miller (2018:11) argue that the objective of a tax policy is the redistribution of economic power because reducing inequality could increase trust in government, resulting in increasing compliance and strengthening the fiscal capacity of a country. Mehrotra (2013:36) posits that tax reforms should consider the interdependency nature of the tax system, tax administration and institutions, thereby recommend the consideration of three aspects. Firstly, the author recommends a comprehensive, broad-based tax system, secondly, a neutral tax system with regard to economy and economic development and lastly the maintenance of an economic level which would shape the socio-economic and administrative realities in which a tax policy operates.

The importance of tax design is to achieve social and economic growth while controlling the negative impact of taxation. Pretorius and Pretorius (2009:14) explain that tax revenue reforms are influenced by four main theoretical approaches, (i) The public economic approaches that focus on the micro-economic analysis that emphasises the efficiency and equity of taxation systems, (ii) The macro-economic approach which emphasises the impact of taxation on the economic aggregation consisting of economic aspects such as income distribution, savings, inflation and public debt, (iii) The administration approach which puts focus on the effectiveness and efficiency of the tax administration and implementation costs controlling the costs of collecting tax and costs of compliance and (v) The political approach which acknowledges the political nature of the taxation process and the preferences and incentives that influence the design of the taxation system.

In line with provisions of the second-generation theory of fiscal decentralisation on revenue assignment, the revenue approach is important for guiding the design of a subnational government revenue system. Lack of financial resources in terms of revenue at Lesotho councils is identified as one of the major challenges with a negative impact on their autonomy and expenditure management. Hence, the National Decentralisation Policy of 2014 aims at reviewing the revenue collection system at councils to improve revenue generation and management so that councils can have adequate and reliable financing (Lesotho, 2014:18). The researcher acknowledges that assignment of revenue sources is critical for success of devolution. The tax assignment system for subnational governments in Lesotho is one of the core subjects of the proposed fiscal decentralisation legislation. The importance of a tax system within the legislation is justified by multiple authors as discussed in chapter one (cf. Section 1.2). Such authors argue that the legislation for fiscal decentralisation should indicate the degree of fiscal responsibilities for subnational governments in terms of capacity to generate, utilise and manage local revenues and revenue sources (cf. Section 1.2).The researcher believes that the four identified theoretical approaches to tax revenue reforms can contribute to the design of a broad and practical tax revenue system for Lesotho subnational governments.

3.4 CROSS CUTTING FACTORS THAT INFLUENCE PUBLIC FINANCIAL MANAGEMENT REFORMS

The previous discussion focused on public financial management reform approaches and models that guide the reform processes. In addition to approaches and models, the literature identifies cross-cutting issues that influence the reform processes and determine the reform outcome. These factors need to be considered in the design and plan of the proposed reform process. They include the country context and implementation capacity. In this regard, the cross cutting factors are critical for the current study as the study appraises country uniqueness and localisation of reform processes. The researcher believes that the development of fiscal decentralisation legislation within a country context can contribute to the success of the decentralisation process. The cross cutting factors are discussed below.

3.4.1 Country Context

The public financial management systems of a country comprise the laws/policies, organisations, procedures and systems used by government to secure and utilise public resources effectively, efficiently and transparently. Abdulai (2020:424) explains that a public financial management system is concerned with how government implements its policy objectives, therefore in reforming the system the aim is not on using the best practices but seeking the good practices that come with continuous learning, improvement and consideration of localities. Pretorius and Pretorius (2009:35) add that the systems, procedures and policies cannot be reformed without considering country circumstances because reforms happen within specific cultural, political, historical, economic and social environments. Alkaraan (2018:2) posits that public financial management reforms are strongly rooted in the economic, legal, political and social frameworks of a country therefore it becomes imperative to consider such circumstances and external actors in the development and implementation of the reforms. Thus, public financial management reform processes should consider country context features in order to be successful.

3.4.2 Implementation Capacity

The adoption of reform processes necessitates a country to have capacity to develop and implement a reform strategy to achieve the intended objectives. Pretorius and Pretorius (2009:37) argue that capacity development for implementation of public financial management reforms should be at individual, organisational and institutional level. Salomonsson, Reutersward and Nidesjo (2011:8) explain that the individual level is about knowledge, professional skills and attitudes of employees. Organisational level includes quality of organisational systems such as the financial system and monitoring and evaluation systems to track performance. Institutional level involves the legal framework, institutional relations and accountability structures.

Capacity is defined by the United Nations Development Programme (2008:4) as the ability of individuals, institutions and societies to perform functions that address challenges and identify and achieve objectives. Olander (2007:76) identifies four interrelated elements that comprise public financial management capacity as resources, management, institutional framework and support structures as summarised in Table 3.3 below.

Table3.3: Public Financial Management capacity elements

Public Financial Management Reform capacity elements			
Management	**Resources**	**Institutional Framework**	**Support Structures**
Staff: quantity and quality Finances: adequate resources Equipment and facilities: information technology and infrastructure	Strategic Leadership: political will and strategic direction Operational Management: improving service delivery outputs Change management: management of public financial management reform	Regulatory framework: roles and responsibilities of actors in a PFM system Procedures: administrative rules Culture: informal norms and values	Education: supply of public financial management professionals Training: skills development Consulting: role of consultants

Sources: Olander (2007:76)

Resources imply the need to consider availability of resources to be used in implementing the reforms and those that have an impact on organisational performance such as the quality and quantity of staff, financial resources and equipment. Pretorius and Pretorius (2009:38) point out that although the literature makes reference to the importance of having resources to finance reform processes, it is more critical to have resources to sustain the reforms for continuity of improved performance.

The element of management also highlights the need for committed leadership from politicians and managers, as well as an effective operational change management practise to manage the reform process. Lawson (2015:5) explains that the presence of strong political and technical commitment promotes reform coordination and assists in the management of fears, expectations and conflicting opinions. Institutional frameworks cater for the impact of organisational culture features, regulatory frameworks and the rules and procedures for organisational reforms and human resource management. Lastly, support structures cater for development and improvement of technical knowledge and skills through continuous training provided by educational institutions.

3.5 PUBLIC POLICY DEVELOPMENT

Serban (2015:4) defines a policy as an improvement initiative proposed by multiple actors through negotiations and collective agreements, According to Howlett and Cashore (2014:1), policies are actions containing justified goals and the means to achieve them, irrespective of how poorly both are articulated. Similarly, Knill and Tosun (2013:375) describe policy as a statement of government intentions presented as laws, regulations or orders. It then follows that public policy becomes an intentional course of action manifested in laws, regulations or publicly accepted and visible patterns of behaviour pursued by government institutions/officials to address public challenges (Anyebe, 2018:9). Howlett (2014:281) views public policy as the result of government effort to introduce change for attaining a specified goal and usually containing complex policy goals and means for attaining them.

In the following sub-section, the author presents the literature on public policy making. Considering the objective of the study of developing a suitable fiscal decentralisation statute methodology for Lesotho, the focus is on the policy formulation stage of the policy process.

3.5.1 Public Policy

According to Serban (2015:3), public policy refers to a system of laws, regulations, courses of action and funding priorities about a certain aspect by a government institution or its representative. Anderson in Anyebe (2018:8) defines public policy as a comparatively stable, purposive course of action followed by actors in addressing problems. Thus, public policy incorporates both policy formulation and implementation by public institutions to achieve the intended public goals. In the light of that, Cochran and Malone (2014:3) add that public policy is an overall framework within which government actions are undertaken to attain public goals. The authors explain that public policies go through specific policy processes, adopted and executed through laws and regulations and funding priorities that are enforced by public institutions (ibid.:3).

Kulac and Ozgur (2017:144) argue that the public policy process is a series of decisions and actions complicated by political conflicts, structures and personal interests. In cognisance of Kulac and Ozgur's view, Howlett and Cashore (2014:17) explain that the policy process includes technical and political processes of articulating and harmonizing goals and means of achieving them; therefore, public policies become actions with goals and strategies for achieving them. In addition, Serban (2015:4) clarifies that a policy process is a complex process that involves multiple participants with various interests and is highly influenced by the country context as public policies are embedded in political, economic, cultural and social structures. According to Howlett and Cashore (2014:18), the complexity described above is due to the involvement of public opinion, experts' ideas, media attitudes, politicians, public servants and nongovernment leaders. It further considers the dependency of the process on economic conditions, political resources, cultural attitudes and international conditions.

The literature makes reference to the development of policy process models as effective instruments for simplifying the complex nature of the process and an attempt to understand public policy. Knill and Tosun (2013:377) explain a policy process as the process model in which policy making is divided into different stages, demonstrating the actual process of how policies are developed and implemented. The stages include: (i) agenda setting, (ii) policy formulation, (iii) policy adoption, (iv) implementation and (v) evaluation. However, Cairney (2019:10) clarifies that although there are variations in numbers and labelling of stages, the general focus is on identification of aims, formulation of policies to attain the aims, the selection and authorisation of policy measures, implementation and evaluation. In this way, the policy making process resembles a continuous process of how government translates public demands and challenges to public policies.

The summary explanation of the stages is as follows:

1. Agenda setting is the process through which public problems attain government attention (Howlett & Cashore, 2014:10). Knill and Tosun (2013:383) define it as the first stage in the policy process as that which involves the identification of public problems that need government intervention.
2. Policy formulation is the strategic formulation of policy options as mentioned by Howlett and Cashore (2014:10). Cairney (2019:11) summarises policy formulation as the process of setting policy objectives, identifying and estimating the costs and effects of established policy solutions, as well as prioritisation and selection of policy solutions and policy instruments.
3. Policy implementation is a stage within which public policies are executed (Howlett & Cashore, 2014:10).
4. Policy evaluation refers to monitoring processes as an oversight activity (Howlett & Cashore, 2014:10). In this stage a policy assessment exercise is undertaken to review the performance of a policy against targeted goals (Cairney, 2019:12).

Kulac and Ozgur (2017:144) argue that the public policy process is an array of decisions and actions. On the one hand, it is the process in which problems are conceptualised and put to agenda, and on the other hand is the process in which public institutions and multiple actors formulate alternatives and solutions as well as policy proposals. The researcher is of the view that the fiscal decentralisation matter in Lesotho is at the policy formulation stage. This is, the stage in which policy alternatives should be formulated by multiple actors within various institutions to address the challenge of the fiscal decentralisation component of the decentralisation program. The subsequent section discusses the policy formulation stage of the public policy process.

3.5.2 Public Policy Formulation

Policy formulation is the stage of the policy process in which alternatives for solving policy issues are established, reviewed and appraised and policy analysts consider the preferred option given the legitimacy of public demands and the political, technical and financial capacities to address them (Howlett, 2011:29; Wilson & Epelle, 2018:178). Thus, the primary focus of the policy formulation stage is on the generation of policy options that can successfully address the policy problem (Jordan, Turnpenny, Benson & Rayner, 2015:4). Oni (2016:336) supports that in the policy formulation stage, relevant and acceptable policy alternatives to address a challenge are developed and reviewed in terms of their benefits, costs implications and feasibility. Policy formulation influences the final policy choice, as it is the stage within which a range of alternatives for solving a problem are identified and involves drafting the legislation/regulatory framework for each alternative and explaining their applicability to guide the implementation phase (Oni, 2016:336).

Kulac and Ozgur (2017:147) define policy formulation as the immediate stage to policy decision in which multiple problem solving instruments/tools are developed and analysed by multiple actors including parliament, government, public servants, political parties, societal groups and the media. Thus, although policy formulation is explained as a process of establishing policy responses to policy problems, it can also be defined through the stakeholder who takes part in the process and their institutional capacity depending on their location. Jordan *et al.* (2015:7) posit that policy formulation is a more political stage of the policy process dominated by individuals within the political structure hence the literature focuses more on the roles of politicians and bureaucrats. According to Howlett (2011: 31), policy formulation actors constitute a policy advisory system comprising decision makers and professionals with technical knowledge arguing that the actors are sometimes viewed in terms of their location and level of influence on the process.

Policy advisory systems are differentiated by the nature of knowledge supply and demand for a specific policy formulation context; therefore, the nature of the policy formulation process is influenced by the structures and operations of the policy advisory system of the policy under study as highlighted by Howlett (2014:292). In this regard, public policies are better conceptualised by considering a number of elements such as the identification of policy formulation actors, understanding their beliefs and motivations, their judgement of feasibility and their perceptions of the political, social and economic context of the policy (Lesia, 2015:18). This means that a policy formulation process is influenced by multiple actors involved in the process who finally have a significant impact on the nature of public policies. Marume (2016:12) supports that although government is the official authoriser of public policies, the authorisation is preceded by an informal negotiation and bargaining among different actors, and the end result is determined by collective agreement and power resources of the involved actors. Therefore, it is imperative to recognise the typology of policy formulation actors and their inputs in the process. Furthermore, Peters (2018:5) advises that policy formulation must consider the human factor and establish means and strategies to secure an adequate degree of compliance.

As a legal instrument to guide and manage intergovernmental relations and subnational government's financial management system, the formulation of fiscal decentralisation legislation involves multiple stakeholders that must be considered as policy formulation actors. The stakeholders include politicians and professionals as it will be reflected in chapter four of this thesis that the subnational governments' financial management system comprised both elected members and accounting officers. The intergovernmental relations factor also reflects the complex network of stakeholders who needs to be part of the formulation process. This means the involvement of politicians from national and subnational governments as well as accounting professionals from national and subnational governments. The researcher acknowledges the need to involve all stakeholders including local communities as the target population and development partners to ensure their support and commitment to the legislation and set grounds for successful implementation.

Turnpenny and Jordan (2015:5) explain that another effective way to understand policy formulation is by considering its tasks such as problem characterisation, evaluation, setting objectives and design. The policy formulation process is initiated by problem characterisation task in which policy makers attempt to conceptualise the problem and build a supported and justified argument about the existence of the policy problem. These authors view problem characterisation as the extension of the agenda-setting stage of the policy process. This is followed by problem evaluation with the intention to establish the causes and extent of the problem as the baseline information for developing policy solutions. Peters (2018:20) argues that understanding the cause of the problem is a condition for development of policy options with the potential to address the problem hence it is a compulsory task if the policy is to successfully solve the perceived challenge.

The data and knowledge attained during problem characterisation and evaluation for causation is used as a baseline to develop policy responses, that is, the objective setting task. In this regard, policy makers focus on identifying policy objectives and drafting recommended causes of action to achieve them (Lesia, 2015:18). According to Peters (2018:21), policy makers must specify the values which they seek to achieve through the policy, thus developing the preferred/targeted policy outcomes. Howlett (2011:31) explains that policy makers also assess and compare the merits and demerits of developed policy options in an attempt to identify the most suitable one for addressing the problem and obtaining the identified objectives. In support of Howlett's view, Turnpenny and Jordan (2015:9) point out that prior to adoption, the selected policy option would go through the process of design, in which the various means for attaining the identified objectives are explored. This means identification and selection of suitable policy tools and instruments for addressing the policy problem. Peters (2018:22) explains that the element of policy instruments in policy formulation is about finding the correct strategy to map a set of policy instruments onto policy problems and establish optimal solutions for the problem.

The challenges that Lesotho experienced due to an absence of fiscal decentralisation legislation are discussed in chapter one (cf. Section 1.2) and captured in the National Decentralisation Policy of 2014. The policy comes as a restructuring instrument to address decentralisation challenges that include inadequate financial resources and financial mismanagement at subnational governments. The primary objective of fiscal decentralisation is to establish systems and procedures for effective and transparent planning, budgeting and expenditure management at subnational governments to ensure effective fiscal intergovernmental relations and financial management system (Lesotho, 2014:17). It is, therefore, arguable that considering the objective and reviewing the legislative frameworks that have financial implications form part of a constructive baseline for the development of the proposed fiscal decentralisation legislation. The researcher is of the view that conceptualisation and domestication of the concept of fiscal decentralisation should contribute to the formation of a baseline that can successfully guide the development of a suitable fiscal decentralisation legislation that could result in the attainment of intended objectives.

In addition to processes and actors, Turnpenny and Jordan (2015:11) argue that the policy formulation stage is also explained through policy formulation venues as one of the components that affect the overall policy performance process. According to Timmermans and Scholten (2006:1105), policy formulation venues refer to locations where policies originate, gain support and are adopted as compulsory decisions. They add that these are institutional locations in which policy formulation activities are executed for informing the design, content and effects of policy process activities. Turnpenny and Jordan (2015:11) posit that policy formulation venues are considered by their functional powers rather than institutional level and they can be at various levels of government and outside government structures. As Peters (2018:30) puts it, policy formulation is inherently institutional, as a result, the nature of public sector institutions and their allies in the private sector influence how policies are made and implemented. Policy formulation venues include the legislature, executive, judiciary, research institutions, academics, media and societal organisations/associations.

Although the fiscal decentralisation legislation in Lesotho basically deals with subnational governments, it is an aspect of the Ministry of Finance as the custodian of the national finance sector. The legislation originates at subnational governments and is spearheaded by the Ministry of Local Government and Chieftainship as the decentralisation implementing ministry. Thus, in addition to legislature, the role of the Ministry of Finance, Ministry of Local Government and Chieftainship and other line ministries in the formulation process is critical, especially to ensure legislative and processes of reconciliation to avoid the challenge of conflicting legal provisions as indicated in chapter one (c.f. Section 1.2). The involvement of the Ministry of Finance is critical for laying the foundation for the implementation phase of the legislation due to its functional capacity as the custodian of public financial resources.

In essence, the policy formulation stage of the policy process is a critical stage in which policy alternatives are established and evaluated. It includes processes that are undertaken to transform policy problems into policy, indicating how outcome-based policies are formulated (Hansson-Forman, Reimerson, Bjarstig & Sandstrom, 2021:528). Lesia (2015:18) posits that the policy formulation stage focuses on the factors that influence how actors craft policy alternatives, presents the means that are engaged to craft them and the strategies for evaluating them leading to the final policy choice. According to Hansson-Forman *et al.* (2021:529), policy formulation is a subject of inquiry in policy design and policy tools studies as the literature on policy formulation uses the concept of policy design. Peters (2018:1) explains that policy design should be considered as a significant alternative to a casual way of thinking about policy formulation because it is increasingly used to describe the process of creating policy responses to policy problems hence used interchangeably. The discussion turns to policy design.

3.5.3 Policy Design

Policy design is a concept that describes the process of creating a policy response to a public problem, hence focuses on identifying the means for formulating desired policies and articulating their substance (Peters, 2018:1). According to Howlett, Mukherjee and Woo (2015:292), policy design is a planned effort to define policy goals and connect them to instruments or tools that are expected to ensure their achievement. Similarly, Tosun and Treib (2018:5) argue that in policy design, the focus is on the policy tools that are engaged to enhance behavioural changes targeting on how policies are formulated to produce the desired policy outcomes. Howlett (2014:283) defines policy design as an attempt to systematically formulate efficient and effective policies through the application of knowledge about policy means gained from experience and reason. Policy design is also about the development and adoption of a policy alternative that has more potential to achieve identified goals and objectives within a policy context (Howlett, 2014:283).

According to Capano and Howlett (2020:8), policy design is a form of policy formulation based on knowledge about the effects of policy tools on policy targets and the application of that knowledge to develop and implement policies for the achievement of desired public policy outcomes and ambitions. In this regard, policy design includes decision about two components which are the decision about the substance of the policy whereby aims and objectives of the policy are identified and matched with suitable tools, and the decision about policy procedure in terms of government institutions and agencies responsible for implementing the policy (Tosun & Treib, 2018:2). Capano and Howlett (2020:8) explain that the substance of a policy represents a range of policy alternatives that have capacity to address the policy problem while policy procedure is about various activities undertaken to reach consensus among policy formulators, authorisers and implementers about the final policy alternative. On the basis of this, policy design overlaps with policy formulation, decision making and policy implementation and includes multiple actors, ideas and interests as well as their interaction which is influenced by knowledge and evaluation results of policy.

Peters (2018:5) posits that policy design includes an effort to integrate an understanding of the policy problem with ideas of the instruments/tools for intervention and the values to be realised through the policy. It is associated with policy tools, implementation and how policy ideas affect policy formulation (Howlett & Mukherjee, 2014:58). This is because policy design is about improving the policy outcomes/public policy performance in consideration of their intended objectives through a planned policy formulation process (Howlett, 2014:283). Peters (2018:4) supports that the primary intention of policy design is to map policy solutions onto policy problems and to ensure the development of acceptable policies that can optimally address the policy problem.

The researcher believes that a well-planned policy formulation process has a determining impact on the policy performance. This means that policy formulation is viewed as the suitable stage to undertake sensitization activities to mobilise support and commitment of policy formulators, implementers and policy target communities. Thus, the researcher accounts for the implementation stage as the extension of policy formulation. Apart from identifying the best policy alternative, the formulation process determines the implementation strategy and mobilise commitment and understanding of policy implementers as well as assessing the implementation capacity as a critical variable for the successful implementation of a policy. That is, in formulating the fiscal decentralisation legislation, the commitment of critical stakeholders with relevant knowledge and experience such as subnational government employees, national government ministries and non-government organisations should be considered. The support and understanding as well as the capacity of subnational government employees as implementers is important. It is also imperative to secure the commitment of the Ministry of Finance as the ministry that provides technical knowledge to guide and support subnational governments in formulating and implementing fiscal legislation.

3.5.4 Policy Formulation Tools

The literature explains tools within the context of activities and processes of policy formulation in which tools assist in the development of policy options and their potential to address public problems (Turnpenny & Jordan, 2015:5). Howlett (2011:30) argues that if policy formulation is a process of exploring policy alternatives for addressing public problems, then development of policy formulation tools is a critical part of the process. According to Turnpenny and Jordan (2015:5), policy formulation tools refer to techniques, schemes and operations for collecting, condensing and interpreting policy knowledge to perform policy formulation tasks. Radin (2013:23) posits that policy tools are designed to support the collection of data and information to assist policy makers in addressing policy problems. Turnpenny and Jordan (2015:4) assert that policy formulation tools are expressed within a context of the policy formulation process and activities as they assist in understanding the policy problem, estimating future changes of the problem and assessing policy response options. The authors explain that these tools include tools for forecasting and exploring the future problem, identifying and recommending policy options and exploring problem structuring or framing.

Policy formulation tools are best conceptualised by considering the interaction between four aspects that have a significant impact on the formulation process namely actors, venues, capacity and effect. Howlett (2014:304) explains that policies are made by various actors interacting within the confines of political and economic institutions and governing norms, each with different interests and resources, and operating in a vague environment due to knowledge and information limitations. Thus, understanding these actors, their interest and venue is critical for the success of the policy design and tools for selection activities. The capacity of the country to implement a policy as well as the impact that a policy has on the target population is also critical.

In general, policy formulation is a significant stage of the policy process that shapes the policy response, determines the implementation strategy and ultimately the policy outcome. As explained by Howlett (2014:285), the formulated policy responses contain policy goals, objectives and aims as well as policy means and tools for attaining the objectives. As discussed above, the success of policy formulation depends on the knowledge derived from research and experiences that is utilised as the bases for development of policy responses and policy tools. This signals the need for the concept of policy analysis, a systematic investigation and evaluation of the technical, economic and political feasibility of alternative policies, implementation strategies and the consequences of policy adoption (Patton, Sawicki & Clark, 2016:23).

According to Peters (2018:5), policy design is a significant aspect of policy analysis because policy design requires enough research and studies to develop a framework that can map policy solutions to policy problems and produce intended outcomes. Howlett (2019:28) adds that central to policy design studies is the element of policy formulation tools as the means for implementing public policies. Turnpenny and Jordan (2015:16) describe policy formulation tools as the results of viewing policy analysis as both a policy goal and research topic for ensuring the effective formulation of public policies to address complex policy challenges. Similarly, Serban (2015:4) argues that analysing the policy formulation process is a continuous, dynamic, interdependent and contextual process that is both significant and a determining factor for policy outcomes. The subsequent section conceptualises the concept of policy analysis.

3.5.5 Policy Analysis

According to Quade in Patton *et al.* (2016:22), policy analysis is a form of applied research undertaken to understand socio-technical issues and develop policy solutions by searching for courses of action, generating information and organising evidence of the benefits and consequences of adopting and implementing a policy to assist policy makers to make reasonable decisions. Dunn (2017:3) refers to policy analysis as a multidisciplinary inquiry that utilises a range of scientific methods to synthesise policy knowledge and combine it with experience and practical knowledge to solve public problems. Policy analysis involves problem solving approaches, data collection and interpreting strategies and predicting the consequences of each policy alternative (Serban, 2015:4).

Furthermore, Patton *et al.* (2016:24) postulate that policy analysis is a process that directs the selection and utilisation of methods and tools that acknowledge the goals and values of clients, stakeholders, community groups, politicians, government institutions and provides a detailed explanation of the subject of debate. The authors argue that policy analysis includes presenting evaluation criteria for policy alternatives, strategies for generating and evaluating policy alternatives, implementation strategies and performance assessment strategies.

Turnpenny and Jordan (2015:13) assert that the objective of policy analysis is to enable improvements in decision making and policy formulation processes through consideration of broader alternatives with wider context by using more systematic tools. This is done through a series of activities of which a policy is formulated and implemented, starting by the establishment and appraisal of alternatives, selection of most suitable alternatives and consultation and involvement of stakeholders (Mokhaba, 2005:103; Oni, 2016:326). According to Patton *et al*. (2016:24), policy analysis promotes the logical and valid measures of addressing the policy problem and supplies relevant information that guides policy formulators to make economically viable, technologically feasible, ethical and politically acceptable policies. Oni (2016:326) explains that policy analysis is the sole approach to the policy formulation stage that was developed to produce the necessary information for policy formulation. Peters (2018:4) argues that when considering policy analysis as an important concept for policy design, it is imperative to develop approaches to analysis that can enable improved designing of public policies.

3.5.5.1 Approaches to policy analysis

In consultation with Martin Rain's approaches to a policy analysis framework, Indira Gandhi National Open University (2017:9) developed approaches to policy analysis as historical, functional, investigative-substitutive and innovative approaches.

1. Historical approach: It is about the acknowledgement of the environmental and cultural factors within which a policy is formulated and implemented. It includes consideration of historical experiences and acceptable societal norms and values in analysing the possible impact and outcome of the policy options.
2. Functional approach: The functional approach advocates for the inclusion of practical functionality of a legislation in the analysis process to assess the practicality of legal provisions. This is based on the argument that legislative provisions are sometimes ambiguous and inconsistent resulting in multiple interpretations by administrators in their daily operations. It then follows that the analysis of policy practise becomes an important part of policy analysis.
3. Investigative-substitutive approach: This approach is about the systematic analysis of policy goals and objectives to trace and confirm the intended objectives given that public policies often contain multiple conflicting and ambiguous objectives due to the uncertain environment

in which policies are formulated and implemented. That is, the need to investigate policy goals and objectives in terms of inputs, outputs and outcomes.

4. Innovative approach: Although the experienced and established methods of analysis are important, the innovative approach proposes the consideration of new innovative strategies of policy analysis. The approach proposes that depending on policy variables and functions, the determined and purposeful redesigning of public policy formulation mechanisms should be made through innovative strategies such as mixed methods approaches and qualitative comparative analysis.

The development of devolution supporting legislative framework, in the current case being the fiscal decentralisation legislation, is targeted to be done within the maximum time of fifteen years counting from the year 2014 which marks the promulgation of the National Decentralisation Policy. In this regard, it is believed that the current study, which aims to propose a domesticated fiscal decentralisation methodology for Lesotho, is a scientific contribution to the development of the fiscal decentralisation legislation. The researcher considers the development of the statute within the country context and utilisation of all the discussed approaches to build an inclusive approach to analyse the different elements that affect public financial management reforms such as expenditure and revenue management and political influence. Chapter four and five of the thesis illustrate the experiences of the country in fiscal decentralisation and local governance thereby indicating the accepted governance traditions and norms to facilitate policy forecasting.

In general, public policies are central to government at all spheres as they present the rules and prescriptions intended to manage decisions and actions of government aimed at solving societal problems. As discussed above, public policies contain government goals, objectives and the tools to achieve them. Howlett (2014:283) explains that all governments wish to effectively and efficiently achieve their goals and solve public problems in their effort to serve citizens. This calls for the need to have effective strategies that can enable precise diagnoses of public problems, identification of goals and objectives as well as effective methods for formulating policy solutions. In this regard, policy studies make reference to policy formulation and policy design as processes within which policy problems are clarified, policy goals and objectives are identified and matched with suitable policy tools for achieving them in an effort to address public problems. As Howlett and Mukherjee (2014:58) put it, the policy formulation stage includes an effort to define policy goals and objectives and link them to tools that will ensure their achievement. The success of the policy formulation stage depends on the effectiveness of the policy analysis process, whereby policy studies are undertaken to analyse different aspects of policy formulation concepts by providing and transforming policy related information into strategies that can assist policy formulators to develop suitable and informed public policies. Howlett (2014:291) posits that the substance of the policy formulation process is derived from the exercise of defining and comparing policy alternatives and this reflects the importance of policy analysis in the process of policy formulation.

3.6 CHAPTER SUMMARY

In this chapter, the literature on public financial management reforms was explored. This presented the foundation for the development of a fiscal legal framework as the guiding practices of reforming the financial management system are explored. Public financial management reforms are defined as the changes and alterations on processes, procedures, regulations, policies and organisations to improve their performance in securing optimal objectives of a fiscal policy. The reforms are contextualised as restructuring initiatives intended to improve and strengthen the operations of a financial management system, including those of subnational governments as they address the challenges of the devolved systems.

The literature on public financial management reforms reflected multiple models and approaches that are useful for ensuring the success of public financial management reforms. These approaches target significant aspects of the public financial management system, and include expenditure management approaches and models, political economy models and revenue management approaches. The expenditure management approaches presented the best practices and guidance for budget process reforms as the main component of the public financial management system. In aggregate, the discussion reflected the need to adopt private sector principles in the development of fiscal decentralisation legislation as this would contribute positively to its monitoring and evaluation strategy with effective performance management and governance tools.

The importance of the phased implementation strategy was also highlighted as the best way to allow smooth incorporation of legislation into the national public financial management system and create a platform for change of management processes. In addition to consideration of multiple actors and institutions involved in the budget cycle, the approaches support the development of a legislation within a country context reflecting the need to consider political, historical, economic and social systems as well as formal and informal rules and regulations. This necessitates the development of financing and communication strategies to support the implementation phase of legislation.

In general, the approaches explained above address expenditure management by appraising the need for managerial accountability, consideration of all actors and processes involved in the budget process, the relationship of multiple actors and rules and regulations in a public financial management system as well as an acknowledgement of a country context and uniqueness in designing financial reforms. The discussion was concluded by a consideration of revenue management approaches that concentrate on the design and management of a tax system. The section is concluded by highlighting the significance of considering a country's context and implementation capacity as critical crosscutting factors that influence the outcome of public financial management reforms.

Lastly, the chapter turned to policy development by conceptualising the policy formulation stage of the policy process. Public policies were defined as statements of intent containing government goals, objectives and the means to achieve them. They are developed through a systematic process with various stages, including the policy formulation stage. The policy formulation stage includes setting objectives, developing policy solutions, estimating the costs and effects of each solution, selecting one best policy solution and policy instruments/tools. The component of fiscal decentralisation in Lesotho was considered to be at policy formulation stage, the stage where various policy options are to be developed to address the public challenge.

The concept of policy design was also considered. Central to it is identification and appraisal of policy alternatives and policy tools in an effort to design effective policies for ultimate outcomes. This led to the recognition of policy analysis as the primary strategy for supporting policy formulation and selection of policy formulation tools. Policy analysis is defined as the process that uses multiple methods of inquiry to produce and transform policy information to assist policy formulators to make informed decisions. The chapter was concluded by policy analysis approaches that advocate for the acknowledgement of country context features, practical experiences of policy implementation, innovative means of analysing policies and engagement of systematic investigation strategies in analysing policy goals and objectives.

CHAPTER FOUR

LESOTHO DECENTRALISATION SYSTEM

4.1 INTRODUCTION

The objective of this chapter is to present an explanatory discussion of the Lesotho decentralisation system. It provides a detailed illustration of the Lesotho decentralisation system from the institutional framework, structural composition as well as legislation and regulations that guide the decentralisation process. The goal is to describe the decentralisation environment within which fiscal decentralisation is currently practised by explaining its structural and operational design as per legislative provisions.

Lesotho has a very profound history of decentralisation embedded in the traditional chieftainship system that is traced to the formation of the nation state (Daemane, 2015:14). Although chieftainship is the primary traditional local governance structure, the country has experienced various reforms resulting in the current decentralised system. Central to the reforms was the need to enhance inclusive development and improve service delivery through participatory local governance.

The country identifies several objectives that are to be achieved through the adoption and implementation of decentralisation. In the general view, promotion of stable democracy, economic development and betterment of public service delivery forms part of the target goals. However, the country is still struggling to achieve the set objectives. The National Decentralisation Policy of 2014 spells out that even though the country successfully established decentralised local authorities, service delivery by such councils is still slow and development challenges not yet addressed (Lesotho, 2014:viii).

Henceforth, the context of Lesotho as a sovereign state is provided. The historical experiences on decentralisation are then considered. This is followed by a detailed discussion on the nature of the Lesotho decentralisation system, considering the structures and operations aspects of the country.

4.2 LESOTHO COUNTRY PROFILE

Lesotho is an independent sovereign state situated in Southern Africa. Previously known as Basutoland under British protection, the country gained independence in October 1966 and became the Kingdom of Lesotho. Thus, it is a constitutional monarchy with the King as a head of the state and the prime minster is the head of government with executive authority (Matlanyane, 2013:33). The National Decentralisation Policy of 2014 describes Lesotho as a vibrant multi-party democracy at all levels of governance, but having the King as head of the state(Lesotho, 2014:x).

Lesotho is a small country of about 30,355square kilometres area and surrounded by its only neighbour Republic of South Africa (Bureau of Statistics, 2018:18).The country is divided into four ecological zones as follows, lowlands cover 17%, foothills 15%, Senqu river valley 9% and highlands (Maluti Mountain) 59% (Lesotho, 2018:19).This reflects her mountainous and highest character with 80% of the country situated above 1.800 metres above sea level. According to the 2016 Population and Housing Census report, the population in Lesotho is around 2,007,201, with the density of 66 people per square kilometre and 65.8% of the population living in rural areas while 34.2% covers the urban areas (Bureau of Statistics, 2018:16). Lesotho is a patriarchal society with homogenous culture, using Sesotho and English as the main languages.

The economic development of the country is mostly influenced by external factors such as the economic growth of neighbouring countries (Ministry of Finance, 2020:1). The Lesotho Poverty Assessment report of 2019 spells out that the country's social and economic performance is shaped and dependent on the Republic of South Africa for growth due to its geographical position (World Bank, 2019:73). The National Strategic Development Plan II presents that the country is also a member of the Southern African Customs Union (an African region economic organisation with five members: Botswana, Lesotho, Namibia, South Africa and Swaziland) and the larger portion of her expenditure is financed through Southern African Customs Union tariff revenue (Lesotho, 2018:20). In presenting the 2020/2021 budget speech to parliament, the Minister of Finance pointed out that the persistent economic slowdown in South Africa and volatility of Southern African Customs Union revenue, none of which Lesotho has control over, are having a significant negative impact on the economy (Ministry of Finance, 2020:1). Similarly, the World Bank (2019:73) posits that the country's economic growth is under threat due to its exposure to the sluggish South African economy, climate change challenges, a rising public debt and political instability. Consequently, the country is faced with multiple challenges for economic growth and development and must explore alternative strategies for financing its development agenda and enhance economic growth. It is, therefore, rational that the development of fiscal decentralisation legislation considers the incorporation and implementation of the long-term national policies and legislation for development. These include the National Strategic Development Plan II of 2018 and poverty reduction strategies.

As described above, Lesotho is a constitutional monarch with the King as the head of state. Naha (2015:84) explains that the King exercises his powers through elected and traditional officials and institutions determined by the constitution. In respect to both the traditional and political systems, the King is expected to reign and not to rule, because the King assumes the ceremonial role and no executive and legislative powers (Rakhare, 2019:98). Therefore, the King exercises the ruling power by chiefs and elected politicians through parliament and decentralised governance structures. This points to the fact that Lesotho is a constitutional monarch with two spheres of government, the national government and subnational government (Kabi *et al.*, 2014:53). Lesia (2015:90) explains that the King appoints the prime minister, who should be leading the majority political party in the national assembly. The prime minister becomes the head of government and cabinet and is responsible for functionality of the country. The prime minister heading the cabinet, appoints cabinet ministers mostly from the National Assembly and few from the Senate (Rakhare, 2019:13).

In accordance with exercising the ruling power through chiefs and elected politicians, Rakhare (2019:12) states that Lesotho has a bicameral Parliament with two legislative houses, Senate (upper house of parliament) and National Assembly (lower house of parliament).Daemane (2015:13) explains that the Senate is based on chieftainship, while the National Assembly consists of democratically elected representatives. The Senate has 33 members, 22 of whom are the principal chiefs of the country representing royalty and traditional structures in governance, while the 11 members of the 33 members are nominated by the King through the advice of the prime-minister and the council of state (a national council established to assist the King in the discharge of his functions) (Matlanyane, 2013:16; UNICEF, 2017:16). The principal chiefs also represent the college of chiefs responsible for traditional practices, chieftainship, local governance and succession of the King (Daemane, 2012:169).

The National Assembly constitutes 120 members. Daemane (2012:168) explains that 80 members are elected from the constituencies through 'first-past-the-post' while 40 of the members are identified through proportional representation. This is due to the Mixed Member Proportional method that was adopted through a constitutional amendment in 2001 that was intended to broaden political parties' representation in parliament (Rakhare, 2019:89). According to 'Nyane (2019:33), the lower house has the responsibility to draft laws while the upper house modifies and approves or disapproves proposed bills into law. The presence of chiefs in governance and leadership in Lesotho is a critical traditional matter, and this is also the case at the decentralised system as the traditional chieftainship lineage must be reflected in every governance structure of the country (Daemane, 2015:14). The National Decentralisation Policy of 2014 explains that chiefs are considered as the symbol of unity and custodians of the law among Basotho hence their presence in governance structures is important (Lesotho: 2014:6).

The National Decentralisation Policy of 2014 makes reference to some factors that are influential in shaping the country's decentralisation policy. These include political institutions and actors, governance system, monarchy and chieftainship, social and demographics, economic structure, geography and settlements and natural resources distribution (Lesotho, 2014:6).

The policy interprets these factors as follows:

1. Politically, Lesotho is a multiparty democracy and this is reflected in councils as most councillors represent political parties. In this regard, decentralisation has to incorporate the role of political parties in promoting grass-root democracy, participation and accountable governance and equitable service delivery.
2. Governance system is about acknowledging the country’s governance structure as it has an influence on the structure of local councils. Thus, if the party with majority seats in parliament forms government and determines resource allocation, a similar case will prevail at local government. It is, therefore, important to consider this in developing statutes for local authorities.
3. Monarch and chieftaincy: as it has been discussed above, Lesotho is a constitutional monarchy that embraces the system of chieftainship. However, the introduction of democracy affects the power of chiefs in governance. It is, therefore, necessary to consider an adjustment of the roles and position of chiefs within the current democratic structure to maintain their smooth contribution in the governance structure.
4. Social environment and demographics: decentralisation would enable the country to address the changing social environment and demographic patterns such as access to services and promotion of equitable development. This would be visible because there would be more focus on local specific needs and resources transferred to subnational governments.
5. Economic structure: considering the Lesotho economic structure, a decentralisation process aims to exploit more opportunities in various sectors such as tourism, mining and manufacturing to address poverty and promote equitable development in local communities.
6. Geography and settlements: Lesotho has a rugged terrain and scattered settlements and this is a challenge for service delivery. It is expensive and almost impossible to deliver services to remote communities due to various challenges such as the absence of accessible roads and poor network connection. Decentralisation,

through its focus on local development, would ensure delivery of public services in a cost-effective manner through local structures.

7. Natural resource distribution: decentralisation is also aimed at ensuring sustainable exploration and distribution of natural resources in different areas of the country and to ensure that they benefit local communities (Lesotho, 2014:6).

The researcher acknowledges that the current Lesotho decentralisation system incorporates the historical governance structures and traditional practises of the country. The consideration of country structural features such as history, governance structures and economic status is important for reforming the systems as per the Drivers of Change approach (cf. Section 3.3.2.1); therefore, it is imperative to consider country structural features in constructing the foundation for the development of fiscal decentralisation legislation to strengthen the planning and development of more constructive and suitable legislation.

Before turning to the Lesotho decentralisation system, it may be important to provide a brief summary of the primary objectives of decentralisation in Lesotho.

4.3 OBJECTIVES OF LESOTHO DECENTRALISATION POLICY

The introduction and adoption of decentralisation is justified through various governmental and developmental agendas globally. Naha (2014:52) argues that countries implement decentralisation processes to attain among others: good governance, citizen participation in governance, efficiency and equity as well as economic development. Decentralisation is viewed as an indispensable strategy of good governance through popular participation and effective distribution (Kali, 2020:11). Daemane (2012:149) explains that the objectives of Lesotho decentralisation include the creation of a democratic and accountable government, maintenance of sustainable quality services and provision of social and economic development by enhancing citizens' participation in governance and development activities. Lesotho decentralisation is based on the need to promote political stability that is embedded in an effective and efficient service delivery, equitable local development and skilled communities (Sefeane, 2020:11). Thus, the Lesotho decentralisation policy is intended to promote democratic governance, equitable local development and sustainable economic growth through popular participation and efficient public service delivery. In the similar view, Kali (2020:13) asserts that Lesotho decentralisation policy is rooted on democratic principles including popular participation, inclusiveness, local autonomy and good governance. The National Decentralisation Policy of 2014 identifies the following as basic objectives of decentralisation, to:

1. promote access to public services;
2. enhance accountability and quality of local services;
3. strengthen citizen's and organisations' participation in governance and service delivery;
4. promote equitable economic development across the country;
5. promote socio-economic security;
6. secure local autonomy through capacitated decentralised institutions; and
7. encourage conservation of national values and identity by strengthening traditional institutions (Lesotho, 2014:xi).

In general, the Lesotho decentralisation process is an economic development strategy that aims at ensuring equitable development and access to quality public services through democratic and accountable local institutions that promote citizens' participation in governance. This is deduced from the constitutional position that grants the need for the creation of decentralised structures for enabling communities to govern and develop themselves.

The next discussion is on the history of decentralisation in Lesotho.

4.4 HISTORY OF DECENTRALISATION IN LESOTHO

Although the study focuses on the current democratic decentralisation system, it is imperative to consider the historical experience and context of the country. Lesotho has been practicing local governance through the chieftainship system since the formation of the nation state in the 19th century

(Lesia, 2015:82). Chieftainship is a traditional system whereby chiefs in their determined hierarchical order become the custodians of the law and governance at their local areas. Daemane (2015:14) points out that the management of local affairs has preceded the establishment of local government as there has been a hierarchy of local and regional chiefs tasked with maintaining law and order and allocation of land in Lesotho. The experience of the country in decentralisation is discussed below.

4.4.1 Lesotho Decentralisation System during the Colonial Era

Lesotho attempted to decentralise governance as a strategy for promoting citizens' participation in governance during the colonial period when the country was under the British colonial rule. The British colonial regime in 1884 abolished the indigenous governmental structures and introduced direct rule (Shale, 2005:102). Daemane (2012:133) explains that under the direct rule, Lesotho was divided into four administrative districts of Leribe, Berea, Thaba-Bosiu and Cornerspruit. The head of the four districts was responsible for maintenance of law and order, allocation of land and collection of financial resources (Shale, 2005:102).The system is believed to have weakened the chieftainship system because functions were shifted from Chiefs to Magistrates. Sperfeld (2006:38) argues that although the direct rule system may have undermined Chiefs the chieftainship system existed parallel with the direct rule system.

The need for responsive decentralised institutions for addressing local domestic affairs increased and resulted in the establishment of the Basutoland National Council in the 1930s. Mofuoa (2005:2) explains that the Basutoland National Council had 100 members, a paramount chief who was a member and could chose other 94 members and the other five who were chosen by the resident commissioner. This structure was criticised based on the need for inclusion of an indigenous structure that derives power from custom and tradition in the administrative system of Lesotho as a country (Daemane, 2012:134). Mofuoa (2005:2) explains that the criticism resulted in chiefs being reinstated and this was the time their appointment began to be gazetted. In this light, the chieftainship system was transformed from being a custom system deriving authority from tradition to a statutory institution, with the responsibility to maintain law and order and the general welfare of citizens (Daemane, 2012:134).

In an effort to promote citizens' participation in local affairs, the colonial regime also established elected District Councils in 1943 in which chiefs become ex-officio members (Sperfeld, 2006:38; Lesia, 2015:73). According to Lebentlele (2000:45), District Councils' membership was between 15 and 18 persons depending on the size of the district. Daemane (2012:135) explains that the chiefs played an advisory role within the councils. In 1959, the Local Government Proclamation 52 of 1959 was introduced and revived the National Councils into corporate bodies that were directly elected (Mofuoa, 2005:3). Lebentlele (2000:46) posits that the councils faced various challenges, including lack of policy guidance, no support from the centre and insufficient revenue to perform their activities. According to Sperfeld (2006:38), the revived National Councils were responsible for limited functions and this stimulated the need for reforms. This was followed by the reforms in 1960 whereby Basutoland National Councils were replaced by the Basutoland Council. In attaining independence, Lesotho had two decentralised structures in place: the District Councils and Basutoland Councils. The subsequent section is on the experiences of the country after attaining independence.

4.4.2 Lesotho Decentralisation System in Post-independence Era

In attaining independence in 1966, Lesotho went to multiparty democratic elections and the Basotho National Party won the elections (Lesia, 2015:75). Lesia (ibid.76) explains that in becoming the government, the Basotho National Party centralised administration. The local government structures that were created by the colonial regime were abolished (Daemane, 2012:135). According to Naha (2015:95), the abolishment of councils was based on political reasons and a lack of financial management and control whereby a larger percentage of the council budget was spent on salaries and wages and little being directed to capital development. Irrespective of reasons, Mofuoa (2005:3) explains that the abolishment of local structures marked the end for local participatory institutions and markedthe creation of a centralised administration.

Despite the abolishment of local councils, the Basotho National Party government introduced the Local Administration Act 13 of 1969 for local administration. Matlanyane (2013:36) explains that the act provides a framework for the implementation of the functions that were previously performed by the District Councils. This act was instrumental in the establishment of District Development Committees and Village Development Committees, the structures that were claimed to lack technical and managerial capacity as well as financial capacity to sponsor their development activities (Mofuoa, 2005:5; Lesia 2015:79).

In addition to the Local Administration Act of 1969, the government introduced the Urban Government Act 3 of 1983with the assistance of the United Kingdom and the World Bank as development partners (Matlanyane, 2013:36). Daemane (2012:140) elucidates that the implementation of the Urban Government Act of 1983 resulted in the establishment of District Coordinators and District Administrators as decentralised structures in the form of deconcentration to represent the interest of the national government at the district level. These structures were intended to strengthen local administration and decentralisation.

The year 1986 marked a new era in national governance that also had a notable impact on local government structures. Lesotho experienced a military coup whereby the army overthrew Basotho National Party government (Lesia, 2015:84). In attaining power, the army made fundamental changes in local administration structures. The military government abolished local government institutions that were created by its predecessor, especially those that were established under the Local Administration Act of 1969 and introduced new local structures through the Development Committees Order 9 of 1986 (Kapa, 2010:4). Matlanyane (2013:39) explicates that Order 9 of 1986 dealt with district administration, local institutions and chiefs.

Naha (2015:86) also points out that under Order 9 of 1986, development councils were established at village, ward and district levels with their boundaries matching those of the chiefs hence chiefs became chairpersons and principal chiefs become representatives of districts. The Village

Development Council was a body consisting of seven members elected from members of a village at a public gathering that would be open for attendance by village members of 18 years and above as per Article 3(2) of Order 9 of 1986. Matlanyane (2013:39) also explains that District Development Councils constituted 15 members elected in a meeting of members of various Ward Development Councils. Chiefs of concerned areas become ex-officio members and chairpersons of the committees (Lesia, 2015:86). According to Mofuoa (2005:10) and Matlanyane (2013:40), the Village Development Councils and District Development Councils lacked technical expertise and operational resources such as financial, personnel and infrastructure to perform their functions. Another remarkable attempt to implement decentralisation under the military regime was the establishment of the Maseru Municipal Council in 1989 under the Urban Government Act of 1983.

In 1993, the country held multiparty democratic elections of 1993 that were won by the Basotho Congress Party. The Basotho Congress Party government introduced the constitution of 1993to replace the Basutoland Proclamation Acts and made provision for the establishment of local self-government through the creation of local authorities and this laid the foundation for the current decentralisation system. Matlanyane (2013:65) acknowledges that decentralisation in its modern form came to Lesotho in 1993 with the promulgation of the constitution.

Based on the above historical discussion, it is arguable that the history of the country has had a significant impact in shaping the current decentralised system. This is the case specifically with reference to the governance structures whereby the provision for traditional and elected leaders are considered. Lesia (2015:88) points out that Basotho has chieftainship as a long-standing traditional governance system based on values and customs and is respected everywhere in Lesotho. The National Decentralisation Policy of 2014 highlights that it is important to always appreciate the country’s struggle with decentralisation and participatory local governance during the colonial and post-colonial history in order to understand the modern decentralisation system (Lesotho, 2014:x).

The researcher believes that it is important to analyse and understand the country's historical experience in decentralisation in order to understand the current structures and operations of the decentralised system. The historical experience is also believed to be imperative for informing the future, influencing and predicting the reaction of citizens hence the need to explore and explain it as baseline context for the development of the proposed legislation in this study. The Lesotho decentralisation system is subsequently discussed.

4.5 LESOTHO CURRENT DECENTRALISATION SYSTEM

Decentralisation in Lesotho is a constitutional matter as Section 106 of the Constitution Act of 1993 stipulates that parliament shall create necessary authorities for enabling urban and rural communities to determine their affairs and to develop themselves. To that effect, the parliament established the Ministry of Local Government and Chieftainship which is tasked with the implementation of local governance (Ministry of Local Government, 2014:6). This was followed by the introduction of the Local Government Act of 1997 as the principal act for guiding the creation and operations of the decentralised system of governance. Mofuoa (2005:11) explains that the Local Government Act of 1997 is used together with its subsidiary legislations to organise the Lesotho decentralisation system to the modern model. These legislations include the Chieftainship Act of 1968, the Local Government Elections Act of 1998, the Local Government Service Act of 2008 and the National Decentralisation Policy of 2014.

The Constitution Act of 1993 as shown previously lays the foundation for the creation of the decentralised structures for local governance. The Local Government Act of 1997 offers the platform for the establishment and functioning of local authorities and the necessary administrative structures for their functionality (Sefeane, 2020:12). In this respect, the Ministry of Local Government and Chieftainship with a pinnacle role in the creation of decentralisation is responsible for leadership and coordination of the process (Lesia, 2015:91). Daemane (2012:193) writes that the responsibilities of the ministry include the establishment and functionality of local authorities, assisting local authorities to effectively pioneer community development and coordination of policies between the two levels of government.

In addition, the Chieftainship Act of 1968 considers the engagement of chiefs as traditional leaders in local governance (Daemane, 2015:17). The Local Government Service Act of 2008 and Local Government Elections Act of 1998 deal with the recruitment and remuneration of local government personnel and local government elections respectively. The National Decentralisation Policy of 2014 is an attempt to recreate a more comprehensive policy strategy for enhancing decentralisation inconsideration of the country's experience. Sefeane (2020:11) explains that the objective of the national decentralisation policy is to promote equitable local development and political stability through participatory governance and service delivery. The structure of the Lesotho decentralisation system as per provisions of the law is discussed below.

4.5.1 The Structure of the Lesotho Decentralisation System

The Local Government Act of 1997 is the primary legislation for functionality and management of decentralised structures, and its enactment marks a new era of decentralisation in Lesotho. The act repealed the previous local government legislation such as the Local Administration Act of 1969 and the Urban Government Act of 1983. Naha (2015:94) argues that the repeal means a new era whereby decentralisation embraces public participation, service delivery and accountability as pillars of democracy and good governance. The Local Government Act of 1997 articulates the institutional arrangements and the operational framework for decentralised structures. According to the prescriptions of the Local Government Act of 1997 as the principal act for decentralisation, the Lesotho decentralisation system is structured as follows:

Section 3 of the Local Government Act of 1997 provides for the creation of a four-level decentralised system as, the District Council, the Municipal Council, the Urban Council and Community Council. The National Decentralisation Policy of 2014 explains that the country's structure consists of 10 District Councils, a Municipal Council, 11 Urban Councils and 64

Community Councils (Lesotho, 2014:3).The composition of councils according to Section 4 of the Local Government Act of 1997 is as follows:

1. District Councils consist of councillors who are indirectly elected amongst the councillors of the Community and Urban councils within an administrative district (Lesotho, 2014:3). The number of members of the council is determined by the Minister of Local Government and Chieftainship through a gazette. However, the Community Council and Urban Council teams that participate in the District Council must include a chairperson(for Community Council) and a major (for Urban Council), a member of the council elected by co-councillors and two gazetted chiefs representing all Community Councils in the district,
2. Lesotho has one Municipal Council consisting of councillors representing wards within the urban area marked as a municipality (Lesotho, 2014:3).The Municipal Council must have at least 11 but at most 15 elected members and at most three gazetted chiefs nominated by other chiefs within a Municipal Council,
3. Urban Councils consist of at least nine but at most 13 elected members and at most two gazetted chiefs nominated by other chiefs within an Urban Council, and
4. The Community Council is the lowest structure of local government consisting of councillors that are elected as representatives of electoral divisions and chiefs representing chiefs within their areas. Its members should at least be nine but at most 15 elected members and at most two gazetted chiefs nominated by other chiefs within a Community Council.

In constituting the councils, local government elections are held to identify councillors who represent local communities. Sefeane (2020:12) explicates that the Local Government Elections Act of 1998 is used to administer and guide the local government elections. The act explains local government elections rules, regulations and procedures and reserves one third of the council seats for women. The rules include responsibilities of political parties that participate in local government elections. According to Section 8 of the

Local Government Elections Act of 1998, the Independent Electoral Commission declares areas to be the electoral divisions. An electoral division is a cluster of two to four villages depending on the population size (Lesotho, 2014:3).The electoral divisions are used for nomination of candidates and direct election of members to be in the local councils. The lowest level of decentralised structure, the Community Council and Urban Councils are constituted by directly elected councillors from electoral divisions including two chiefs elected by gazetted chiefs (Lesotho, 2014:5). Naha (2015:98) further clarifies that electoral divisions constitute the Community Councils. In consideration of the composition of district councils as per Section 3 of the Local Government Act of 1997, district councillors are indirectly elected from the councillors of community and urban councils.

Council leaders as chairpersons/mayors, depending on the type of the council, are elected among members of a council. At their first meeting, set by the Minister of Local Government and Chieftainship as directed by Section 13 of the Local Government Act of 1997, municipal/urban councils elect one of their members to be a mayor and another a deputy mayor. The same practice is done at the district/community councils to elect a chairperson and deputy chairperson. In this meeting, all councillors take the oath to serve as councillors of their local communities and the councils become formally established.

Matlanyane (2013:79) explains that for councillors to achieve their objectives, they need civil servants with expertise to implement and execute the policies and decisions of the council. In this regard, Section 34 of the Local Government Act of 1997 articulates that there shall be a Town Clerk for each Municipal and Urban council and a Council Secretary for each District and Community council. The Town Clerk and Council Secretaries are chief executive officers at their respective councils, responsible for commanding and supervising all council staff. These are qualified technocrats who are to be chief executive officers of their respective councils and are tasked with implementing council political decisions (Lesotho, 2014:4).

The district council as the senior council in the structure oversees and assists all councils in the district. The district council is headed by a District Council Secretary. Its management structure includes an Administration Manager, Human Resource Manager, Finance Manager, Senior Legal Officer and Procurement Officer, in addition to Town Clerkand Community Council Secretaries from all community councils in the district (Matlanyane, 2013:81). These are key positions in the district as they are utilised by all councils within the district. As put forth by Matlanyane (2013:81), district council management has the responsibility to assist and give advice to community/urban councils whenever there is a need. Matlanyane (2013:81) identify the following functions for the positions:

1. District Council Secretary

The key functions of the district council secretary include:

- Being the secretary to the council and the custodian of council records and documents,
- Giving technical advice and strategies about council business and
- Guiding and supervising council policy development and implementing council decisions.

2. Administration Manager

Administration Manager is accountable to the District Council Secretary and the incumbent is charged with the management of operational effectiveness of the administration department of the district. The main duties include:

- Development of administration policies, work systems and procedures,
- Management and control of councils' operational and fixed assets,
- Coordination and development of councils' plans and budget, and
- Coordination and supervision of administration functions throughout the district.

3. Finance Manager

Finance Manager is also under the supervision of the District Council Secretary. The finance manager is responsible for the development and maintenance of an integrated financial structure and financial accounting systems and procedures for councils in the district. The incumbent's main duties include:

- Supervision of the accounting department at the district,
- Coordination and supervision of budget preparation and implementation,
- Administration and management of council financial resources and
- Coordination and preparation of financial statements and reports.

4. Human Resource Manager

The objective of the Human Resource Manager is to maintain operational effectiveness through training, development and maintenance of active human resources and implementation of human resource policies and programmes. The key functions of the Human Resource Manager include:

- Management and administration of employee relations,
- Coordination and development of human resource plans and programmes,
- Supervision of the human resource department at the district and
- Management of performance standards and career development.

5. Senior Legal Officer

The Senior Legal Officer is the legal representative of all the councils in the district, who advises on legal and procedural matters to ensure that councils' activities are performed within legal boundaries.

6. Procurement Officer

The Procurement Officer reports to the Administration Manager and is responsible for administration of procurement regulations in procuring goods and services for all councils in the district. The functions of the Procurement Officer include:

- Development and implementation of a procurement plan for all councils in the district,
- Safe keeping and issuing the councils' goods and services and
- Administration of asset disposal.

It is also important to consider the Maseru City Council organisational structure as the only municipal council with a more different structure as opposed to other councils that are uniform in the country. In addition to an elected member, the Maseru municipal council also has technical staff that are supervised by the Town Clerk. The Maseru City Council strategic plan explains the organisational structure of the council consisting of six Directors headed by the Town Clerk. The Directors are for the following portfolios: Planning and Development, Works, Parks and Recreation, Health and Environment, City Treasury and Administration (Maseru City Council, 2011:6). Thus, local government personnel comprised councillors who are politically elected and the technocrats who are professionally employed on the basis of their skills and abilities. In this regard, the country is guided by the Local Government Service Act of 2008.

The Local Government Service Act of 2008 prescribes the conditions of service, procedures and regulations as well as structures for managing local service structures. The Local Government Service Act of 2008 was instrumental in establishing the Local Government Service Commission and Local Government Service Tribunal. The Local Government Service Commission is a body corporate consisting of five members: a chairperson and four members all appointed by the Minister of Local Government and Chieftainship. It is tasked with dealing with human resource management issues of all councils. The Local Government Service Tribunal deals with dispute settlement by addressing the appeals instigated by local service officers, registered local service associations or the employer. The tribunal has three members inclusive of a chairperson who is a legal practitioner of not less than five years and two other members identified by Local Government Service Commission.

Parallel to the four-level decentralisation system constituting both councillors and technical staff as discussed above, Section 39 of the Local Government Act of 1997 enables the Minister of Local Government and Chieftainship in consultation with the prime minister, to appoint a District Administrator at each administrative district. The District Administrator represents the interests of national government at district level and is tasked with coordination and supervision of all government officers at the district except those employed by the local authorities, thus the officers at the national government deconcentrated departments.

The researcher sees the need to understand the structure and organisation of subnational government together with the typology of individuals who operate within the structures, as this is important for policy formulation. As explained in the preceding sections (cf. Section 3.5.2), the development of the fiscal decentralisation legislation is a political process that involves both politicians and bureaucrats from different structures with different knowledge and skills who are to interact and negotiate possible policy options to achieve fiscal decentralisation objectives. It is also observable that the current structure of subnational government caters for traditional practices by incorporating chiefs at different levels; therefore, it is important to always consider the relevance of traditional practices and norms in developing decentralisation legislation.

The operations of the discussed functional structures are guided by legislation with the intention to realise their mandate. The operational structure of local authorities is subsequently discussed.

4.5.2 The Operations of Lesotho Decentralisation System

All types of councils (District, Municipal, Urban and Community Councils) uses committee system to allow councillors to exercise their power and perform their functions. Matlanyane (2013:86) justifies that because councillors have different skills and experiences as well as different political ideologies, the committee system is essential for ensuring unity and uniformity in the council. The Local Government Act of 1997 through Section 22 guides the formation of council committees and their operations. The section spells out that every council at its first meeting in every year must elect, through a ballot system, a standing committee on finance and other standing committees as per the needs of the council. Almost all the councils in Lesotho operate through a social service committee, land committee and technical service committee in addition to finance and planning committee (Naha, 2015:95). At their first sitting, every committee other than the finance and planning committees, elects a chairperson who presides at the committee meetings. The chairperson of the standing committee on finance and planning is the chairperson/mayor of the council, who assumes the position by virtue of being the council leader. Each committee consists of at least three members; however, there is provision for councils to form joined committees whenever there is a need.

In addition to standing committees and joined committees, the Local Government Act of 1997 makes provision for the councils to form special committees to address any matter relating to council business. The standing committees are set to have a sitting at least once a month and their term period should not exceed one year. These committees present their reports in the general council meeting that must also hold a meeting at least once a month. However, all council committees and the council can organise special meetings when they deem it necessary. All the decisions and orders issued at the council meetings must be written, signed and kept by the Council Secretary/Town Clerk for implementation.

Moreover, the Local Government Act of 1997 provides for the establishment of a District Planning Unit and a District Development Coordination Committee at each administrative district as part of the operational structures of the councils. A District Planning Unit constitutes planning officers and public officers from other ministries working within the district as per Section 29 of the Local Government Act of 1997. Section 78 articulates that the composition of District Development Coordination Committees as the mayor and two elected members representing Municipal Council, mayor and two elected members representing Urban Council, chairperson and two elected members and two chiefs representing District Council, all entering the committee as elected members. Additionally, the following members join the committee as ex-officio members, District Administrator, an officer representing the District Planning Unit, officers representing other ministries within the district and individuals from non-governmental organisations and disadvantaged groups such as the disabled, nominated by their respective organisations. The committee elects the chairperson at its first meeting who requests and chairs meetings. The District Administrator is the secretary of the committee and keeps record of all decisions and orders of the committee and schedules its meetings that must be held at least once every three months. In general, the councillors through committees, local service technical staff and planning committees constitute the operational sector of decentralisation structures.

Considering the history of decentralisation and modern decentralisation systems in Lesotho, several observations are apparent. One of the consistent facts of governance structures in Lesotho is the bicameral nature of the system, with both traditional and elected leaders. In addition to the dual nature of the national governance structure of having the King and prime minister, the country has always, since the colonial era, practised the dual system at local government. Matlanyane (2013:51) explains that traditional leaders have always been part of the administrative and governance structures in Lesotho, particularly at local and community level. However, the Local Government Act of 1997 incorporates chiefs to the new decentralisation system without clearly spelling their roles. As put by ’Nyane (2019:9), the decentralisation models in Lesotho have been struggling to manage the duality of traditional leadership and elected councils since the colonial era especially with reference to functional assignment. In admitting the centrality of traditional leadership in modern decentralisation system, the National Decentralisation Policy of 2014 explains that chieftainship is the bedrock of local governance in Lesotho (Lesotho, 2014:2). In this regard, the chieftainship as the traditional practise should be incorporated in the decentralisation legal frameworks. In consideration of the importance of chiefs in governance of the country, the researcher acknowledges the importance of reconciling the Chieftainship Act of 1968 and the Local Government Act of 1997 so that the roles and functions of chiefs can be clearly incorporated in the new system.

The historical practices also impacted on the decentralisation structures at administrative districts whereby subnational government structures coexist with deconcentrated national government offices. ’Nyane (2019:12) argues that after independence, government destroyed district councils and replaced them with deconcentrated national government offices to recentralise governance. This refers to the incidence when the Basotho National Party government used Urban Government Act of 1983 to create the office of the District Coordinator and District Administrator as central government deconcentrated offices at district (cf. Section 4.4.2). The legacy of this creation is reflected in the modern decentralisation system, whereby the Local Government Act of 1997 creates the office of the District Administrator as the representative of national government at the district to coexist with local councils without establishing coordination structures to guide their operations. The creation of the office of the District Administrator has resulted in the permanent presence of national government departments at local level in a way that is uncoordinated to subnational government structures ('Nyane, 2019:17). This undermines the existence of local councils given the fact that all the functions that are delegated to councils are still performed by national government through their deconcentrated departments at district level. The National Decentralisation Policy of 2014 alleges that although ministries are expected to support councils especially those which have shared responsibilities in service delivery with the councils, they have only deconcentrated offices at district level to perform such functions (Lesotho, 2014:5). The coexistence of national government offices and councils also means the existence of multiple revenue collectors.

The researcher believes that the description of the structure and operation as well as the agents within the structures of a decentralisation system are important because they influence the nature of the policy formulation process, (cf. Section 3.5.2). It is, therefore, imperative to consider the structure and operations of the current decentralisation system and all involved stakeholders as they influence the process of formulating the fiscal decentralisation legislation.

In summary, the identified decentralisation legislation frameworks are used interdependently and complementarily to establish institutional structures and operations for local authorities. The discussion above also highlights the importance of the Local Government Act of 1997 and shows that it is the principal act that describes both the structure and operations of local authorities.

In 2014, Lesotho introduced a National Decentralisation Policy of 2014 that came as a policy strategy for advancing the country's decentralisation process. The policy came about as a result of the review that was undertaken by the Ministry of Local Government in 2013 as councils were about to complete the second term. The National Decentralisation Policy of 2014 focuses on reducing poverty, promoting equitable territorial development and enhancing government through devolving functions, responsibilities and resources for public service delivery to local councils and promoting citizen participation in service delivery processes (Lesotho, 2014:11). Thus, the policy was formulated to provide a framework for deepening and intensifying the economic and social benefits of democracy to Basotho by addressing the perceived challenges such as inadequate funding, weak public financial management and accountability systems and low local revenue generation. The policy will be discussed in chapter five.

4.6 CHAPTER SUMMARY

In conclusion, the chapter discussed the Lesotho decentralisation system. It provided the contextual nature of the country, explaining Lesotho as a sovereign state and a constitutional monarch governed through a bicameral parliament. Lesotho was explained as the least developed economy with its economic status largely influenced by its sole neighbour, South Africa. In this regard, the external factors such as the decline in Southern African Customs Union revenue impacted negatively on the country's economy, hence the need to establish strategies to improve economic development.

Lesotho adopted decentralisation as an economic development policy for attaining development through popular participation in governance. The discussion included the historical experiences of the country on decentralisation illustrating that the country always valued and needed participatory local government to enhance development. Stretching from traditional to democratically influenced decentralised structures, the country experienced several reforms to decentralise government. Although the country adopted the modern democratic decentralisation system, the traditional system was embraced as traditional leaders still play a critical role in the country's governance structure at all levels.

The chapter lastly described the current Lesotho decentralisation system. This was done through discussing the structural and operational systems of decentralisation based on the guiding legislative frameworks. In this regard, four types of councils were identified as District Council, Municipal Council, Urban Council and Community Councils. All the councils utilise committee systems to enable councillors to exercise their power and perform their duties. It was also indicated that councils have professional staff with the responsibility to ensure the implementation of council decisions. These include District Council Secretary, Administration Manager, Finance Manager, Human Resource Manager, Senior Legal Officer and Procurement Office charged with various responsibilities as per their respective positions. Subsequent to the discussion on institutional structures and operational design of decentralisation, the next chapter will concentrate on the financial element of the process.

CHAPTER FIVE

LESOTHO FISCAL DECENTRALISATION

5.1 INTRODUCTION

The chapter is about the review of fiscal management policies in Lesotho as the third objective of the study. The focus is on the legal framework that guides the management of public funds in Lesotho from a fiscal decentralisation perspective. In this regard, the assignment of budget powers in respect of revenue and expenditure, intergovernmental transfers as well as the subnational financial management system are discussed.

The chapter considers the fiscal decentralisation historical experiences of the country from the colonial period to post-independence period. The discussion also includes a detailed description of the current Lesotho fiscal decentralisation system by explaining the functional and financial assignment as per legislative provisions. It is concluded by discussing the National Decentralisation Policy of 2014 as the platform for fiscal decentralisation reforms.

5.2 HISTORY OF FISCAL DECENTRALISATION IN LESOTHO

The need for an effective participatory management of local affairs has always been an issue in Lesotho. The previous chapter demonstrated that the country established multiple structures in its historical context as an attempt to decentralise governance. These include the establishment of the Basutoland National Council of the 1930s, District Councils in 1943 and the District Secretariat with different Development Councils and Committees at district and village/community levels in the 1970s and early 1980s, as well as the establishment of the Maseru Municipal Council in 1989. This section of the chapter addresses the historical fiscal decentralisation experience of the country, by describing the fiscal decentralisation experiences of the historical decentralisation structures.

5.2.1 Lesotho Fiscal Decentralisation during the Colonial Era

Decentralisation in Lesotho is arguably as old as the formation of the nation-state in the 19thcentury, because since then the country has experienced localised forms of democracy associated with traditional leadership under the system of chieftainship embedded in local governance processes (Mahao, 1993:110). The system gave all the power to chiefs who were tasked with administering the tribal territory for welfare and good governance of society.

In addition to traditional structures, the District Councils and Basutoland Councils were established as local governance statutory bodies and avenues for popular participation under the colonial government. The Local Government Proclamation No. 52 of 1959 spells out the functions of the councils as making by-laws, overseeing the agriculture, commercial education and other development activities at local level. The proclamation also empowers the councils to have revenue sources and raise funds. Sekatle (1985:24) explains that councils were authorised to collect revenue and receive grant transfers from the national government through the Local Government Loan Fund to finance specifically development projects such as the construction of health centres and rural water supply.

Similarly, Mothepu, Van Jaarsveldt and Lekonyane (2015:906) echo that the councils were perceived as local authorities assigned the power to make by-laws and responsibilities of development activities in various sectors such as agriculture, road construction and maintenance, maintenance of order, health and trade as well as management of local finances. In this regard, the need for functional and financial assignment for local structures was acknowledged.

5.2.2 Lesotho Fiscal Decentralisation: Post-Independence Era

In attaining independence in 1966, the incoming Basotho National Party government abolished the local governance structures that were established under the colonial regime (cf. Section 4.4.2) and established the District Development Committees and Village Development Committees to promote participatory local development planning and administration (Lesia, 2015:79). These structures lacked technical and financial capacity as well as financial resources to finance their local development programmes (Mofuoa, 2005:5). To complement the structures, District Coordinators and District Administrators were established to strengthen local administration and decentralisation. The functional responsibilities given to District Coordinators, according to Lesia (2015:80) sum up to the following:

1. popularise and implement government policies,
2. coordinate ministries and departments at the district,
3. establish and coordinate integrated planning at the district,
4. monitor agricultural projects, and
5. maintain an effective financial management system at the district.

Lesotho experienced a military coup in 1986 whereby the army overthrew the Basotho National Party government (Leshoele, 2021:4). The military regime made significant changes to the local administration system such as abolishing old structures and creating new ones. Lesia (2015:84) explains that the Village Development Councils and District Development Councils were established. The functions of the former include identification of local development needs, the generation of revenue for financing the local development project and mobilising citizen participation in development activities (Matlanyane, 2013:36). In addition, the latter's were established amongst other things to encourage social and economic development, to develop, implement and monitor district projects that should be in line with national plans, and to generate revenue for financing development projects (Mofuoa 2005:5).

Furthermore, an attempt at decentralisation was the establishment of the Maseru Municipal Council in 1989 in terms of the Urban Government Act of 1983. As per Section 37 of the Urban Government Act of 1983, the Maseru City Council has the following powers and duties, to:

1. control, manage and administer the municipality and generally assist in the maintenance of good order and governance within the area,
2. generally, promote the public health, welfare and convenience, and development, sanitation and amenities of the municipality,
3. act as a rating authority and undertake all the duties with respect to rating as may be imposed on any local authority under this Act, or

under the Valuation and Rating Act of 1980 or under any other law,

4. undertake the duties and responsibilities as land authority in respect of all land within the municipality under Section 24(1) of the Land Act 1979 when called upon to do so by the Minister,
5. undertake the functions of the planning authority for the purposes of Section 11(4) of the Town and Country Planning Act of 1980, and exercise the powers of consultation conferred on the public by the Act, including the lodging of objections under Section 7 (1)(c) of the Town and Country Planning Act of 1980 and
6. undertake any other duties that may be placed upon the Council by this or any other Act.

The functions of the Maseru City Council will also be discussed in the subsequent sections as it is still part of the current decentralisation system.

Following the military rule, Lesotho went for multi-party democratic elections in 1993 and the Basotho Congress Party became the governing party (cf. Section 4.4.2). The incoming government developed the constitution with the provision for the creation of local self-governance structures. This constitutional provision is the foundation of the current decentralisation system in Lesotho.

Lesotho considers the importance of the functional assignment and the availability of resources at local structures. The country has always incorporated the element of fiscal decentralisation for its decentralised structures showing the need for clear fiscal and functional relations within government structures. The historical experiences on fiscal decentralisation form a concrete baseline for development of the fiscal decentralisation legislation. This is important as it assists policy formulators to analyse the current situation and predict the response to the proposed legislation as well as predicting the future of legislation. The subsequent section is on the Lesotho fiscal decentralisation system.

5.3 LESOTHO CURRENTFISCAL DECENTRALISATION SYSTEM

Fiscal decentralisation is explained as devolution of functional and financial responsibilities as well as intergovernmental transfers to subnational government (cf. Section 2.2). It is an intergovernmental financial relations element hence explained within the parameters of the public financial management system within which both national and subnational governments operate and is legally regulated. In this section, the Lesotho public fiscal management legislation is described with specific reference to fiscal decentralisation. The discussion will include legal provisions about functional and financial devolution, intergovernmental transfers and the public financial management system.

Referring to chapter one of this study, the concept of fiscal decentralisation in Lesotho is scattered over various legal frameworks including the Local Government Act of 1997, Urban Government Act of 1983, Public Financial Management Act of 2011, Public Procurement Regulations of 2007 and Financial Regulations of 2014(cf. Section 1.3). The fiscal decentralisation discussion in the subsequent section will be on the basis of all the aforementioned legal frameworks, although the Local Government Act of 1997 still takes the principal position. It is, therefore, imperative to provide the primary objective of the statutes in the financial management system of the country before turning to fiscal decentralisation.

The primary objective of the Public Financial Management Act of 2011 is to establish and sustain transparency, accountability and sound management of the receipts, payments, assets and liabilities of the government. The act is applicable to all government structures and it is the principal act that guides the public financial management system of the country. The Public Financial Management Act of 2011 guides the budget process, financial management processes as well as the reporting and auditing of financial transactions. In effecting the Public Financial Management Act of 2011, the government introduced Treasury Regulations of 2014. The regulations provide the detailed guidance on public financial management processes and procedures.

In addition to the previously discussed legislations that directly concentrate on the financial management system, the Local Government Act of 1997 and the Urban Government Act of 1983 both concentrating on local governance also make provisions for financial management for decentralised structures. Part 5 of the Local Government Act of 1997 provides detailed guidance on financial administration and management at local authorities. Although the act is applicable to all local authorities including the municipal council, the Urban Government Act of 1983 also makes prescriptions for financial management particularly for municipal councils.

5.3.1 Assignment of Functions in Lesotho Decentralisation

Although the creation of the decentralised system is a constitutional matter in Lesotho, the functional awarding to subnational government structures is done through an act of parliament ('Nyane, 2016:63). Section 106 of the Constitution Act of 1993 provides a general base that local authorities should be created to enable communities to determine their local affairs and develop themselves without providing a detailed functional assignment to such authorities. The actual power to create and assign functions to local authorities is delegated to the parliament. In this respect, the assignment of functions to local authorities is done through an act of parliament, the Local Government Act of 1997. Thus, in addition to determining the types of local authorities, the act also describes the functional assignment for local authorities. Section 5 of the Act provides that:

"…*every local authority shall, subject to the powers reserved to or vested in any other authority by this Act or by any other written law, be the authority within its administrative limits charged with the regulation, control and administration of all matters as set out in the First Schedule*." First schedule matters are listed in Table 5.1 below.

In addition to that, the act spells out that community councils are particularly tasked with performing the functions in the second schedule as described below. The functions of the local authorities as presented in schedules annexed to the Act are tabled in Table 5.1 below.

Table 5.1: Functions of local authorities

Schedule number	Allocated Functions	Competent Council
1	1. Control of Natural Resources and environmental protection 2. Public Health 3. Physical planning 4. Land/site allocation 5. Minor Roads 6. Grazing control 7. Water supply in villages 8. Markets 9. Promotion of economic development 10. Streets and public places 11. Burial grounds 12. Parks and gardens 13. Control of building permits 14. Fire 15. Education 16. Recreation and culture 17. Roads and Traffic 18. Water Resources 19. Fencing 20. Local administration of central regulations and licences 21. Care of mothers, young children, the aged and integration of people with disability 22. Laundries 23. Omnibus terminals 24. Mortuaries and burial of bodies of destitute persons and unclaimed	All local authorities

	bodies 25. Public decency and offences against public order 26. Agriculture: services for the improvement of agriculture 27. Forestry:preservation, improving and control of designated forest in local authority areas	
2	1. Control of Natural Resources and environmental protection 2. Land/site allocation 3. Minor Roads 4. Grazing control 5. Water supply in villages 6. Markets 7. Burial grounds	Community Councils

Source: Lesotho (1997:400)

In analysing assignment of functions to subnational government, 'Nyane (2016:64) argues that Lesotho adopted the general approach, and this enables local authorities to do generally everything; however, it creates space for misunderstanding and abuse resulting in stagnation in implementation. Thus, the two schedules are presented in general terms without being specific and drawing clear demarcation lines within which each sphere of government is accountable. Daemane (2012:194) explains that the schedules as described above, lack detailed explanations and there is a huge overlap as schedule two is a subset of schedule one. The lack of clarity and interpretation results in local authorities not being able to do everything because local authorities have to wait for the Ministry of Local Government and Chieftainship to decide on what local authorities can do (World Bank, 2007:54). Daemane (ibid.:16) clarifies that in this regard, district councils are on standby to do any function that challenges community councils. This results in local authorities relying on national government for the functions that they can and cannot do daily thus, undermining their authority and autonomy on spending responsibilities.

The overlap as described above also means that Lesotho practises concurrent functional assignment whereby spheres of government share functions and competences. In such situations, the functional roles of different spheres of government should be administered and guided through legal frameworks that clearly identify the roles of each government sphere to avoid unnecessary overlaps. In this regard, the Local Government Act of 1997does not clearly separate the functional responsibilities among and between local authorities and between local authorities and chiefs (Daemane, 2015:18). Lebentlele (2000:65) argues that the Local Government Act of 1997 fails to stipulate how various local authorities as well as local authorities and national government must share the functional responsibilities. In the same manner, ’Nyane (2016:65) points out that Lesotho does not have legally determined boundaries to restrict different spheres of government from overstepping and encroaching on one another’s territory in delivering services.

The overlap is also reflected between the institution of chieftainship and local authorities. Kali (2020:16) acknowledges that Lesotho has integrated chieftainship and local government as the country recognises the importance of traditional leadership. The functional responsibilities of chiefs are presented in the Chieftainship Act of 1968 while the functions of local authorities are presented in the Local Government Act of 1997 as discussed in the previous chapter (cf. Section 4.5). However, the Local Government Act of 1997 makes traditional leaders an integral part of the decentralised system but fails to incorporate and reconcile the functions of chiefs as stipulated in the Chieftainship Act of 1968. Matlanyane (2013:44) explains that all the functions in the first schedule as described above, are the responsibilities of chiefs as per the Chieftainship Act of 1968.

The implementation of the Local Government Act of 1997 without repealing the Chieftainship Act of 1968 creates challenges. Daemane (2015:19) explains that there is power struggle between chiefs and councillors emanating from functional responsibilities as most of the local authorities functions were traditionally domains of chiefs. On the same note, Kali (2020:16) adds that the implementation of decentralisation has put councillors and chiefs at loggerheads due to the ambiguity of functional assignment between the two parties. Juma (2011:139) reasons that the functional authority tension between chiefs and councillors might be the reason the councils are failing. The powers and functions assigned to chiefs and local authorities continue to undermine development efforts at local level as Lesotho continues to struggle on the best way to integrate traditional leadership system into the democratic system (Daemane, 2015:18). The National Decentralisation Policy of 2014 spells out that there is a need to review the role and position of chieftainship in order to accommodate the contribution of chiefs in the democratic local governance without creating conflict with democratic institutions (Lesotho, 2014:6).

The discussion above illustrates that the functional assignment to subnational governments is done through a recognised legal framework; however, the researcher believes that there is a need for the framework to be more refined and specific to avoid overlaps and conflicting legal prescriptions. It is also important to draw clear demarcation lines in assigning functional responsibilities to different spheres of government for ease of reporting and determining the rightful custodians of functional sectors.

It can also be recalled from the previous chapter of this study that, Lesotho has a dual system at local level whereby the councils coexist with deconcentrated national government offices (cf. Section 4.5.1). The researcher acknowledges that the Local Government Act of 1997 recognises the existence of the District Administrator leading the national government departments at the district and the District Council Secretary as the head of subnational government structures at the district without establishing any coordination between the two offices. This becomes a challenge considering the general nature of functional assignment leading to duplication of efforts due to uncoordinated functions and conflicting assignment. For instance, the Ministry of Education is the primary custodian of the provision of education and is performing that function at the district through its deconcentrated department. The councils are also tasked with the same function without clarifying or separating their responsibilities, thus the dual structure at the local level becomes a challenge when implementing devolved functions. ’Nyane (2016:65) argues that the parallel existence of local authorities and deconcentrated national government departments at the local level has stifled the successful implementation of decentralisation.

In addition to the aforementioned schedules, the Ministry of Local Government and Chieftainship in consideration of slow devolution of functions to local authorities, introduced regulations that were intended to facilitate the transfer of functions within a period of six-months, the Local Government (Transfer of Functions) Regulations of 2015. The regulations announced the functions from certain national government ministries and departments that were to be transferred to local authorities. The identified functions and ministries that had to transfer are presented in Table 5.2 below.

In comparison with the previous schedules, the functions are presented in a more detailed and clear manner, however the initiative is challenged on a legal basis. This initiative is done subject to sections 5 and 85 of the Local Government Act of 1997, whereby the Minister of Local Government and Chieftainship is empowered to introduce rules and regulations to operationalise the act. However, ’Nyane (2019:32) argues that the functions as presented, reflect an amendment to the first schedule of functional assignment, yet the minister does not have the authority to amend the act as that is still a function of parliament as per provisions of the constitution. The initiative also received mixed results as some ministries tried to comply with the regulations while others objected them arguing that the Ministry of Local Government and Chieftainship is becoming the super ministry that is trying to assume more power to order/direct other ministries (Kellam & Muwanga, 2015:16). ’Nyane (2016:67) argues that irrespective of legal challenges and perceived responses, the initiatives to assign functions and the efforts taken by some ministries to transfer functions, the exercise is still in futility because the national government is still retaining resources for executing the functions. In agreement, Sefeane (2020:2) points out that the devolution of functions had limited progress due to multiple challenges including accounting, administration and complying to transfer of associated financial resources from national to subnational government.

Table 5.2: Identified functions to be transferred to local authorities

Ministry	**Functional Area**	**Function to be transferred to local authorities**
Ministry of Health	Health education and promotion	• Advocacy • Communication • Social support • School health
	Environmental health	• Food hygiene and safety • Water, sanitation and hygiene • Port health • Pollution control • Vector and rodent control • Housing and building • Health care waste management
	Maternal health and child health	• Immunisation • Integrated management of childhood illness • Ante-natal, pre-natal and post-natal care • Prevention of mother to child transmission
	Adolescent health	• Peer health education • Integrated school health
	Procurement and supply of medicines	• Medicines and supplies • Distribution of preventive medicines and supplies
	Communicable and non-communicable diseases	• Communicable diseases • Non-communicable diseases
Ministry of Health	Health human resource management and	• Reporting • Planning

	information system	• Data entry and analysis • Deployment of human resources
	Health legal framework and policy regulation	• Implementation of health laws
	Quality assurance	• Compliance • Customer services
Ministry of Local Government and Chieftainship	Land tenure	• Land acquisition and compensation • Land valuation • Maintenance of valuation roll • Preparation and management of tenancy • Assessment and acquisition of immovable property • Land allocation • Land disputes resolution
	Physical planning	• Preparation of development plans • Building permits • Record keeping • Collection of spatial data
	Land use planning	• Land use plans • Socio-economic data for land use plans • Develop databases for land use
	Land surveying	• Conduct cadastral, topographic and geodetic surveys • Conduct compensation surveys
Ministry of Social Development	Social assistance services	• Handle queries and complaints • Conduct initial investigations • Inform complainants about outcomes of their cases • Maintain case records

		• Community mobilisation • Train village assistance committees
	Community-based care services	• Public awareness on rights of vulnerable people • Handle cases of abuse of vulnerable groups
Ministry of Forestry	Forestry development and outreach	• Establishment of nursery networks • Management of forests • Management of orchards • Utilisation of forests and forest products • Management of cottage industries
	Land management and water conservation	• Planning of soil and water conservation operational areas • Survey and design of soil and water conservation works • Construction of soil and water structures • Rehabilitation of marginal lands
	Management of rangeland resource	• Promotion of community-based natural resources management • Adjudication of cattle posts • Management and protection of wetland areas
Ministry of Energy	• Inspection and licensing of petroleum products • Registration of electricity schemes	

Source: Lesotho (2015:3)

It can be recalled from the historical discussion(cf. Section 4.4.2) that the Maseru Municipal Council was established under the Urban Government Act of 1983. In addition to performing the functions stated in the first schedule of Local Government Act of 1997, the Municipal Council is also charged with functions indicated under schedules one, two and three of the Urban Government Act of 1983. Table 5.3 presents three schedules' functions.

Table 5.3: Functions of the Municipal Council

Functions in Schedule 1	Functions in Schedule 2	Functions in Schedule 3
• Sanitation and housing • Protection of food stuffs • Water and food supplies • Abattoirs • Sanitary services and refuse removal • Infectious diseases • Streets and public places • Abatement of nuisance • Markets • Burial grounds • Pounds • Camping grounds • Grazing • Parks and gardens • Removal of obstruction • Control of buildings	• Fire • Education • Recreation and culture • Roads and traffic • Care of mothers and young children • Health education • Welfare and disadvantaged children • Water resources • Fencing • Local administration of central regulations and licenses • Omnibus terminals • Mortuaries and burial of destitute persons • Public decency and offences against public order	• Housing • Education-aspect of decentralisation • Public utilities • Trading services

Source:Lesotho(1983:26)

Hendricks (2014:18) contends that a clear assignment of spending responsibilities across government spheres safeguards against the risk of assigning revenue powers that greatly mismatch the expenditure requirements. This is based on the argument that finances follow functions (Hard & Welham, 2016:9). Thus, the view that spending assignment precedes revenue responsibilities because the scope of devolved functions is expected to determine the degree of needed resources. In this regard, the researcher recommends consideration of clear and detailed assignment of functions among decentralised structures and a constructive coordination of national and subnational governments' offices at local level to ensure effective implementation of fiscal decentralisation. The subsequent section is on assignment of revenue sources.

5.3.2 Assignment of Revenue Sources in Lesotho Decentralisation

Although various public financial management legislative frameworks incorporate financial practices at subnational governments, the direct devolution of revenue generation authority and financial management at local authorities is catered for under the Local Government Act of 1997. Part 5 of the Local Government Act of 1997 is about finances for local authorities and spells out the financial responsibilities and practises of local authorities.

The Local Government Act of 1997 grants local authorities the power to collect revenue. Section 47 of the act explains the local authorities' revenue bases to include fines and penalties, grants from national government as well as rates, taxes and duty fees. Thus, local authorities are empowered to collect revenue in a form of taxes and rates and to manage their expenditure for local development. The provision is extended in Section 57 of the act that explains that councils can only collect revenue from the list of items published in the gazette by the minister (Lesotho, 1997:57). That is, the collection of revenue is subject to approval by the Minister of Local Government and Chieftainship through a gazette. 'Nyane (2019:18) comments that to date, there is no such a gazette; therefore, local authorities are not collecting any rates or tax revenue, with the exception of the Municipal Council. In this regard, the absence of a guiding framework for fiscal decentralisation activities hinders progress on decentralisation as subnational governments have to depend on national government funding (Sefeane, 2020:2). According to Kali (2020:15), subnational governments do not have power to independently develop budgets and mobilise resources hence continuously face the challenge of insufficient financial resources.

Similar to functional assignment, the Municipal Council draws fiscal authority from both the Urban Government Act of 1983 and the Local Government Act of 1997. According to parts IX, X and XI of the Urban Government Act of 1983, the Municipal Council has authority to collect revenue, control spending, manage budget, procure goods and services, own and dispose assets with the approval of the Minister of Interior (now Minister of Local Government and Chieftainship). The approved revenue sources for the Municipal Council includes taxes, licenses, property income, commercial income, fees and charges as well as grants.

The absence of the gazette from the national government minister means that local authorities do not collect revenue and do not have their own financial resources. According to 'Nyane (2016:62), the absence of revenue at local level is the legacy of functional assignment because the assignment does not include tax assignment and functions are not clearly divided between national and subnational government, leaving the function of revenue collection in all forms as the function of national government. The National Decentralisation Policy of 2014 spells out that government acknowledges the absence of incentives for revenue collection at local authorities complicated by the existence of multiple revenue collection institutions (Lesotho, 2014:6). Daemane (2012:202) adds that the Lesotho cabinet considers the national government as the primary financier of local authorities as local authorities cannot generate and expense funds. This discourages any necessary effort to generate revenue at subnational government resulting in inefficiency in local service delivery. Lebentlele (2000: 60) points out that subnational government structures in Lesotho failed because they lack the necessary authority to raise revenue as such powers rest with the minister in the national government.

Section 49 of the Local Government Act of 1997 grants councils the power to spend the collected revenue to cover council expenses. However, this is in contradiction with the provisions of the national government financial management system legislation such as the Public Financial Management Act of 2011. The Public Financial Management Act of 2011 as the national financial management legislation is effected through the Treasury Regulations of 2014. Section 49 of the Local Government Act of 1997 is disputed by the provision of the Treasury Regulation of 2014 through Section 61 that requires all the revenue collected at local level to be deposited into the consolidated fund through district sub-accountancy offices. In this regard, local authorities do not have substantive sources of revenue and do not retain collected revenue except for the Municipal Council (International Monetary Fund in 'Nyane, 2016:69). Daemane (2012:204) explains that the collected and remitted revenue from the subnational government is also small and haphazard and cannot make any significant impact at local level. Some local authorities collect not more than $303.70 a year, the amount that is only enough to pay one councillor's allowance for a month (Lesotho, 2014:5). According to Sefeane (2020:2),subnational governments do not collect meaningful revenue irrespective of their access to potential sources because this remains a purview of national government. This results in total dependency of local authorities on the national government for sources of revenue management, expenditure and budget management ('Nyane, 2019:70). This means local authorities do not have financial independence, and this has a negative impact on their spending autonomy. Matlanyane (2013:107) points to the fact that the national government still controls the budget. This is a challenge for local authorities to operate hence they are often compelled to comply with national government demands as opposed to local demands. Thus, the absence of financial autonomy results in local authorities depending on, and are under the control of national government.

The discussion above illustrates the absence of adequate revenue at subnational government due to various challenges. The absence of revenue collection authority at the local level is in contradiction with the primary objective of fiscal decentralisation; therefore, the researcher advocates for the empowerment of local councils through the proposed fiscal decentralisation statute to collect their own revenue within their territory. In consideration of the second-generation theory, of the need for subnational government financial independence and revenue collection motivation (cf. Section 2.3.2), the proposed fiscal decentralisation statute should create more independent and self-reliant councils with the capacity to finance their mandate. Based on this, councils should have a legal mandate to generate and expend revenue within their local areas. The researcher also acknowledges the need to reconcile the proposed fiscal decentralisation legislation with other existing legal frameworks within the financial sector to avoid conflicting prescriptions/multiple interpretations and enhance their functionality.

5.3.3 Intergovernmental transfers system

According to ’Nyane (2016:67), fiscal decentralisation is about empowering subnational governments to manage their finances. However, due to weak local revenue in most cases including Lesotho, fiscal decentralisation is falsely defined as transfers from national government to subnational government. Section 55 of the Local Government Act of 1997 provides for a grant transfer from national government to subnational government for financing programmes recommended by the District Development Coordination Committee. However, the provision is too general without addressing the critical elements of transfer designs as discussed in chapter two (cf. Section 2.3.1.2). Daemane (2012:202) explains that irrespective of the intention for local authorities to collect revenue as per the legal provisions, national government is considered the primary financier of subnational government through an operating grant that is transferred to District Councils for financing the operating costs(personnel, allowances and operating costs) of the District, Urban and Community Councils. In addition to that, there is a grant based on capital projects, whereby the national budget caters for the fund named ‘Development Fund for Councils’ intended for financing capital projects at local authorities (Daemane, 2012:203).

Matlanyane (2013: 107) adds that councils depend on national government financing in terms of transfers and donor funding because even if the financing is from donors, councils cannot finance projects that are not approved by the national government. As shown in chapter two (cf. Section 2.3.2), the composition of subnational government revenue is important for determining expenditure autonomy. In this regard, the researcher advocates for fully capacitated local authorities that can effectively generate their own revenues and minimise intervention from national government. Therefore, fiscal decentralisation legislation needs to guide the transfer system and create a platform for subnational government to fully explore all possible revenue generation opportunities.

In addition to not having enough revenue due to collection challenges, councils experience challenges with transfers from national government as another source of funding. The challenge is not only limited to dependency on financing but also on the allocations that are inadequate and often erratic in timing (Matlanyane, 2006; Kali, 2020). Section 112 of the Constitution Act of 1993 spells out that the Minister of Finance shall present revenue and expenditure estimates before the national assembly for each financial year, and upon approval by the national assembly, the appropriation bill is drawn to authorise withdrawals and expenditure of public funds by various budget heads as per the budget allocation. The budget allocation as transfers from national government to subnational governments is done through the Ministry of Local Government and Chieftainship as councils are not direct budget heads in the Ministry of Finance, in this way, councils often receive late and heavily cut budgets (Ministry of Local Government and Chieftainship, 2014:12). This means councils do not independently become part of the national budget, instead, they receive funds as units under the Ministry of Local Government and Chieftainship.

The fact that councils are not budget heads under the Ministry of Finance has a negative impact on service delivery at local level and most significantly on their budget circle. The Ministry of Local Government and Chieftainship (2014:13) acknowledges that councils receive their budget allocations very late in the financial year with huge cuts and consequently fail to spend the budget due to long procurement processes and this becomes the primary reason for further budget cuts in subsequent financial years. Thus, it takes too long for councils to access the funds as they have to contact the Ministry of Finance through the Ministry of Local Government and Chieftainship, hence receive the funds late in a financial year and fail to utilise these funds. In line with the prescriptions of Section 14 of the Public Financial Management Act of 2011 that all unspent appropriations under the appropriation bill lapse at the end of a financial year, councils do not have an opportunity to utilise the funds because they receive them very late in a financial year. The failure to spend allocated funds translates into huge surpluses on the budget allocated to councils and this impacts negatively on the subsequent budget as it reflects lack of consumption capacity hence results in further budget cuts/decline for the subsequent budget year.

The above discussion shows lack of autonomy at subnational governments as local authorities must solely rely on national government for budget processes and operate as units/departments under the Ministry of Local Government and Chieftainship. It also translates into the absence of a sustainable and predictable income for local councils as they do not have their own revenue and continuously receive declining budgets as transfers from the national government. The uncertainty in budget estimates automatically rules out the possibility of borrowing that is provided for in the Local Government Act of 1997. Section 54 of the Local Government Act of 1997 provides that councils can resort to borrowing as a source of funding based on their annual income rate. Therefore, without sustainable and predictable income, councils cannot borrow funds for financing their projects.

Generally, local authorities rely on the national government for financing and are subject to unpredictable allocation as there is no formally established funding model. Although the country does not have a formal funding model, an effort was made in 2014 with the support of the United Nations Capital Development Fund (UNCDF), European Union (EU) and United Nations Development Programme (UNDP), to introduce a Local Development Grant model (’Nyane, 2019:19). The objective of the grant model was to develop local capacity in planning, budgeting and ensuring availability of resources for local development and service delivery and to pilot an unconditional capital fund administration at local level. Kellam and Muwanga (2015:4) argue that the central objective of establishing the Local Development Grant model was to promote service delivery at subnational level and develop a transparent funding mechanism and accountability system for local authorities.

’Nyane (2019:19) explains that the fund model used both conditional and unconditional transfers whereby the former became a reward for council performance and the latter was for promoting discretion and maintaining equity among councils. Thus, the conditional fund was based on performance and compliance with regulations while the unconditional fund was intended to promote autonomy of councils and endorse equal development. However, ’Nyane (2019:20) asserts that the fund ended when the support from development partners ended in 2017 as government did not show any interest in maintaining it.

One of the objectives of developing a fiscal decentralisation legislation is to review the revenue collection system and improve revenue collection at subnational governments (cf. Section 5.4). This conforms to the provision of the second-generation theory whereby the autonomy and responsiveness of subnational government is accounted for through the fraction of locally developed revenue as compared to national transfers in the subnational governments’ revenue (cf. Section 2.3.2). Thus, irrespective of support from development partners and transfers from national government, subnational governments need to generate adequate revenue within their jurisdiction based on a legislative framework. Drawing from this, the researcher acknowledges the need to draw and include a suitable funding model in the proposed fiscal decentralisation legislation for managing the intergovernmental transfers and donor support in line with the interest of councils.

5.3.4 Public Financial Management System

Shale and Moholisa (2010:35) explain that fiscal decentralisation is not only about a national and subnational financial resource allocation formula and revenue sharing method, but also about rules and regulations within which limited resources are managed. Matlanyane (2013:109) adds that a planning framework is also an imperative part of a decentralised system because it ensures that financial resources are utilised and prioritised for community preferred projects. This counts for a subnational government financial management system consisting of planning, budgeting, execution and reporting as highlighted in chapter two (cf. Section 2.4).

The Ministry of Local Government and Chieftainship (2014:11) explains that the functions of planning, budgeting and implementation at the district are dispersed among different structures including the District Administrator's office, District Council Secretary's office, various departments of national government ministries and non-governmental organisations operating at the local council level. In this regard, the development of plans and their budgetary estimates are undertaken disparately. The ministry also acknowledges the absence of coordinating structures that can enable the integration of plans and budgets for the development of council plans and territorial development (Ministry of Local Government and Chieftainship, 2014:11). Although the Local Government Act of 1997 attempts to integrate the development activities of the two spheres of government at local level through District Development Coordinating Committee (cf. Section 4.5.2), the operations of the structure is stifled by the absence of coordinating mechanisms and guiding policies and processes and it becomes impossible to practise integrated planning and budgeting (Sefeane, 2020:4).Kali (2020:15) argues that national government challenges the autonomy of subnational governments by continually dictating how policies should be implemented and imposing solutions for local challenges without considering local proposals. According to Daemane (2015:15), the intervention of national government that results in confusion and duplication of efforts in local development is the result of limited functional assignment to subnational government due to lack of capacity. In this regard, the planning and budgeting process results in overlaps and duplication of efforts as well as wastage of resources and inefficiencies in service delivery.

Pursuant to the fact that local authorities are not budget heads in the Ministry of Finance, Section 34(3) of the Public Financial Management Act of 2011 requires local authorities to submit audited annual reports to the Minister of Local Government who has to table the reports before parliament and submit to the Minister of Finance. The Local Government Act of 1997 also makes provision for financial reporting through Section 62 whereby council chief accounting officers are mandated to report to finance and planning committees on a monthly and annual basis and the reports are also to be tabled before the District Council by the committee. However, the reports are submitted to these national and subnational structures without clear guidance or commitment on how councils should report to local communities.

Section 24 of the Local Government Act of 1997 authorises the minister of the Ministry Local Government and Chieftainship to launch an audit of councils' financial documents whenever necessary. Thus, the minister is empowered to manage both the internal and external audit functions of the councils as the provision is general. On the same note, Daemane (2012:204) explains that councils do not have their own internal audit functions as the performance of audits at their jurisdictions depends on approval by the minister of the Ministry of Local Government and Chieftainship. Similarly, Kellam III and Muwanga (2015:47) argue that local authorities are addressed as units in the Ministry of Local Government and Chieftainship whereby a three-staff internal audit unit at the ministry is to perform the internal audit function at all councils in the country summarised in Table 1.1 (10 district councils, municipal council, 11 urban councils& 64 community councils) as an extension of their ministerial departments. Irrespective of the need for minister's authorisation, Section 39 of the Public Financial Management Act of 2011 assigns the Auditor General to undertake the external audit function of the financial statements of local authorities. However, the provision has been infertile as the National Decentralisation Policy of 2014 acknowledges that the involvement of the Auditor General's office with local authorities is very low due to the absence of policy guidance, technical and institutional incapacity (Lesotho, 2014:5). The aforementioned results in a weak financial system characterised with financial malpractices at local authorities as there are no permanent structures to assess financial risks and draw mitigation measures within council structures.

The preceding discussion reflects on various public financial management system challenges at local level. It is observable that the public financial management cycle at local authorities is not functioning effectively as most of the functions such as the budget system, accounting and reporting and the auditing and governance discussed in chapter two (cf. Section 2.4.2)are experiencing multiple challenges. In this regard, the implementation of public financial management reforms is recommended to improve local public financial management processes and systems to promote integrated planning and budgeting, and build constructive reporting systems internal and external for transparency and accountability. It is, therefore, imperative for the fiscal decentralisation statute that the researcher recommends to provide legal guidance on the local public financial management system to ensure achievement of public financial management objectives as stipulated in chapter two (cf. Section 2.4.1).

In a nutshell the country is experiencing sizeable challenges regarding fiscal decentralisation. The above discussion illustrates fiscal decentralisation challenges that are impacting negatively on the decentralisation process. Fiscal decentralisation is explained as the weakest link in Lesotho decentralisation lagging behind political and administrative decentralisation ('Nyane, 2019:18). This is basically accounted for under the fact that both political and administrative decentralisation have designated statutes, the Local Government Elections Act of 1998 and the Local Government Service Act of 2008,respectively, that guide their implementation while fiscal decentralisation does not have any designated guiding tool. This signals the need to incorporate fiscal decentralisation statute to guide and manage the fiscal decentralisation. World Bank (2007:25) and 'Nyane (2016:70) argue that the ideal situation would be for government to consider a policy on the degree of fiscal responsibilities to be delegated to local authorities, thus developing a fiscal decentralisation statute. Kali (2020:17) suggests three strategies for mitigating Lesotho decentralisation challenges, firstly, delegation of authority to subnational government to collect and impose taxes and generation of income through various means such as donations. Secondly, capacitating subnational government staff to improve their ability to manage finances and implement projects, and lastly community councils should be capacitated and allowed to control their financial resources instead of district councils (Kali, 2020:17).The government responded to these challenges through the introduction of the National Decentralisation Policy of 2014. The policy is summarised in the following section.

5.4 THE NATIONAL DECENTRALISATION POLICY

The National Decentralisation Policy of 2014 was introduced as a result of the review process, whereby the country considered local and international experiences to benchmark the decentralisation process and developed a road map for strengthening the process. The policy explains that although the implementation of decentralisation intended to promote good governance, enhance local development and improve service delivery, it resulted in the creation of political councils with limited technical and financial resources, insufficient structures and systems and no guiding frameworks to address national development (Lesotho, 2014:1). Sefeane (2020:2) clarifies that irrespective of the government commitment to implement decentralisation, progress has been sluggish due to lack of guiding fiscal framework that causes subnational governments to depend on national government funding. Thus, the implementation of decentralisation failed to produce/achieve the intended outcomes such as improved local service delivery and local development. Based on this, the National Decentralisation Policy of 2014is adopted as a comprehensive corrective strategy to provide a framework for building strong and effective local authorities for ensuring economic and social benefits through a decentralisation process. According to Sefeane (2020:2), the policy is a comprehensive framework for promoting equitable local development, enhance participatory governance and ensuring the participation of communities in local service delivery. The main objective of the National Decentralisation Policy of 2014 is to deepen and sustain grassroots based democratic governance and promote equitable local development through citizen’s participation. It further aims to strengthen the local development system while maintaining effective and functional and accountable linkage between national and subnational entities (Lesotho,2014:x). Thus, the target is to build and maintain strong and effective local authorities that are economically empowered and politically participative within which citizens become determinants of their development.

The National Decentralisation Policy of 2014 announces devolution as a mode of decentralisation for Lesotho and advocates for the development of legislative frameworks for supporting devolution. In respect to the financial sector, fiscal decentralisation and prudent public financial management are some of the key focus areas of the policy. This is considered on the basis of the identified challenges of the current system such as inadequate funding, low local revenue generation and weak public financial management and accountability systems (Lesotho, 2014:5). The policy spells out that, inter-governmental transfers to local councils although used as the main source of income are addressed under the budget appropriation of the Ministry of Local Government and Chieftainship. Thus, it becomes a part of the ministry's budget, therefore, always inadequate. Although the policy acknowledges the collection of revenue at local level, it explains that the collection is insignificant due to existing multiple revenue collection institutions and absence of incentives for local councils to collect enough revenue. The policy also considers the local council public financial management system as below the required threshold for public expenditure. It is, therefore, difficult for the treasury to entrust local councils with public funds due to the absence of a credible budgeting and public expenditure and accounting system. In order to address the challenges, the policy proposes the development of a comprehensive legislation to address issues of fiscal decentralisation and strengthening of the local public financial management system.

In addition to the above challenges, the policy aims to address the need to increase financing for decentralised activities and coordination of decentralisation functions as part of strategic factors (Lesotho, 2014:7). In this regard, devolution of budgeting responsibilities and improving the public financial management system as well as creating councils as cost centres is considered. The policy also advocates for the development and incorporation of appropriate coordination mechanisms at all levels of government to ensure integrated planning and budgeting and operational effectiveness. In consideration of identified challenges, the policy is a foundation for reforms and fresh attempts to develop new policies with the intention to secure intended goals such as promoting equitable local development system and maintaining effective, functional and accountable linkages between national and subnational entities. In this regard, the policy forms the foundation for the study as it becomes the ground for development of fiscal decentralisation legislation. The subsequent paragraph explains the financial reforms as per the policy provision.

In fiscal decentralisation and financial management, the focus is on the creation of systems and procedures that could result in efficiency, effectiveness, transparency and accountable planning, budgeting, expenditure management and accountability at local level (Lesotho, 2014:17). The national decentralisation policy also recognises the importance of local fiscal autonomy, the need for local revenue generation as well as the creation of an effectively managed inter-governmental fiscal transfer system. In respect to reforming the financial aspect of decentralisation, the policy identifies the following strategic actions:

1. Strengthening local budgeting and expenditure management systems by establishing cost centres at local government level,
2. Reviewing the revenue collection system for local governments to develop capacity in revenue generation and management,
3. Establishing an equalisation system where local governments with special needs or challenges are specifically supported over and above uniform fiscal transfers,
4. Establishing strong safeguards that involve multiple oversight activities from public accountability institutions, by ensuring that public anti-corruption and accountability institutions are sufficiently capacitated to enforce best practices in local government financial accountability and reporting, and
5. Developing systems to enable citizens to access information on approved budgets, transfers made and expenditure reports from local governments (Lesotho: 2014:18).

The implementation of these strategic actions requires the development of an enabling legislation. In this respect, the strategic action for providing enabling legal frameworks includes re-examining all existing legal frameworks that have implications on the decentralisation and developing more inclusive frameworks that include all components of the decentralisation process (Lesotho, 2014:19). In the financial sector, it means an evaluation of all legal frameworks with financial implications with the intent to develop a more comprehensive and inclusive framework to accompany the decentralisation process. In this regard, the national decentralisation policy provides another opportunity for the country to restructure the decentralisation system by developing new guiding statutes that support devolution as a mode of decentralisation. In explaining the policy as bedrock for reforms, 'Nyane (2016:71) argues that the adoption of the policy introduces a set of reforms based on devolution and gives the country another chance to reshape the decentralisation process by developing suitable statutes.

It is apparent that there is a need to undertake various studies to support the development of informed and comprehensive legal frameworks for guiding and governing devolution as a mode of decentralisation. In this regard, the current study becomes a scientific contribution to the policy mandate as it assists the country in its endeavour to develop a comprehensive legal statute for fiscal decentralisation. Thus, the study is a consultative strategy for development of a fiscal decentralisation statute as it contextualises and domesticates the concept of fiscal decentralisation.

5.5 CHAPTER SUMMARY

The chapter reviewed legal frameworks that guide public financial management in Lesotho, concentrating on fiscal decentralisation. It began by tabulating the fiscal decentralisation experiences of the country ranging from the pre-colonial period to the post-colonial period. The central theme was on the delegation of functional and financial responsibilities from national to subnational governments. The discussion on historical experiences assisted the researcher to mark the baseline for the development of the proposed fiscal decentralisation legislation.

The chapter then discussed the current Lesotho fiscal decentralisation system by presenting the legal provisions that guide public financial management. In this regard, multiple legislations were identified including the Local Government Act of 1997, Public Financial Management Act of 2011 and Treasury Regulations of 2014. The statutes guide the assignment of functional responsibilities and revenue sources to local authorities. The Local Government Act of 1997, Local Government Transfer Regulations of 2015 and the Urban Government Act of 1983 are used to assign functional responsibilities to local councils. However, the assignment of functions to local councils was explained to be in futility due to various challenges including the ambiguous nature of functions and the coexistence of deconcentrated national government offices and local councils at the local level. The discussion also highlighted the assignment of financial responsibilities to local authorities through the Local Government Act of 1997; however, the practicality of its provisions was challenged.

The chapter concluded by discussing the National Decentralisation Policy of 2014 as the bedrock of decentralisation reforms with specific focus on fiscal decentralisation reforms. The policy identified fiscal decentralisation challenges to include ambiguous functional assignment, inadequate funding for local authorities due to lack of local revenue generation, poor coordination between structures, weak local government systems and weak public financial management and accountability. In redressing the challenges, the policy created the platform for reforming the entire decentralisation. It announced devolution as the mode of decentralisation for the country and required the review of all existing legal frameworks and the development of new comprehensive ones that address the identified challenges and support devolution. In this regard, the study may contribute to the national objective of developing a comprehensive fiscal decentralisation legislation to be incorporated in the decentralisation process as this is currently not in place. In this way, the study may make an important contribution in Lesotho’s policy mandate.

CHAPTER SIX

RESEARCH DESIGN AND METHODOLOGY

6.1 INTRODUCTION

This chapter focuses on the research design and methodology for this study. In addition to the brief discussion on research methodology in chapter one (cf. Section1.6), the chapter discusses in detail the research design and methodology that the study utilised. In guiding the researcher, the chapter contextualises core concepts such as research, research design and methodology. The methodological discussion identifies mixed methods research as the suitable research methodology for the study. Three types of mixed methods research are discussed and the convergent mixed method design is engaged in the study. The discussion also considers data collection techniques employed in the research as well as the contribution of the study.

6.2 RESEARCH DESIGN AND METHODOLOGY

In addressing the research design and methodology of the study, it is important to contextualise and clarify two concepts, namely, research design and research methodology as the critical concepts attached to the research process. According to Okesina (2020:57), the key components of a research inquiry in social science are paradigm, methodology, design and methods. In this manner, it is appropriate to consider the definition of research. The subsequent section conceptualises research.

6.2.1 Research

Research refers to an organised process of invention and improvement of knowledge that contributes to the existing knowledge or solves problems (Gratton & Jones, 2010:4). According to Mouly in Almalki (2016:289), research is the process of developing reliable solutions to challenges through a planned and systematic collection, analysis and interpretation of data. Similarly, Okesina (2020:58) defines research as a fundamental instrument for addressing the challenges of society and acquiring knowledge. It is a systematic and objective attempt to study any identified problem for developing its solution (Khan, 2020:1).

In consideration of the above definitions, the definition of research can be summarised as a planned activity undertaken with the aim to establish reliable knowledge for solving perceived problems and contributing to existing knowledge. It is a process that involves collection, analysis and interpretation of data for identifying and solving problems. In this study, the aim is to develop a domesticated fiscal decentralisation methodology for Lesotho to address the fiscal decentralisation challenges that the country is facing. Okesina (2020:58) reasons that based on the importance of research to individuals and society as reflected in the definitions, it is important for researchers to understand its key components and processes.

6.2.2 Research Methodology

Research methodology is the discipline that deals with undertaken research projects and articulates various stages that researchers carry out to identify the best means for addressing research questions and the logic behind their reasoning (Rajasekar *et al.*, 2013:5). Almalki (2016:290) posits that methodology provides research with philosophical basis, values and assumptions that justify the inquiry as well as appropriate methods that can be used to interpret data and draw a conclusion. In a similar manner, Melnikovas (2018:31) asserts that methodology includes a structure of beliefs and philosophical views that determine the understanding of research questions and support the selection of research methods. According to Nguyen (2019:4), methodology covers paradigm, strategies, procedures and methods of research. In totality, methodology encompasses the research paradigm, design, methods and procedures for undertaking a scientific inquiry including data collection and analysis methods and sampling (Okesina, 2020:62).

6.2.3 Research Paradigm

According to Kivunja and Kuyini (2017:26), a paradigm is a philosophical way of thinking. Similarly, Kaushik and Walsh (2019:1) define a paradigm as philosophical assumptions or a set of beliefs that guide and describe the worldview of the researcher. Paradigms constitute assumptions, concepts, values and practices of viewing reality (McGregor & Murnane, 2010:419). Brierley (2017:147) asserts that a paradigm is a philosophical framework or an approach that prescribes the beliefs and practices of how to create knowledge. Okesina (2020:58) clarifies that a paradigm is a philosophical perspective that persuades what should be studied, the ways and means of studying and how the results of the study should be interpreted. Shannon-Baker (2016:321) supports that a paradigm is a research guide that assists researchers to determine research problems, develop approaches to the research problem and identify alternatives for solving the problem given the beliefs about the world. Generally, a paradigm refers to assumptions that guide the research inquiry and assist researchers to direct and locate their studies. Makombe (2017:3368) argues that based on the idea that paradigms influence research methods, instruments and process, it is necessary to identify a research paradigm for every inquiry. In this regard, Maarouf (2019:6) identifies pragmatism as the suitable paradigm for mixed methods research as it represents the integration of the quantitative and qualitative perspectives.

Maarouf (2019:5) explains pragmatism as a philosophical justification for mixed method research because of its primary assumption that justifies the importance of mixing research methods. Okesina (2020:61) points out that pragmatic paradigm advocates for the research approach that is more realistic and allows the use of multiple perspectives in conducting research for solving research problems and developing knowledge. Creswell (2014:15) clarifies that pragmatism is the philosophy that allows mixing paradigms, approaches and methods of data collection and analysis. Shannon-Baker (2016:325) argues that the combination of methods, approaches and paradigms is for complimenting the strengths and weaknesses of each perspective. Thus, pragmatism is a paradigm that advocates for the use of multiple methods in one study to establish the best solution to the research question. In the current study, the researcher is guided by the pragmatic paradigm, hence the use of mixed method research in an effort to make use of all possible means that can contribute to the development of the best solution, that is, the domestication of the comprehensive fiscal decentralisation methodology for Lesotho.

6.2.4 Research Design/approach

Creswell and Plano Clark (2007:58) define research design as a logical and systematic procedure used to collect, analyse, interpret and report data for empirical research. It is a planned strategy and structure for conducting an authentic and relevant investigation (Peniel, 2016:2). The author explains that research design is for structuring the research process by indicating how parts of research such as population, sample, data collection and interpretation are connected to address the research question. Thus, it is a framework or strategy for connecting a research problem with the empirical study for solving an identified problem. As put forth by Gray (2014:67), the research design sets the procedure for the data collection, methods for data collection and analysis, and how all the processes would address the research question.

In a similar manner, Akhtar (2016:68) posits that research design refers to setting conditions for data collection and analysis for addressing the research problem. In this regard, Peniel (2016:3) emphasises that research design is important because it guides the smooth operation of various research procedures and includes the identification of an appropriate method for addressing the research question and achieving research objectives through a scientific inquiry, with maximum relevant information and minimum expenditure of effort, time and money. According to Jilcha (2019:2), the primary objective of research design is to provide an appropriate framework for the research as it involves selection of a research approach that guides data collection and analysis methods.

The current study employs a mixed methods research design, thus the collection, analysis and interpretation of data would be guided by the principles of the mixed method research design. According to Hendricks (2014:144) the development and utilisation of mixed methods research is increasing because it enables researcher to determine *what* the existing situation is in terms of a research question by using non-experimental quantitative studies, while also determining *why* the existing situation exists. In this study, the important information about the status of fiscal decentralisation at Lesotho local authorities is accessed through quantitative methods, while the thick explanation on the reasons/causes of the status are determined through qualitative methods.

The next section discusses mixed method research design as an approach for the study.

6.3 MIXED METHOD RESEARCH

As indicated in chapter one (cf. Section 1.6), the study adopted the mixed method research approach. Mixed method research is defined as a research method in which the researcher combines elements of qualitative and quantitative research methods to secure the breadth and depth of understanding and corroboration (Almalki, 2016:291). Pardede (2019:231) defines the mixed method research as the research that integrates qualitative and quantitative approaches within a single study to account for the research problem and enrich the study's conclusion. In this regard, Almalki (2016:291) explains that the integration may affect various elements of the research such as data collection, data analysis and inference techniques.

Mixed method research provides an opportunity for researchers to better understand the research problem than using either of the approaches alone. According to Schoonenboom and Johnson (2017:105), mixed method research combines elements of qualitative and quantitative research approaches to ensure the breadth and depth of understanding and authentication of the phenomenon under study. Thus, the basic reason of the method is complementarity, in which both qualitative and quantitative methods are engaged to examine different facets of the phenomenon under study in order to better understand the phenomenon. Pardede (2019:233) affirms that the complementarity nature of mixed method research provides richer and detailed findings that result in deeper and complete understanding of a research problem. In this regard, mixed method research allows researchers an opportunity to compensate for the weaknesses and strengths of each approach and address their inherent bias thereby creating a more complete and comprehensive analysis. Thus, the method neutralises the shortcoming of both qualitative and quantitative methods and builds a broad view for exploring and understanding the phenomenon under study.

In a general perspective, Almalki (2016:291) writes four classical justifications for mixing qualitative and quantitative approaches in a single study as: (i) Triangulation: convergence and corroboration of the results from different methods. (ii) Complementarity: enhancement and clarification of the results from one method with the results of another method. (iii) Development: use of results from one method to inform another method. (iv) Initiation: discovery of trends in the data that can motivate the need for further research. The researcher adopted the mixed method research approach for complementarity and triangulation purposes. In an effort to address the research question, the researcher opted for mixed method research to ensure a broader and comprehensive understanding of fiscal decentralisation as a concept and its domestication to support the Lesotho decentralisation processes. The researcher also utilised multiple data collection techniques (cf. Section 6.5) for triangulation purposes. This assisted the researcher to cross-check and compare the collected data for validity and verification.

The four advantages/justifications of engaging mixed method research are achieved through various types of mixed method research. The subsequent section discusses mixed method research designs.

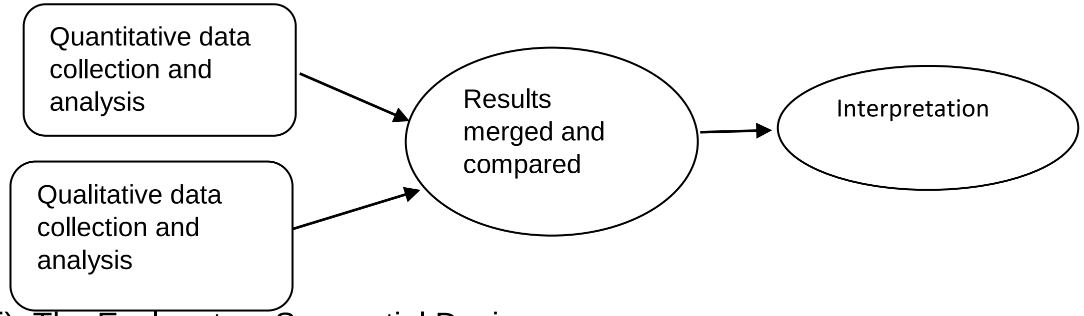
6.3.1 Mixed Methods Research Designs

Almalki (2016:291) explains that both qualitative and quantitative data in mixed methods research are collected and designed sequentially and/or simultaneously. Walker and Baxter (2019:2) assert that there are four features that are used to understand the decisions and characteristics of mixed methods research designs: purpose of mixing the methods, sequencing of qualitative and quantitative elements, dominance of one method and the degree of interaction between methods. Thus, the four features are used to determine the design/type to follow in conducting a mixed method research. In this regard, Creswell and Plano Clark (2018:65) identify three core mixed methods of design as convergent design, the explanatory sequential design and the exploratory sequential design.

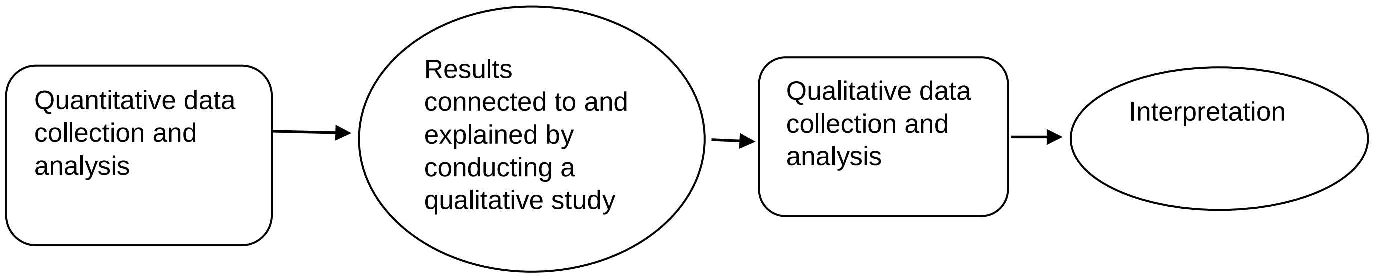
Walker and Baxter (2019:3) define the convergent design as a parallel design that engages both qualitative and quantitative methods simultaneously. The authors also explain that the sequential design means that the engagement of one research method after another, whereby explanatory sequential design supports the use of quantitative design to provide general understanding of phenomenon and then followed by qualitative data collection and analysis for explaining the numerical results from the quantitative method (Walker &Baxter, 2019:4). Alternatively, the exploratory sequential design is the reverse of the explanatory design as the qualitative research is followed by quantitative research (Almalki, 2016:293).The three types of mixed method research are summarised in Figure 6.1. In the current study, the researcher adopted the convergent mixed method research and reason it was chosen.

Figure 6.1: Three Mixed Methods Research Designs

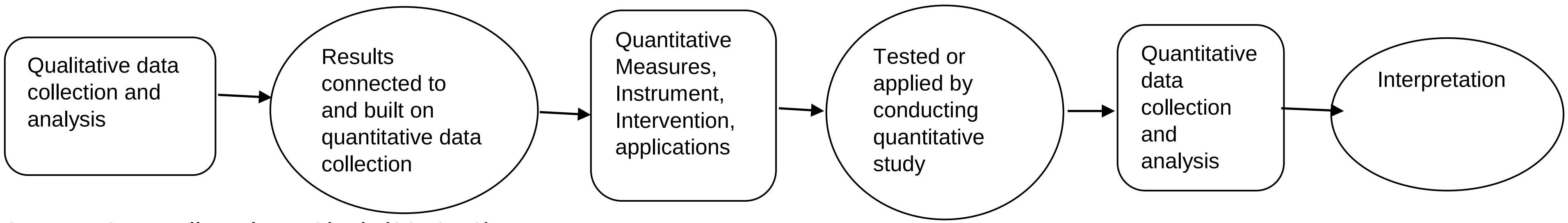
i) The Convergent Design



ii) The Explanatory Sequential Design



iii) The Exploratory Sequential Design



Source: Creswell & Plano Clack (2018:70)

6.3.1.1 Convergent Mixed Method Research

Convergent mixed methods research is a design in which qualitative and quantitative data are collected concurrently but in a separate manner, thus the findings of each is independent from the other (Doyle, Brady & Byrne, 2016:623). According to Creswell and Plano Clark (2018:220), a convergent design is a mixed method design in which qualitative and quantitative data are separately collected and analysed and the two data sets are merged for comparison or combining of results. The merge usually occurs at the interpretation phase of the research as shown in Figure 6.2 below. Pardede (2019:234) explains that the convergent design is mostly used to ensure conformity, cross-validation and verification of results hence it neutralises the weaknesses of one method using the strengths of the other.

Dawadi, Shrestha and Giri (2021:29) add that the convergent mixed method research design enables researchers to secure a complete understanding of the issue under study and to validate one set of findings with another. The researcher used convergent mixed method research to explore the true picture of Lesotho fiscal decentralisation and utilised the opportunity to explore the convergence or divergence of the views of participants from different sections/levels of subnational government financial structure. Creswell and Plano Clark (2018:221) explain that the integration in convergent mixed method research design aims at producing results that expand understanding, comprehensiveness, conformity and validity. During the integration, the two data sets would complement each other and assist the researcher to triangulate the findings and produce inclusive results. Furthermore, Dawadi *et al.* (2021:30) posit that convergent mixed method research design is useful when a researcher has limited time and resources. In this regard, the methods enable the researcher to undertake a study with possible minimum costs within reasonable time.

The implementation of the convergent mixed method research design is illustrated inFigure6.2below.

Figure 6.2: Implementing a Convergent Mixed Methods Design

STEP 1

Design the qualitative strand & collect data: (qualitative research questions and qualitative approach)

-Collection of data through interviews and document analysis.

Design the quantitative strand & collect data: (quantitative research questions and quantitative approach)

-Collection of data through the questionnaire.

STEP 2

Analyse qualitative data

-Analyse and report the collected data, reflecting the questions (interviews), their responses and literature prescriptions.

Analyse quantitative data

-Analyse and report data by reflecting the responses to the questionnaire and view of literature on reported items.

STEP 3

Merging the results from the two data sets by comparing and contrasting the content, identifying the differences and similarities within one set of results based on dimensions within the other set.

-The researcher merges the results of step two through identified themes. The researcher compares the fiscal decentralisation status at local authorities against the theoretical descriptions by considering the relations between the themes from the literature on fiscal decentralisation and public financial management reforms as reported in chapter two and three with the themes derived from the responses from the respondents and the Lesotho decentralisation system as reported in chapter four and five.

STEP 4

Interpret the merged results

-The researcher interprets and summarises the results of the study, indicating the fiscal decentralisation status at local authorities and the theoretical prescriptions. The researcher also drafts recommendations based on the findings of the study on the best fiscal decentralisation methodology for Lesotho.

Source: Creswell & Plano Clark (2018:71)

6.4 DATA COLLECTION TECHNIQUES FOR THE STUDY

The use of convergence mixed method research guides the researcher to collect both qualitative and quantitative data, hence engagement of both qualitative and quantitative data collection techniques. In this regard, the researcher used documentary analysis, interviews and questionnaires for collecting data as stipulated in chapter one (cf. Section 1.6.1). These techniques are discussed below:

6.4.1 Documentary Analysis

Armstrong (2021:9) defines documentary analysis as the systematic approach to analysing both printed and electronic documents for interpretation and development of meanings and empirical knowledge. Documentary analysis refers to the collection, review and analysis of previously produced documents such as census reports, journals and legislation as sources of research data (O'Leary, 2014:177).In this study, the legal documents and published documents that explain the designs and structure of Lesotho decentralisation system such as the Local Government Act of 1997, were considered and reported on in chapter four and five of the study. In addition, Armstrong (2021:9) affirms that researchers review existing literature as supply of information and incorporate the information in their studies as data. In the current study, the researcher reviewed literature on fiscal decentralisation, public financial management reforms and public policy development that were reported on in chapter two and three to form the baseline for the study.

Denzin (2017:48) argues that documentary analysis in mixed method research is good for triangulation purposes as different methods of data collection are engaged. Despite that, O'Leary (2014:178) points out that documentary analysis has the inherent credibility challenge because the researcher has to depend on the purpose of the author as the documents are pre-produced. Irrespective of that, the researcher used documentary analysis for reporting the literature of the study.

6.4.2 Interviews

O'Leary (2017:440) defines interviewing as the method of data collection in which interviewers ask interviewees open-ended questions about a specific topic. An interview is an interactive conversation with an objective to gather information from the interviewee with respect to a specific phenomenon under study (Alshenqeeti, 2014:40). Schostak (2006:54) adds that the conversation is extendable for acquiring in-depth information and allows the interviewee to interpret the phenomenon under study. Alshenqeeti (2014:40) argues that interviewing is an effective method of collecting data because the researcher is in a position to seek for complete and detailed responses and can probe to any emerging issue that can contribute to the study. In a similar vein, O'Leary (2017:443) adds that interviews allow researchers to develop rapport and trust, get rich and in-depth data both verbal and non-verbal.

However, O'Leary (2014:162) points out that in interviewing, a researcher relies on the interviewee to provide honest and open responses and mostly people prefer to maintain dignity and some degree of privacy. Despite that, interviewing was used to gather data on the status of fiscal decentralisation and intergovernmental relations in Lesotho to establish the baseline for the development of the proposed legislation. Interviews allowed the researcher to clarify any misunderstanding in the questions with the interviewee immediately. With interviews, the researcher also has the opportunity to inquire further and make follow up questions during the interview. The present researcher interviewed key stakeholders in the financial sector of local authorities and from the national government.

6.4.3 Questionnaires

Questionnaires are about asking a range of individuals the same questions about a specific phenomenon (O'Leary, 2017:420). Kabir (2016:208) defines a questionnaire as a research instrument with a series of questions for collecting data from respondents. O'Leary (2017:420) argues that questionnaires have an advantage over other data collection strategies because they can reach many respondents, generate standardised and quantifiable empirical and qualitative data through open-ended questions. According to Kabir (2016:210), the advantages of using questionnaires include the following:

1. Enable collection of more information from many participants in a short period of time,
2. They are easily administered either by the researcher or other people, and
3. Data collected through questionnaires can be quantified and used to compare and contrast other research.

However, questionnaires have multiple challenges that negatively affect the credibility of data collected. In questionnaires, the responses are limited to the questions that the researcher asks and there is a possibility of misinterpretation of the questions by respondents that can cause the researcher to revisit the field several times to validate the data (O'Leary: 2017:420). Irrespective of the observed trade-offs, the researcher used the questionnaire to collect data from officers and councillors who are involved in financial management operations at the councils. This assisted in explaining the status of the financial management system at local councils and make recommendations for improving the system. In an attempt to mitigate the challenges posed by collecting data through questionnaires, the researcher articulated the questions as clear as possible to avoid or reduce the possibility of respondents misunderstanding the questions.

6.5 POPULATION AND SAMPLING FOR THE STUDY

According to Shukla (2020:4), a population is a group of study units (individuals/groups/institution) that have specific characteristics under study and for which the study results can be applied. It is the principal set about which the study is concerned (Casteel & Bridier, 2021:343). Casteel and Bridier (ibid.:345) explain that a population is a group or set of all study units within which the sample is selected. The population for the study encompasses employees of local authorities in the three districts (Thaba-Tseka, Berea & Mohale's Hoek), employees of Maseru City Council and the internal auditors and budget controller from the national government (cf. Section 1.6.2).

Sampling refers to the process through which a subset of a population is selected for observation and analysis as it is not possible to study the entire population due to feasibility and costs constraints (Khan, 2020:27). Rahi (2017:3) argues that sampling is beneficial to research because it enables inference about a larger group, reduces workload and ensures speed in collection of data and it is cost efficient. Khan (2020:9) explains that in situations where a population is large, researchers have two sampling methodologies for selecting a sample for the study that is, probability sampling and non-probability sampling.

Probability sampling is the sampling methodology in which every unit in the population has an equal and accurate chance of being selected in the sample, while non-probability sampling is a technique in which sample selection is based on certain criteria and not everyone has an equal chance of being selected (Khan, 2020:9). Alvi (2016:13) adds that probability sampling also called random sampling is more appropriate for quantitative studies while non-probability sampling in which sample selection is based on the subjective judgment of the researcher is more appropriate for qualitative research.

The researcher adopted criterion purposive sampling to identify participants for the research. In criterion purposive sampling, researchers consider predetermined criteria and review/study all cases that meet the criteria (Hendricks, 2014:132). Shaheen *et al.* (2019:34) argue that the criterion purposive sampling is used to identify cases for close-ended questionnaires for an in-depth study. The researcher used criterion purposive sampling to identify groups for the study. In this regards four groups were identified and studies namely management teams, council finance committee, council finance officers and internal auditors and budget controller from national government (c.f. Section 1.6.2).

Irrespective of its subjective nature, the researcher utilised purposive sampling to identify participants for the study because of the need to focus on participants who can provide more rich and in-depth information on the subject matter. Baltes and Ralph (2020:4) assert that the advantages of using purposive sampling include the ability of the researcher to exercise expert judgement in selecting participants and create an opportunity to ensure representativeness in all areas of interest. Contrarily, these authors argue that the disadvantage of using purposive sampling is that it is inherently subjective and opportunistic. (Baltes & Ralph, 2020:4)

6.6 DATA COLLECTION PROCESS

In reference to chapter one, data was collected from employess of the local authorities in three district (Berea, Thaba-Tseka and Mohale's Hoek) and those of Maseru City council (cf. Section 1.6.2), as population for the study. Casteel and Bridier (2021:343) explain that population is described through environmental/geographical and other attributes for their heterogeneity or homogeneity. Although the councils have different geographical locations, the population for this study is treated as a homogenous group of local authorities' employees. Irrespective of their location, local authorities share all the attributes that relate to study variables such as institutional structures, occupational positions, job responsibilities/descriptions, qualifications and operate within the same legislation.

The participants includes both the councillors and technical employees as local authorities' staff. In line with the predetermined criteria, the participants were identified. The participants included 62 members of the council management team with a minimum experience of three years in their respective positions, 60 members of the finance committee of the current council term (2018-2022) who have served a full committee term, 18 council finance officers who have a professional accounting/finance qualification and 4 internal auditors (cf. Section 1.6.2).

Data was collected through questionnaires and interviews (cf. Section 6.4). The questionnaires targeted members of the management teams (except chief executive officers who were interviewed) and finance staff of Municipal, Community and Urban councils as technical employees. The respondents to the questionnaires also included members of the finance committee (except chairpersons who were interviewed) of all the participating councils. As reflected in Table 1.4, 76 employees participated through questionnaires and

68 employees through interviews (cf. Section 1.6.2). 76 questionnaires were distributed among council employees at Berea, Thaba-Tseka, and Mohale's Hoek districts and Municipal Council employees for completion. Of the 76 questionnaires distributed, a total of 44 questionnaires were completed and returned. The returned questionnaires were analysed, the reporting and analysis on the questionnaires is presented in chapter seven.

In addition to the questionnaire, interviews were conducted. Interviews were held with members of the district council management teams (chief executive officers) and chairpersons of the finance committees of the participating councils. The face to face interviews were held with 26 of 68 employees at their respective offices. The interviewees provided similar responses and even made reference to same incidences when making examples causing saturation to be reached. The portfolios of the interviewees are summarised in a subsequent discussion.

The researcher also intended to conduct interviews with internal auditors and the financial controller at the Ministry of Local Government and Chieftainship however, none of these targeted participants agreed to do the interviews. In an effort to mitigate the absence of internal auditors, the researcher assessed the latest internal audit report that is for the financial year 2017/2018 and the findings are presented in the Table 6.1 below. The audit exercise was undertaken by the internal auditors of the Ministry of Local Government and Chieftainship. The table presents the challenges that relate to fiscal decentralisation at the participating districts, in this case Mohale's Hoek, Berea and Thaba-Tseka districts and the Municipal Council. However, the absence of internal auditors and financial controllers affected the study because the audit reports do not address the direct targeted areas that are addressed in the internal audit interview schedule.

Table 6.1: Summary of internal audit report at the councils

FINDINGS	EXPLANATION	ASSOCIATED RISK	RECOMMENDATION
Poor management of warn out assets	Poor disposal of store items like used vehicle parts	Failure to reconcile old items against new ones Possibility to procure unwanted items	Safe keeping and disposal of used stores items Improve stored records by registering items movement
Non-adherence to procurement regulations	Engagement of contractors without following procurement procedures. Contracts do not have clear specifications and scope of service Split of services to avoid tendering	Contract can be considered null and void resulting in loss of funds Services might not be fully delivered	Improve supervision on procurement procedures Develop internal controls to support implementation of procurement regulations
Poor record keeping	Unaccounted spending due to absence of supporting documents No accidents report record Absence of vote book	Misappropriation of funds Insufficient financial practice controls Poor accountability	Strengthen records management Systematise the financial system for backup
Budget deficit on operational budget	Excess amount for paying councillors allowances Excess amount for paying salaries	Poor budgeting Inadequate financial supply	Improve council budgeting capacity
Underspending on capital budget	Budget consumption was too low due to late release of warrants Budget expenditure did not realise intended performance	Poor service delivery Unfinished projects	Facilitate timely release of funds Alter procurement regulations to match local government conditions

Source: Mohapi (2022)

The report articulates that the source of occurrences is due to absence of standardised document/policy and internal controls to direct district financial management. It is suggested that standardised documents should guide districts on procurement, expenditure and stores management. The recommendations of the report also include strengthening monitoring and reporting procedures, communication strategies and supervision by the Ministry of Local Government and Chieftainship. The literature in chapter five (cf. Section 5.3.2) suggests the strengthening of district financial management to address challenges such as lack of reporting procedures, absence of internal audit function and poor intergovernmental relations by ensuring that the proposed fiscal decentralisation legislation provides guidance on subnational financial management system as defined in chapter two (cf. Section 2.4). The next section considers the process of data analysis and interpretation.

6.7 DATA ANALYSIS AND INTERPRETATION

Allanson and Notar (2020:376) recommend the use of descriptive statistics to analyse data collected through Likert type questionnaires. According to Liddell and Kruschke (2018:3), a Likert type questionnaire is a data collection instrument in which questions are presented with a continuum of possible responses ranging from one qualitative end point to another. Schrum, Johnson, Ghuy and Gombolay (2020:2) explain that the Likert scale is used in research studies to measure attitudes or opinion of research elements on subjects under study. The researcher used a Likert type questionnaire with continuum range from “agree, partly agree, disagree and totally disagree” to collect data from council management teams, council finance officers and finance committee members at Mohale’s Hoek, Thaba-Tseka, Maseru and Berea districts.

The questionnaire is a four point Likert scale coded categorically with valueless numbers in which “1 is assigned Agree, 2=Partly Agree, 3=Disagree and 4=Totally Disagree”. Newberry, O’Leary and Israel (2021:2) explain that in categorical items, the numbers assigned represent the referred category without an attached value. The authors assert that when using close-ended questions, the responses can be pre-coded (Newberry *et. al.* 2021:2). Thus, the alternative responses were coded during the development of the questionnaire with reverse coding to encourage respondents to carefully consider the questions before selecting their responses.

Ali (2021:2) defines descriptive statistics as the quantitative data analysis tool used to describe and illustrate data. Descriptive statistics provide a summary and visualisation techniques to capture characteristics and trends of a data set. Wowczko (2014:1) explains that the best way for understanding the complexity of a data set is to explore each variable and understand its trend within the data set, the strategy called univariate analysis. Univariate statistical analysis refers to the application of data analysis procedures on one variable. In general basis, the statistical univariate analysis describes data through summary statistics and various visualisation techniques (Wowczko, 2014: 2). The researcher used visualisation techniques (pie-charts & percentages) to illustrate the frequency of the responses. The frequency measures assist the researcher to easily interpret the data and establish inferences. The mean and standard deviation statistical techniques were also used to summarise the data in an effort to reflect the central tendencies and distribution of the data. The summary statistics were calculated for each question to assess outliers and consider their possible impact on the responses.

In addition to the questionnaires, data was collected through interviews. Qualitative methods of analysis were used in analysing the results of individual interviews held with council management team. In this regard, thematic analysis and text analysis were engaged. Thematic analysis is the process of identifying, analysing and reporting patterns/themes within a qualitative data (Maguire & Delahunt, 2017:3353). According to Sitsebe (2019:78) thematic analysis as the theoretically flexible method is used to understand questions about people's experiences/views and perspectives as well as questions relating to construction of meaning. Maguire and Delahunt, (2017: 3353) argue that the basic objective of thematic analysis is to identify themes in the data, interpret and make sense of them. The researcher used thematic analysis to analyse data collected through interviews with the council management teams and chairpersons of finance committee. The goal was to identify patterns in the data that are interesting and use them to address the research question.

Maguire and Delahunt, (2017: 3353) explain that the advantage of thematic analysis is that, it is very flexible given that it is not tied to a particular epistemological or theoretical perspective. This allows diversification and validity as the analysis is more accessible, transparent and flexible (Dawadi, 2020:63). Dawadi (2020:63) explains that in order to maximise a depth thematic analysis, an inductive and deductive analysis approach can be used concurrently. In this regard, the researcher considered the themes that emerged from the data without pre-coding frame and the themes identified through the literature review. Thus, the development of the themes was linked to the collected data and the literature review.

According to Dawadi (2020:63) thematic analysis is a systematic process that involves reading and rereading transcripts. In this regards, Maguire and Delahunt (2017:3354) discuss the following rigorous steps as guiding procedures for doing the analysis; become familiar with the data, generate initial codes, search for themes, review themes, define themes and write-up. Byrne (2021:1398) explains that the procedures do not resemble successive steps rather an interactive and flexible process that involves moving back and forth between the phases as necessary. The interviews were tape recorded, then transcribed though verbatim and note taking. The coding process was done on the bases of reviewed literature information and the collected data. Through a constant review of the data transcripts and literature, themes were manually developed. Upon completion of the coding process, the identified themes and patterns are examined to draw conclusions (Jain, 2021:5). Kleinheksel *et. al*. (2020:4) add that after drawing conclusions, researchers have to report findings. Conclusions were made on the themes that emerged from responses to individual questions. The credibility of the study is subsequently discusses.

6.8 VALIDITY AND RELIABILITY OF THE STUDY

The quality and acceptability of research is a critical matter because research findings are used to address identified problems. Thus the credibility and trustworthiness of the research findings. According to Rose and Johnson (2020:3), researchers enhance trustworthiness by addressing issues of validity and reliability. Brink, Van de Walt and Van Rensburg (2018:82) highlight the significance of validity and reliability of the findings in ensuring the quality of the research. Validity is defined as the extent to which the research instrument measures what it intend to measure (Kubai, 2019:4). Haradhan (2017:14), clarifies that in quantitative perspective validity is the extent to which the measuring instrument performs its function by measuring what it is intended to measure, while in qualitative research it is about the procedures that researchers use to ensure the accuracy of research findings.

Reliability refers to the degree to which the same results are produced when using the same methods (Brink *et al*, 2018:82). According to Haradhan (2017:10) reliability measures consistency, stability, precision and repeatability. In quantitative research reliability resembles the ability of the research instruments to produce same results over time, whereas the qualitative perspective stresses the dependability and consistency of data achieved through methodological processes (Rose & Johnson, 2020:4). Reliability addresses the stability of the findings whereas validity is concerned with the trustworthiness of the findings.

In an effort to improve reliability and validity of the study, questionnaires and interviews schedule are based on information gathered during the literature review to ensure that they are relevant to the research subject. The research instruments were submitted to the study supervisors for evaluation to ensure their relevance. The questions are formulated in a simple language and explanations are included to easy the interpretation of some terms. The clear instructions were also provided to guide participants who completed self-administered questionnaires.

The validity and reliability of the study was also enhance through triangulation whereby varied types of data were collected from different sources with various data collection instruments. The data was collected through document review, questionnaires and interviews. The questionnaires and interviews schedules has similar questions. The researcher collected data from various groups who occupy different operational/managerial levels in the local authorities' financial structure. In addition to voice record that the researcher listened repeatedly, intensive notes were also taken during the interviews.

6.9 LIMITATIONS OF THE STUDY

Fiscal decentralisation is defined through devolution of functional assignment from national government to subnational government (c.f. Section 2.1). In this regard, the adoption of fiscal decentralisation will effect functional changes in national government ministries. The study is conducted within the Ministry of Local Government and Chieftainship as the implementing ministry, and all the respondents are public servants under the ministry. Although the employees of line ministries at national government are key stakeholders in devolution of functions, it was not possible to include them as that could enlarge the scope of the study and demand more time and resources.

In collecting data, the researcher experienced multiple challenges that can weaken the quality of the study. Of the 76 questionnaire distributed, 44 were completed and returned. In this regard, the study attracted a response rate of 58%. The homogeneity nature of the data also affected the interviews. The researcher had to interview 68 members, however saturation was reached earlier as only 26 members were interviewed. Among the interviewees, the internal auditors from the national government refuse to participate in the study.

It is also important to highlight that in reviewing the literature, there was limited documented information. This is the case particularly with the literature about Lesotho decentralisation and local governance, whereby the researcher experiences lack of prior related research studies. This is reflected in the study where reference is made to old studies and over use of certain authors (sources) due to lack of recent studies and multiple writers about related research topics.

6.10 SIGNIFICANCE OF THE STUDY

Yalmanov (2020:562) describes the policy development process as a complex process that involves multiple influential actors with various interests and knowledge. The process of policy development happens in a complex environment shaped by institutions, ideas and events. Andrew (2017:6) reasons that the complex nature of policy development necessitates scientific knowledge to guide the process, hence academic studies are viewed as part of the policy advisory system that assists decision makers to construct informed policies.

The current study is part of the policy advisory system for the development of fiscal decentralisation statutes for Lesotho. In this regard, the study is a scientific contribution to the policy development process that aims at assisting the country to develop a constructive and effective fiscal decentralisation statute. This is important considering the significant role of fiscal decentralisation in the success of the decentralisation process.

The study will make a scientific contribution, as it aims to provide a detailed contextual nature of the concept of fiscal decentralisation and demonstrate the centrality of the concepts for the success of the decentralisation process. In consultation with the country experiences and contextual nature, the study will domesticate the fiscal decentralisation methodology that can positively contribute to the success of decentralisation and economic development. The current study is, therefore, a response to the policy mandate as it assists Lesotho in its endeavour to develop a comprehensive legal statute for fiscal decentralisation. In consideration of the highlighted fiscal decentralisation challenges, it is believed that the development of a comprehensive domesticated fiscal decentralisation statute may make a significant contribution to the success of a decentralisation process and achievement of economic development. This is significant for Lesotho as the country is struggling with economic development as discussed in chapter four (cf. Section 4.2)and decentralisation as part the basics for economic development.

6.11 CHAPTER SUMMARY

This chapter discussed the research methodology for the study. In articulating the methodology for the study, the three critical elements of research were contextualised and these include paradigm, design and methodology. Mixed methods research was considered the suitable approach for the research question and objectives. The three designs used mixed methods research, namely convergent design, explanatory design and exploratory design and these were explained. Of the three mixed methods research designs, convergent design was adopted for the study because the method allows for simultaneous engagement of qualitative and quantitative methods and utilises their complementarity nature in solving the research problem and objectives. The discussion also identified documentary review, questionnaires and interviews as data collection techniques. The population and sampling for the study and data collection process were explained. The chapter concluded by considering the data analysis processes, summarising the limitations and stating the significance of the study, of being part of the policy advisory system for the development of fiscal decentralisation statutes for Lesotho.

CHAPTER SEVEN:

RESEARCH RESULTS: DATA ANALYSIS AND INTERPRETATION

7.1 INTRODUCTION

The purpose of this study is to develop a fiscal decentralisation methodology for Lesotho through an inclusive understanding of the concept and domesticating it as a strategy for economic development (cf. Section 1.5). In the preceding chapters, the theoretical foundation of fiscal decentralisation and the experiences of the country in decentralisation, particularly fiscal decentralisation, were provided. This chapter analyses and interprets the data collected for the study.

This chapter analyses the data that was collected through questionnaires comprising close-ended questions and interviews. Data was collected by means of in-depth interviews and self-administered questionnaires among council employees, both technical employees and councillors. The questions asked on the questionnaire were based on the literature on fiscal decentralisation as discussed in the previous chapters. The interview questions were similar to those asked in the questionnaire. Similar questions were asked in both data collection instruments to achieve complementarity through enhancement, triangulation and clarification of results.

The next section reports and analyse the data collected through questionnaires.

7.2 REPORTING AND ANALYSIS OF FINDINGS FROM DATA COLLECTED THROUGH QUESTIONNAIRES

Data collection was undertaken primarily to gather information about Lesotho decentralisation process with the primary focus on fiscal decentralisation to enable the researcher to address the identified research questions and achieve research objectives (cf. sections 1.4 & 1.5). As stated in chapters one and six, questionnaires were distributed among council management teams, finance staff and finance committee members to assist the researcher to understand and explain the current financial management system at local authorities (cf. sections 1.6.1 & 6.6).

Descriptive statistics is used to analyse the data with the help of a professional statistician. In this regards, summary statistics and visualisation techniques were used (cf. Section 6.7). Summary statistics is presented through central tendency and dispersion whereby the mean and standard deviation of the data in each question is calculated. The visualisation techniques are also used to present the frequency of the responses through pie charts and percentages. The pie charts and percentages assist the researcher to easily interpret the data and reflect the frequency of responses to enable the reader to easily understand and learn the data trend.

The summary statistics are used to reflect data distribution. Mean was calculated to identify the average/the most common pattern of the analysis. Subsequent to the calculation of mean, standard deviation was calculated to indicate the data distribution. The intention is to calculate the spread of the data around the mean, thus if the spread is small all the responses are closer to the mean yielding smaller standard deviation while the greater spread reflected by large standard deviation means is far from the mean. In this regards, standard deviation assist the researcher to use the distribution value to assesses the outliers in the data and identify potential problems/impact of the data that might be caused by the outliers. The results are subsequently presented with diagrams produced by the researcher.

Section A: Biographical information

Question 1: What is your work position?

Responses:

Work positions	**Frequency**
Senior Accountant	6
Assistant Procurement Officer	2
Assistant Administration Officer	5
Assistant Human Resource Officer	1
Accounts Clerk	11

Councillor	19
TOTAL	**44**

Question 2: How long have you been in your position?

Responses:

Time occupying the position(years)	**Frequency**
0 to 3 years	4
4 to 6 years	8
7 years and above	32

Section B: General Questions

In this section, various question categories are discussed and the categories are grouped as 1=Agree, 2=Partly Agree, 3=Disagree and 4=Totally disagree for close-ended questions.

1. **Conceptualising fiscal decentralisation**

The literature in chapter two (cf. Section2.2) defines fiscal decentralisation as the allocation of budget powers in terms of revenue and expenditure as well as inter-governmental transfers between government spheres. In the light of this, subnational governments are given authority through a legal framework to manage their fiscal system and ensure the availability of resources to finance their mandate.

Question 1.1: National government allocates budget powers such as revenue management to subnational government. (Revenue management: local authorities can collect local revenue)

Responses: Figure 7.1 below indicates that 89% of respondents disagree with the view that national government allocates budget powers such as revenue management to subnational governments.

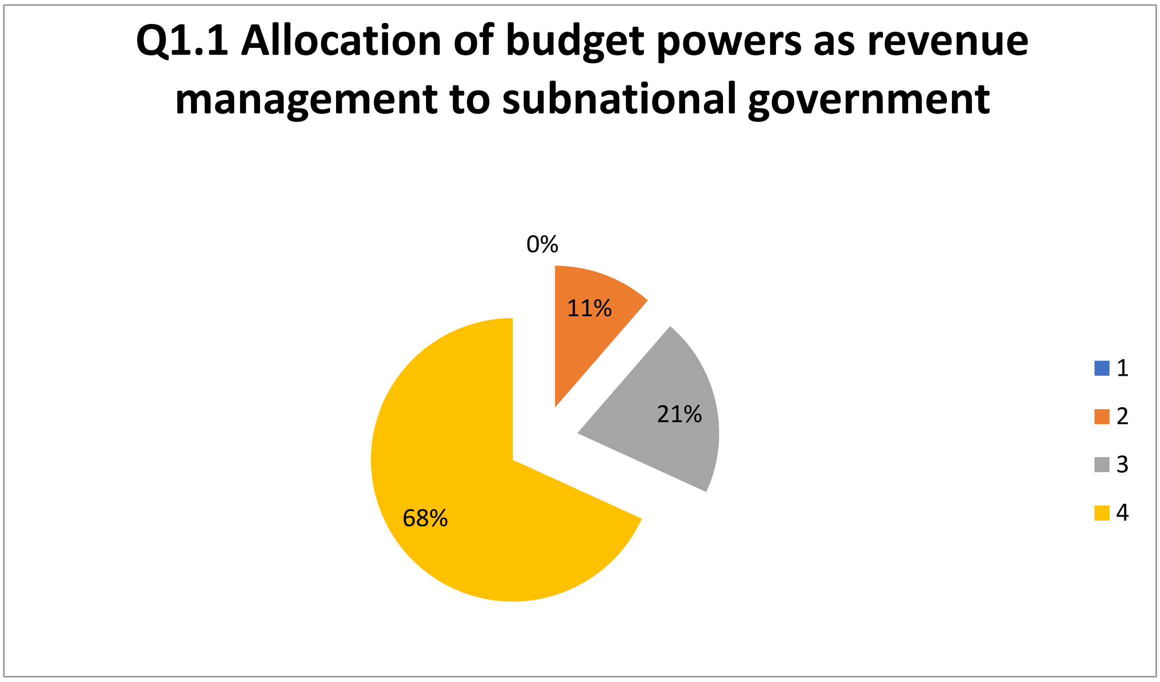


Figure 7.1: Local revenue management:

(Mean; 11, Standard Deviation; 13.2)

Question 1.2: National government allocates budget powers such as expenditure management to subnational governments (Expenditure management in this context means that subnational government has authority to spend locally generated revenue).

Responses: The subsequent figure shows that 82% of the respondents disagree with the view that national government allocates budget powers such as expenditure management to subnational government. Thus, subnational governments are not authorised to spend locally generated revenue for local development.

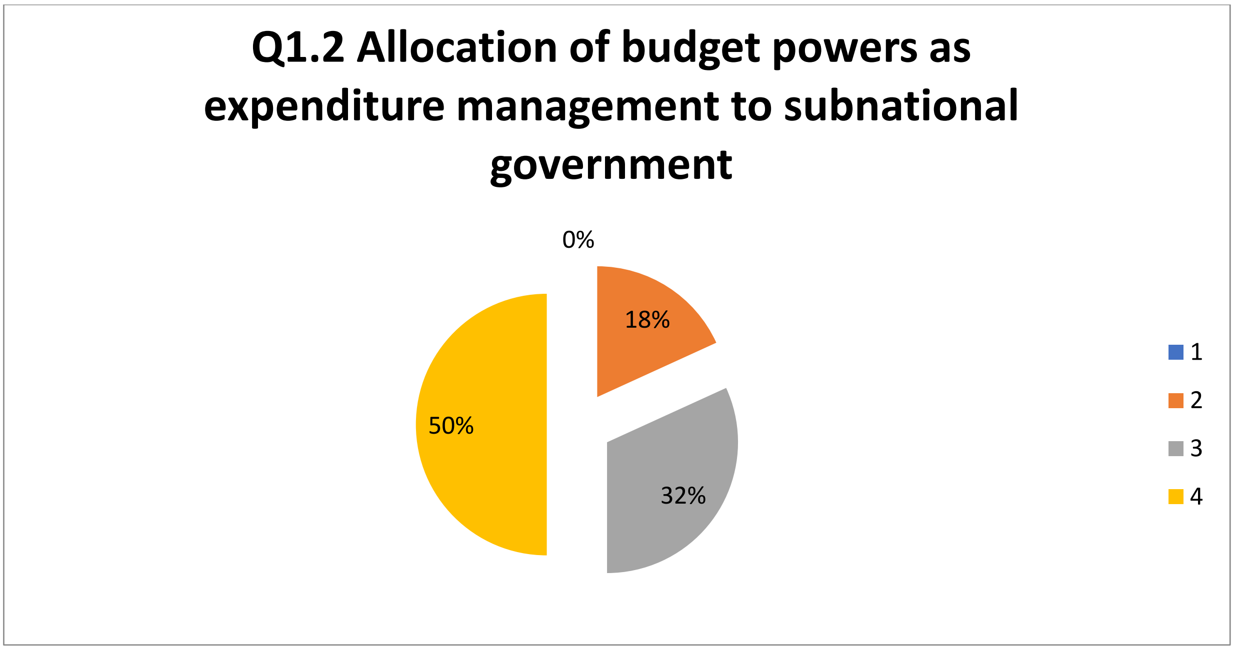


Figure 7.2: Local expenditure management
(Mean; 11, Standard deviation;9.3)

Question 1.3: National government supports local service delivery through intergovernmental transfers.

Responses: 93% of the respondents are in agreement that national government supports local service delivery through intergovernmental transfers.

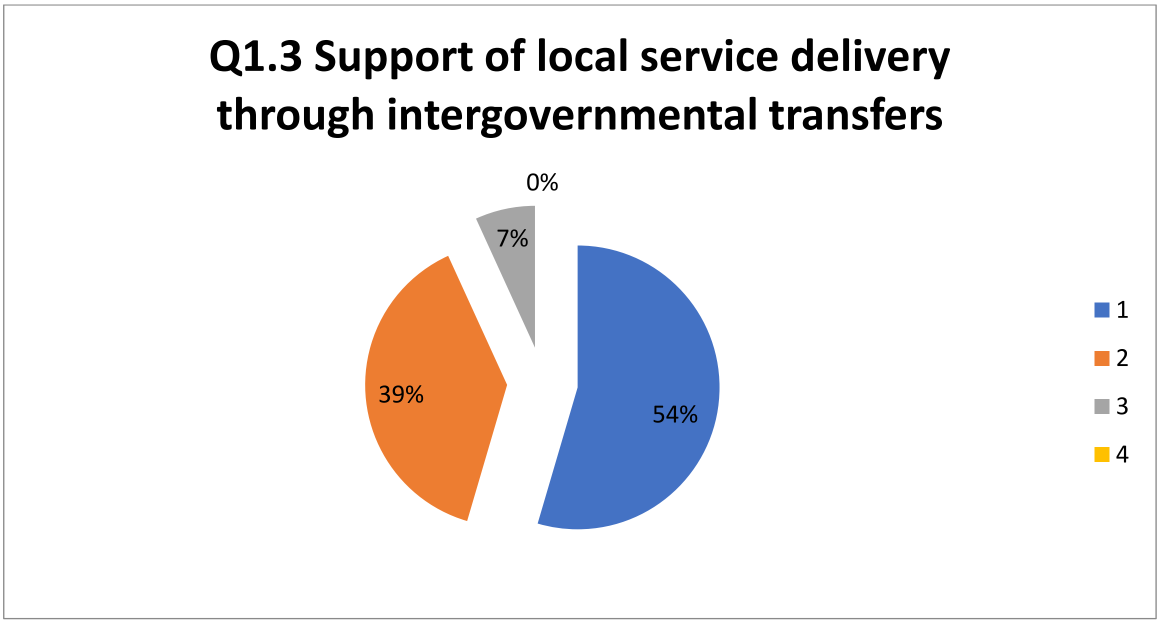


Figure 7.3: Intergovernmental relations,
(Mean; 11, Standard Deviation; 11.4)

Question 1.4: Subnational government financial management system is guided by multiple financial regulations.

Responses: 86% of the respondents are in agreement that subnational government financial management is governed through the use of multiple financial regulations.

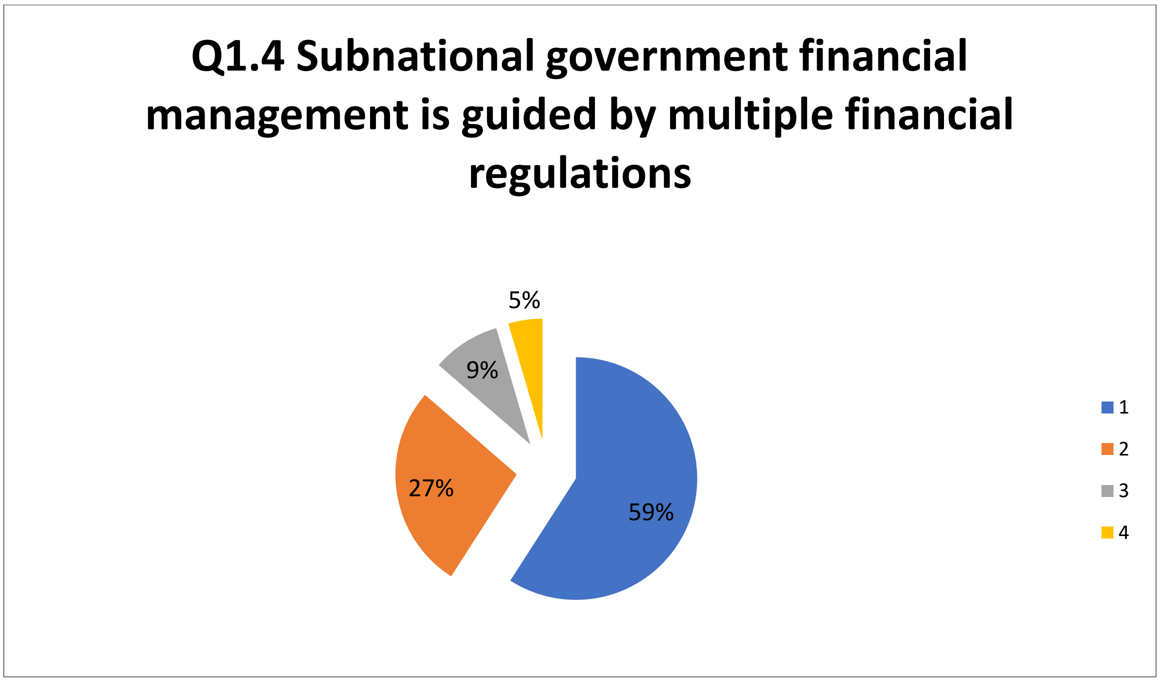


Figure 7.4: Financial regulations
(Mean; 11, Standard Deviation; 10.8)

2. Local Revenue Management

As local governance bodies charged with the development of their communities, subnational governments have a responsibility to manage local revenue for financing local projects.

Question 2.1: Subnational governments have the authority to determine sources of revenue within their territory.

Responses: Figure 7.5 shows that 68% of the respondents are in agreement that subnational governments have authority to determine sources of revenue, while 32% argue against it.

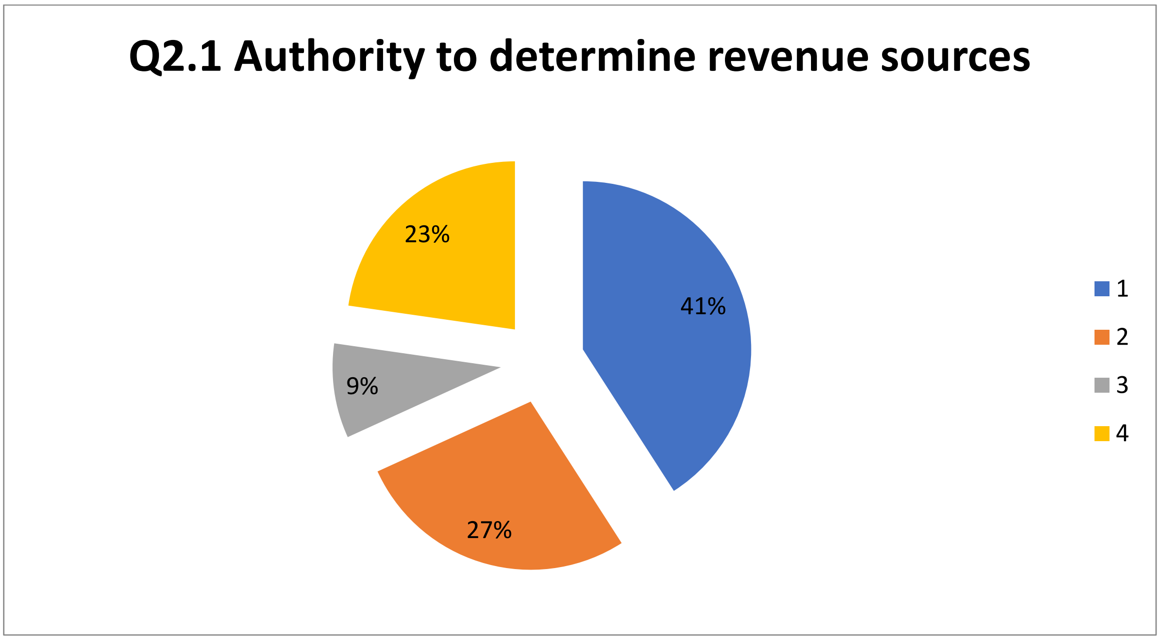


Figure 7.5: Identifying sources of revenue
(Mean; 11, Standard Deviation; 5.7)

Question 2.2: Subnational governments have the authority to set tax and fee rates within their territory.

Responses: 62% of finance officers and councillors that completed the questionnaire are of the view that subnational governments do not have the authority to determine taxes and fee rates within their respective territories. However, the remaining 38% that agree to setting of rates and taxes by subnational governments is significant.

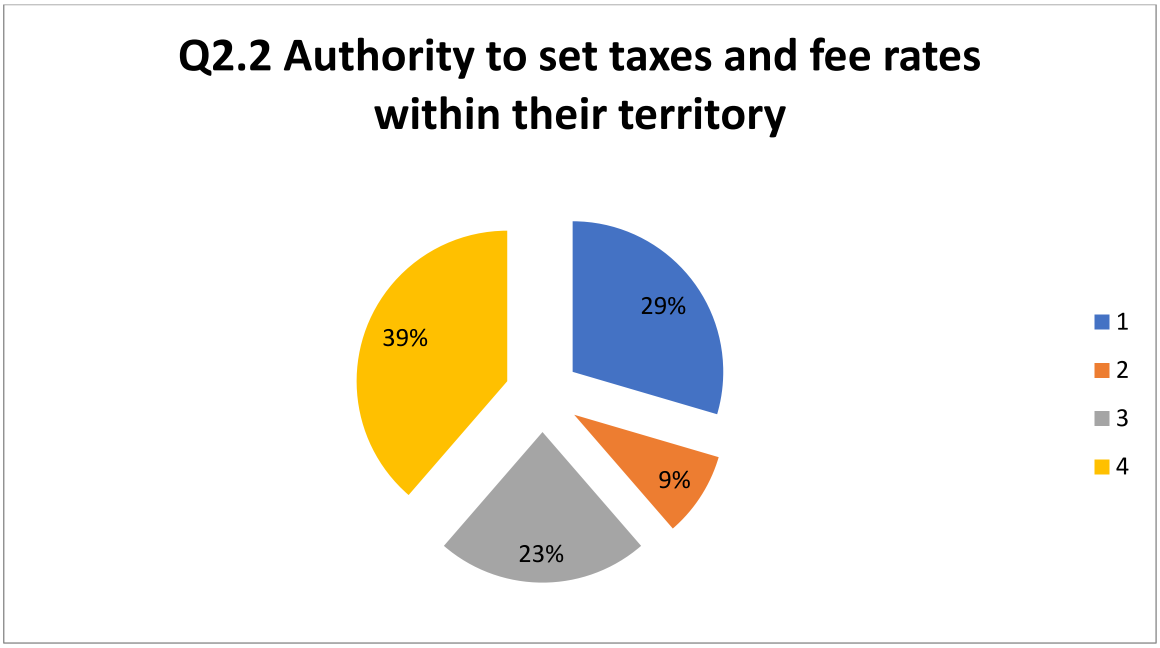


Figure 7.6: Local service fees
(Mean; 11, Standard Deviations; 5.5)

Question 2.3: Subnational governments have administrative capacity to collect revenue.

Responses: Majority (68%) of the respondents agree that subnational governments have administrative capacity to collect data.

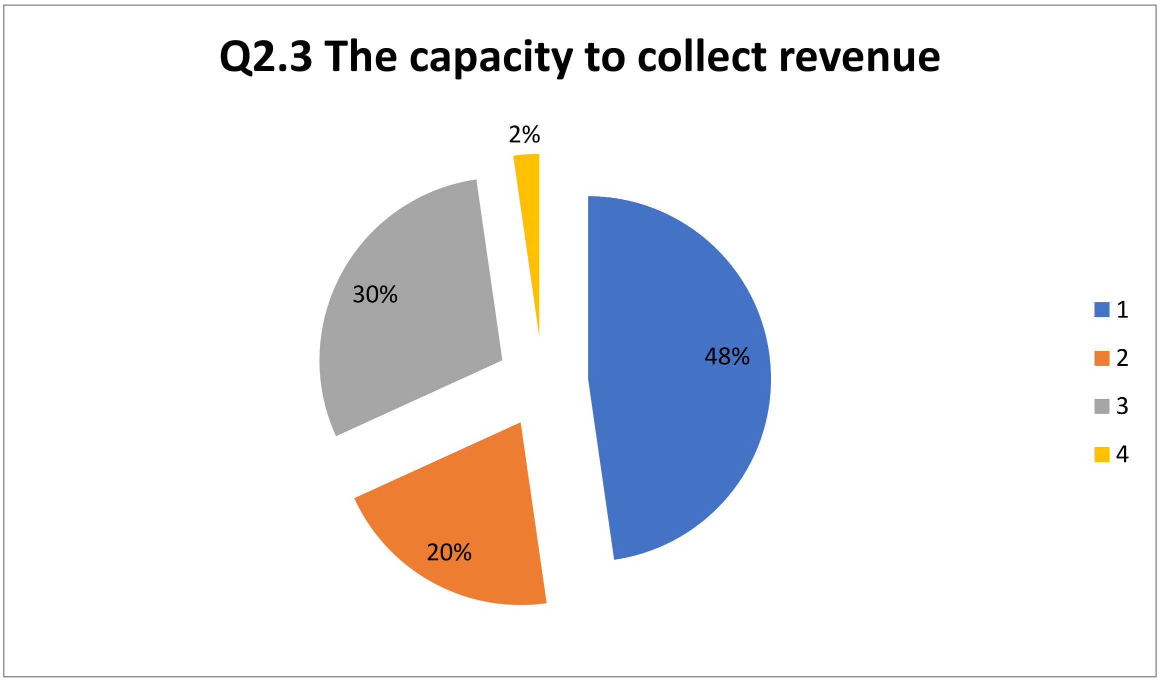


Figure 7.7: Revenue collection
(Mean; 11, Standard Deviation; 8.3)

Question 2.4: Each council has a bank account to deposit its revenue collection as per the requirements of the Local Government Act 6 of 1997.

Responses: All the respondents disagree with the statement that all councils have bank accounts as per the Local Government Act of 1997.

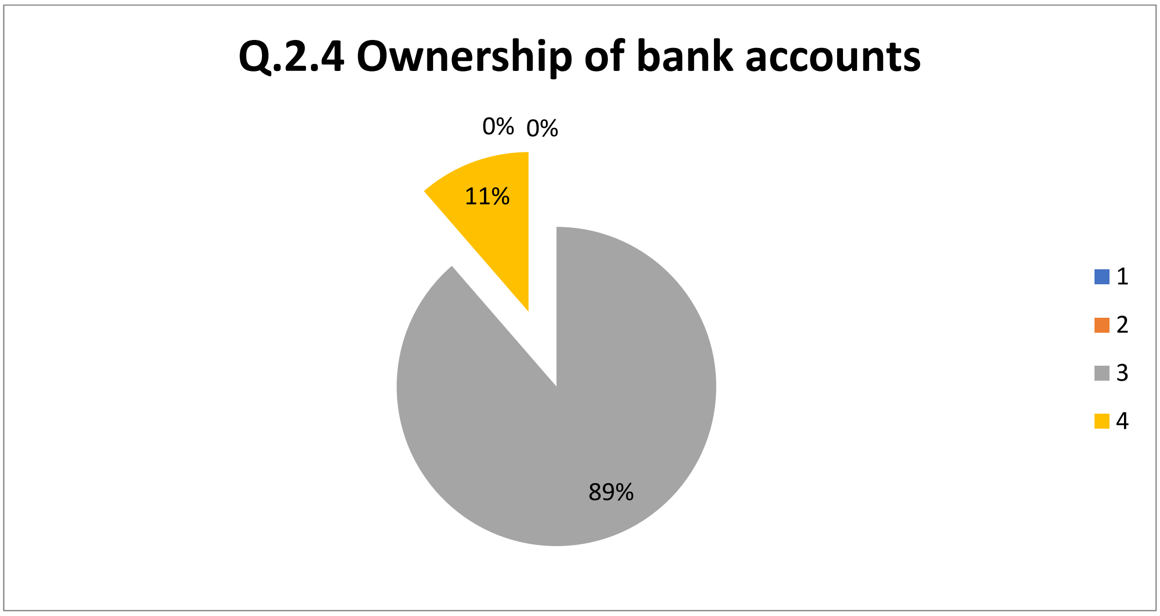


Figure 7.8: Bank accounts

(Mean; 11, Standard Deviation; 18.8)

Question 2.5: Subnational governments have regulations to manage tax administration.

Responses: Figure 7.9 below demonstrates that 66% of the respondents argue that subnational governments do not have tax administration regulations.

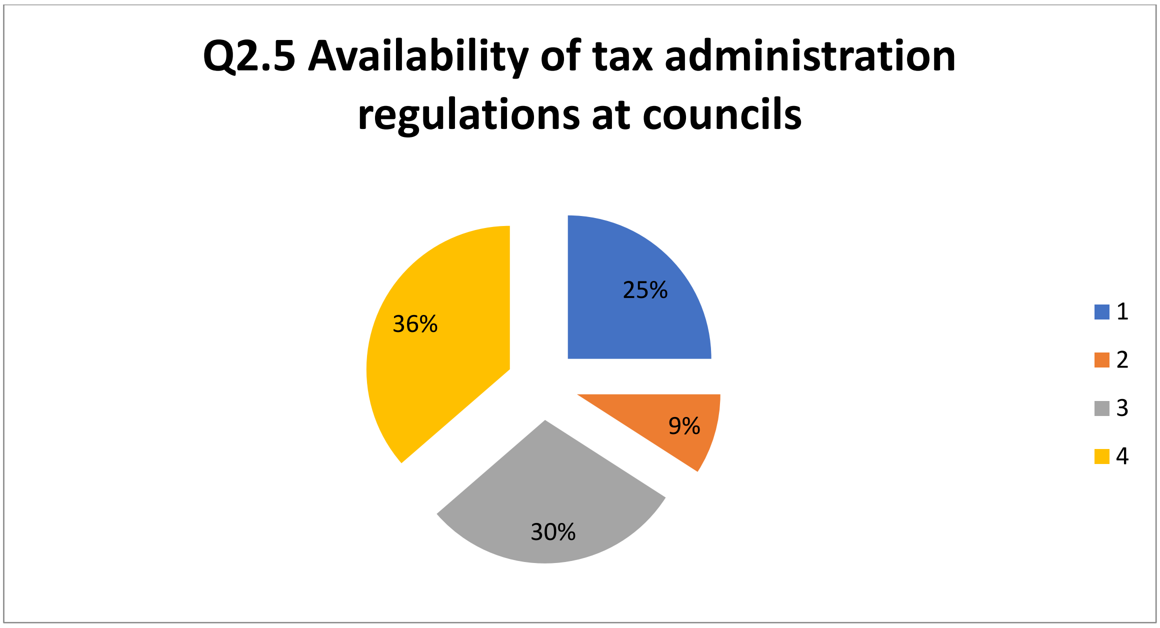


Figure 7.9: Tax policies
(Mean; 11. Standard Deviation; 5.1)

Question 2.6: Subnational governments have taxation enforcement processes/systems to ensure compliance.

Responses: 73% of the respondents are of the opinion that subnational government do not have taxation enforcement systems.

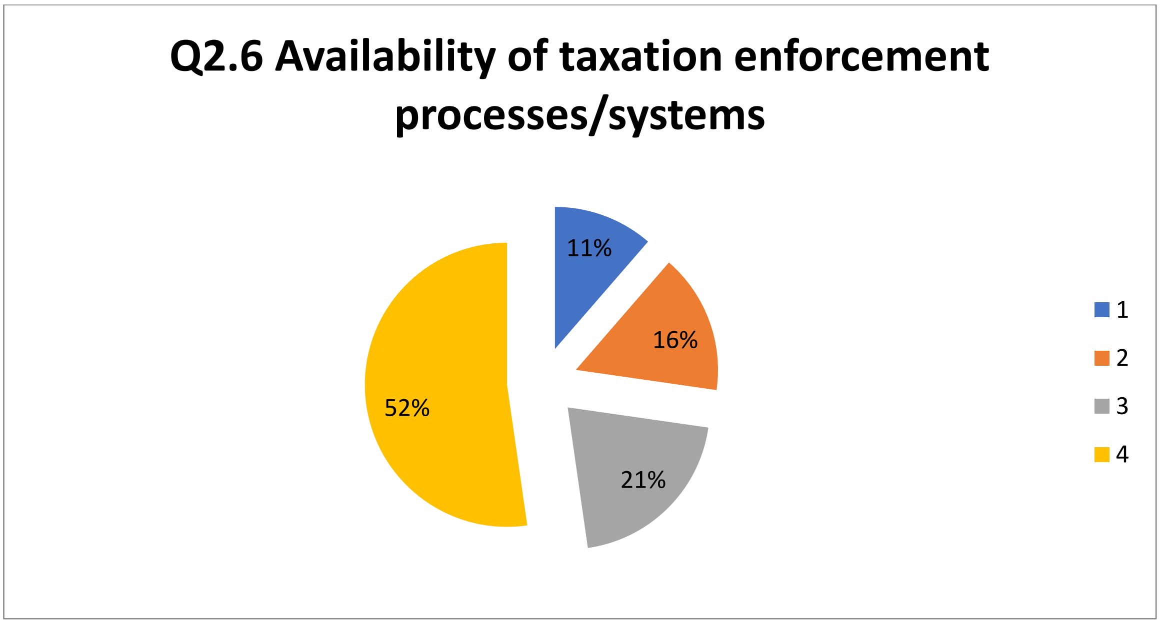


Figure 7.10: Law enforcement
(Mean; 11, Standard Deviation; 8.2)

3. **Subnational expenditure management**

In order for subnational governments to perform their responsibility of serving local communities, they need to allocate and use resources responsively, efficiently and effectively.

Question 3.1: Districts identify local needs and create a development agenda through the District Development Coordination Committee.

Responses: Majority of the respondents (75%) agree that districts identify local development needs and establish their development agenda through the District Development Coordination Committee.

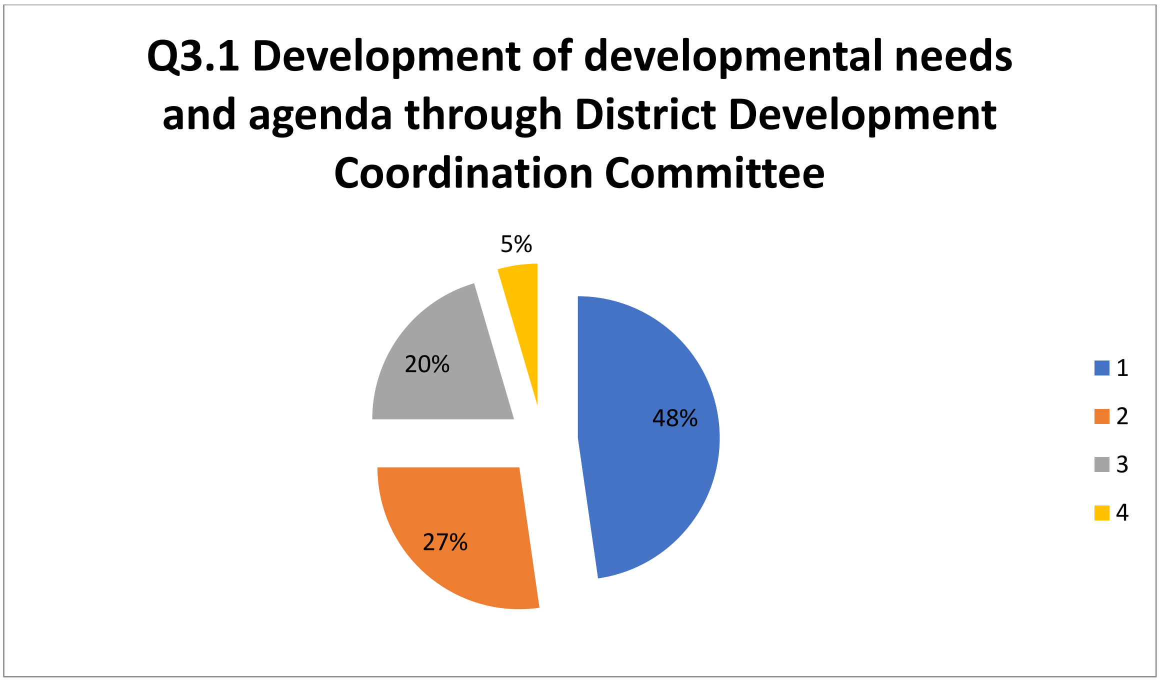


Figure 7.11: District development committee
(Mean; 11, Standard Deviation; 7.9)

Question 3.2: The district budget policy reflects local economic and social preferences.

Responses: Figure 7.12 below illustrates that 86% of the respondents agree that district budget policy reflects economic and social preferences of local citizens.

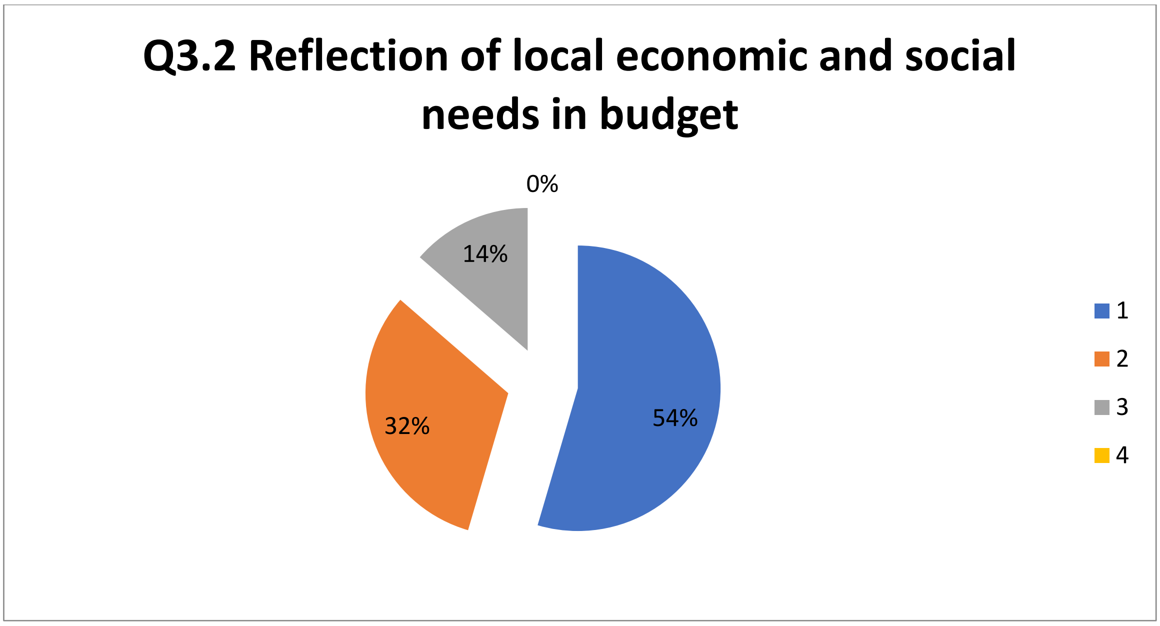


Figure 7.12: Budgeting
(Mean; 11, Standard Deviation; 10.4)

Question 3.3: The locally generated revenue is used to finance local development projects.

Responses: The majority of the respondents (80%) disagree that the locally collected revenue is used to finance local development projects.

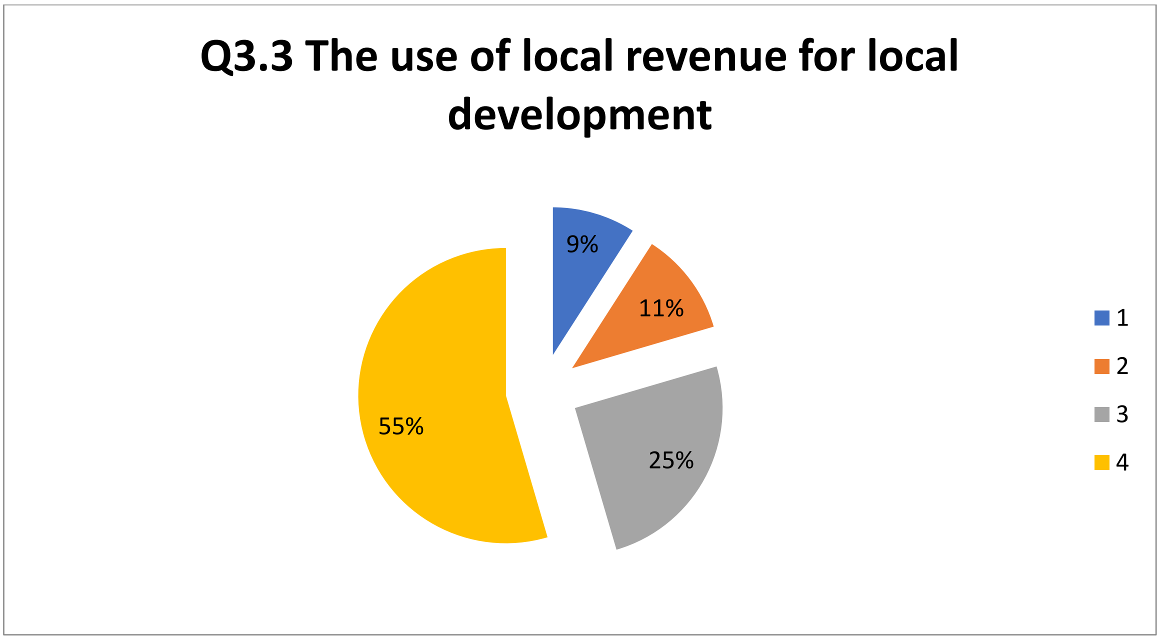


Figure 7.13: Financing local development
(Mean; 11, Standard Deviation; 9.2)

Question 3.4: There are predetermined budget allocation strategies among councils in the district.

Responses: 73% of the respondents, as shown in Figure 7.14 are against the view that there are predetermined budget allocation strategies among councils in the district.

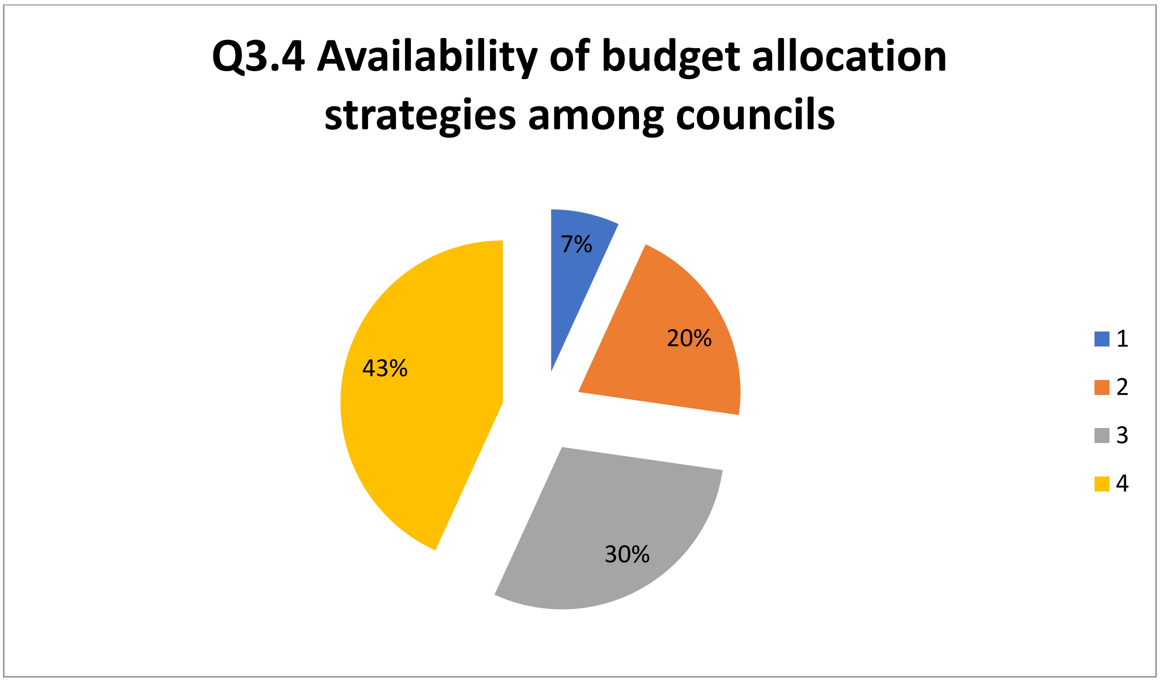


Figure 7.14: Budget allocation
(Mean; 11, Standard Deviation; 12.1)

4. Inter-governmental transfers

Intergovernmental transfer refers to a multidimensional component of fiscal decentralisation whereby finances are transferred from one sphere of government to another for addressing fiscal gaps.

Question 4.1: Subnational governments receive transfers to address an asymmetry between their expenditure needs and revenue supply.

Responses: Although 55% of the respondents agree that subnational governments receive transfers to address the asymmetry between expenditure needs and revenue supply, 45% of the respondents who disagreed represents a significant number of those not in agreement.

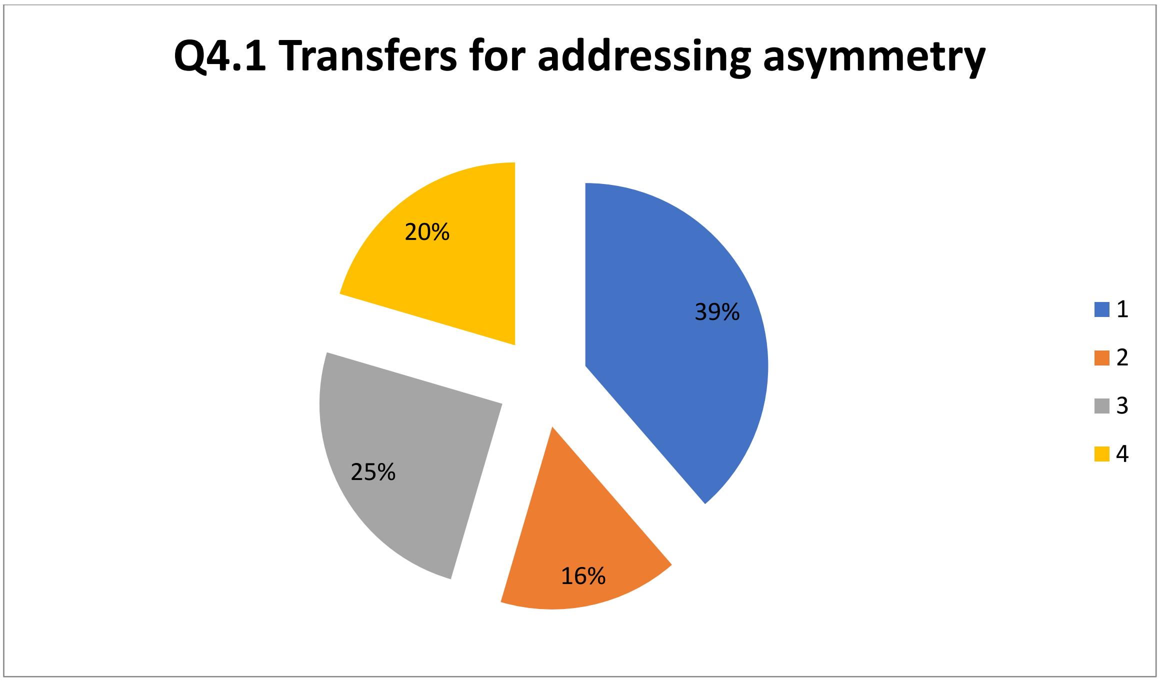


Figure 7.15: Intergovernmental transfers

(Mean; 11, Standard Deviation; 4.3)

Question 4.2: Subnational governments receive grant transfers from national government.

Responses: All the respondents agree that subnational governments receive grant transfers from national government.

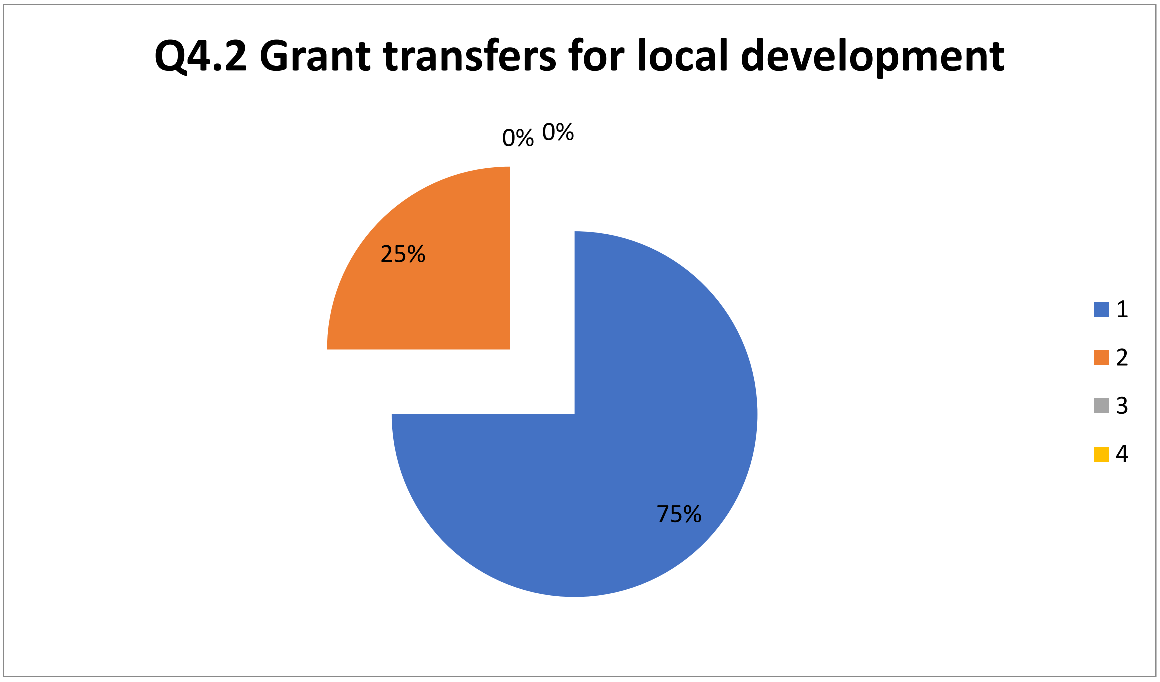


Figure 7.16: Grant transfer

(Mean; 11, Standard Deviation; 15.6)

Question 4.3: Councils receive a share of revenue collected in their territory by the national government.

Responses: Figure 7.17 bellow illustrates that 61% of the respondents disagree with the view that councils receive a share of revenue collected in their territory by the national government.

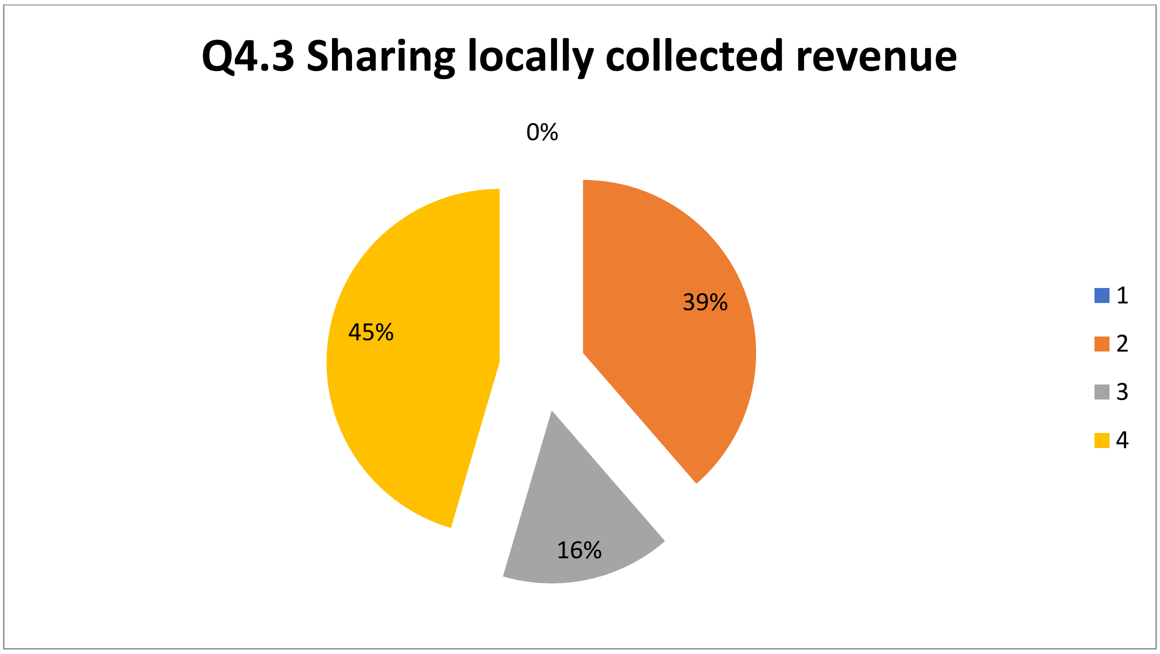


Figure 7.17: Revenue sharing
(Mean; 11, Standard Deviation; 9.2)

Question 4.4: Subnational governments have the authority to determine how they utilise the funds transferred to subnational governments by the national government.

Responses: In receiving transferred funds, subnational governments expend it to finance their activities. In reference to Figure 7.18 below, the majority (88%) of the respondents agree that local authorities have authority to determine how the transferred funds are utilised.

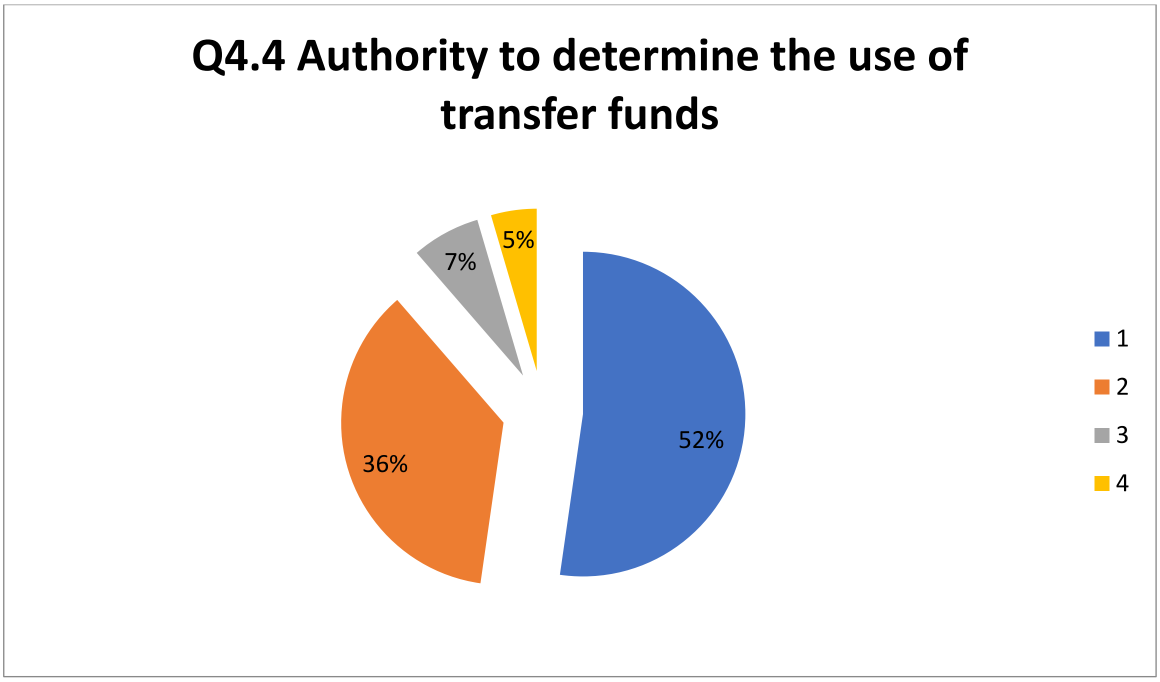


Figure 7.18: Budget expenditure
(Mean; 11, Standard Deviation; 10.2)

Question 4.5: There is a regulatory framework for governing the transfers system.

Responses: Figure 7.19 indicates that 77% of the respondents agree that there is a regulatory framework for governing the transfers system.

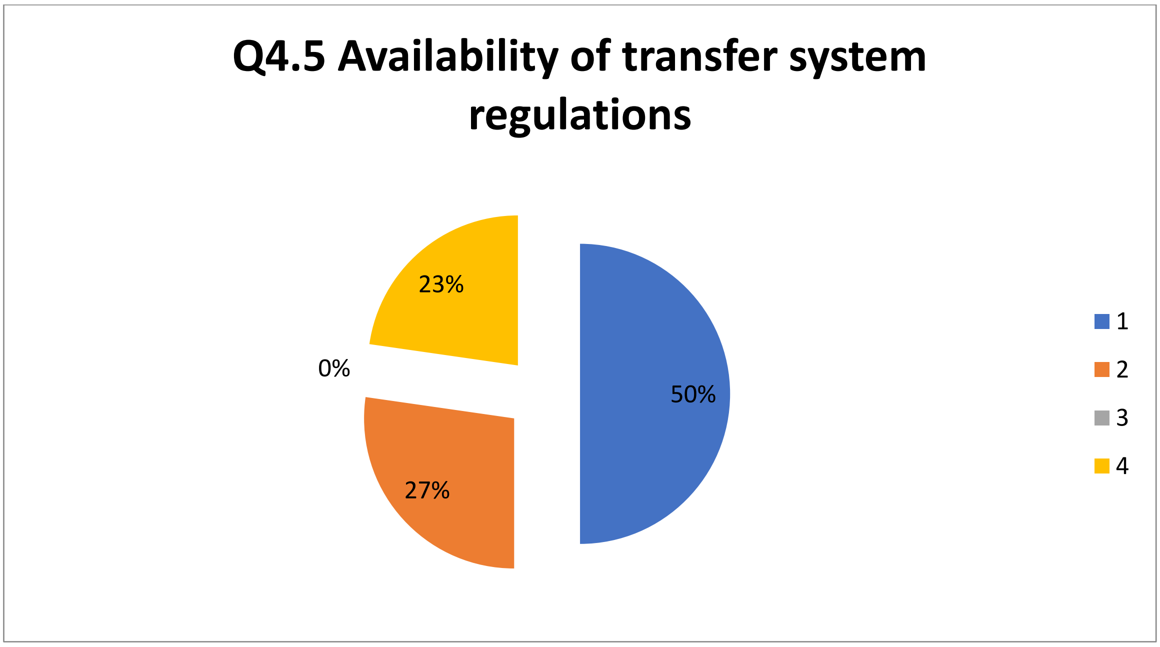


Figure 7.19: Intergovernmental transfer system
(Mean; 11, Standard Deviation; 9)

Question 4.6: The transfer system is the best funding strategy for the country.

Responses: 84% of the respondents are of the view that the transfer system is the best funding strategy for councils.

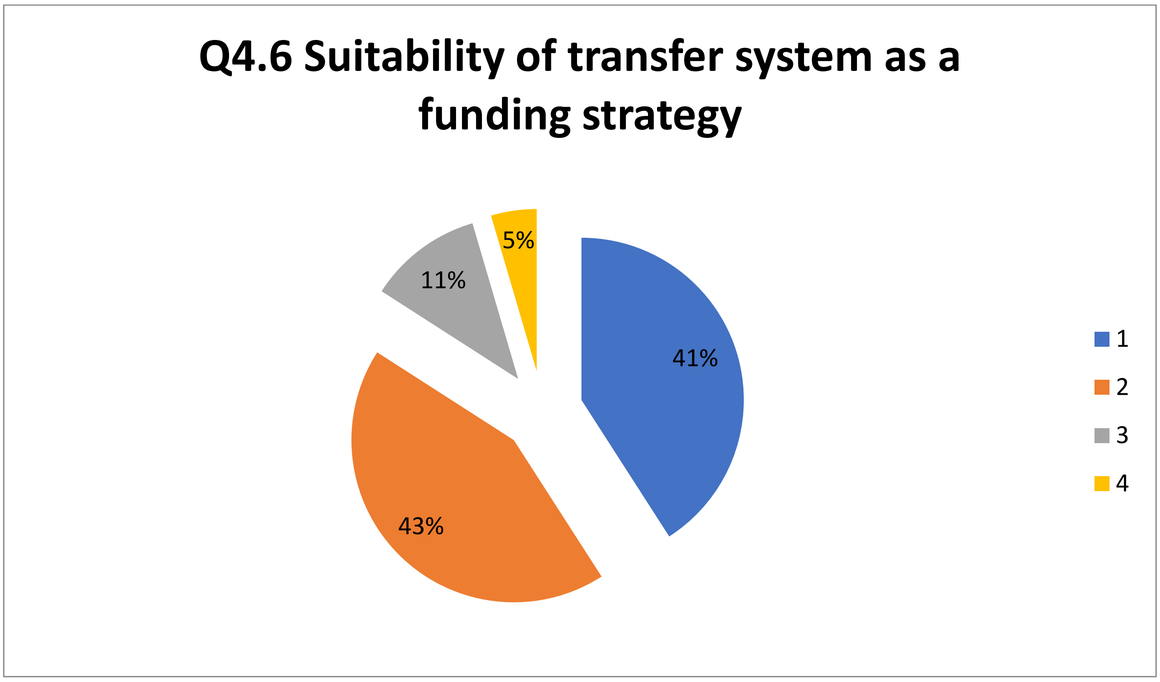


Figure 7.20: Funding strategy

(Mean; 11, Standard Deviation; 8.9)

5. **Autonomy of subnational governments**

The autonomy of subnational governments is determined by their ability to independently develop and finance their developmental plans.

Question 5.1: Subnational governments can independently finance their mandate.

Responses: Although subnational governments need to be financially independent to remain autonomous, all respondents (100%) argue that subnational governments cannot independently finance their mandate.

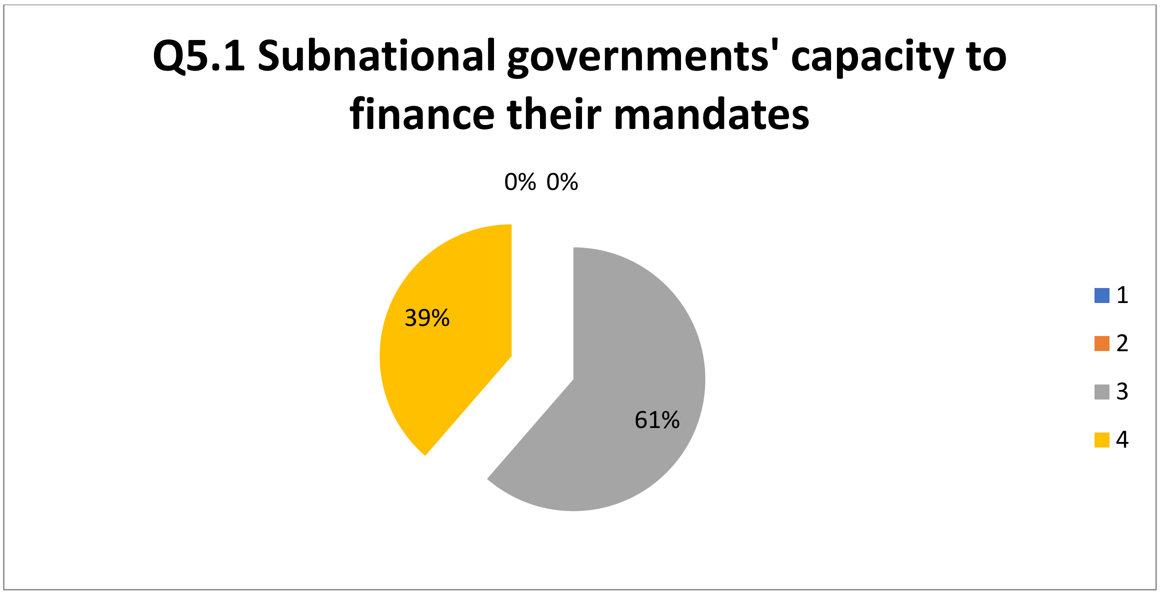


Figure 7.21: Local financial capacity
(Mean; 11, Standard Deviation; 13.3)

Question 5.2: Locally generated revenue covers a larger fraction of the council budget than the fraction of national transfers.

Responses: All the councillors, finance officers and council management team members that completed the questionnaire disagree with the view that local revenue covers a larger percentage of council budgets than the transferred funds by national government.

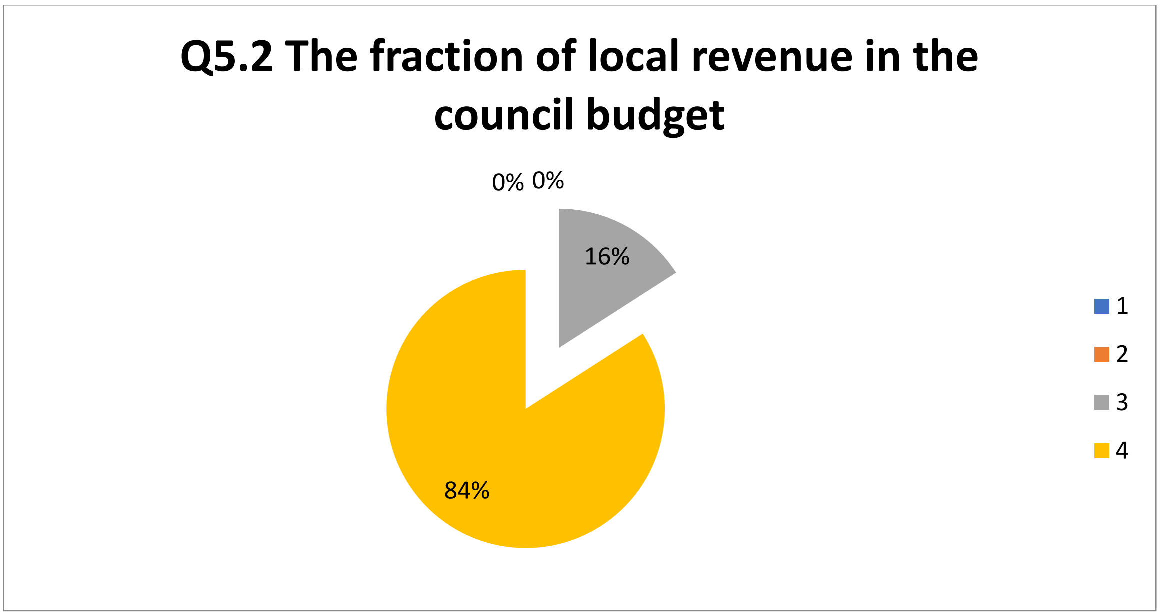


Figure 7.22: Local revenue in the council budget
(Mean; 11, Standard Deviation; 17.7)

Question 5.3: Your council depends on transfers from national government to sustain the operational requirements of providing public services.

Responses: Figure 7.23 shows that all participants agree that councils depend on national transfers.

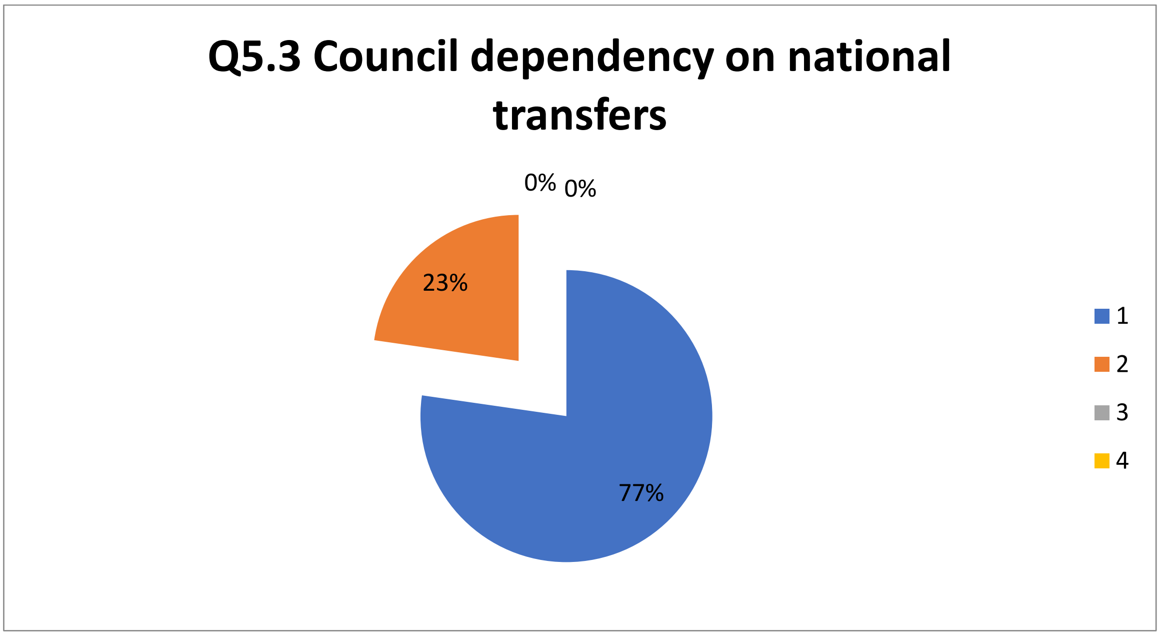


Figure 7.23: Dependency on national transfers
(Mean; 11, Standard Deviation; 16)

Question 5.4: Subnational governments implement their developmental plans without interference by national government.

Responses: Figure 7.24 illustrates that 53% of the respondents agree with the view that subnational governments implement their developmental plans without interference of national government whereas 47% disagree with the view.

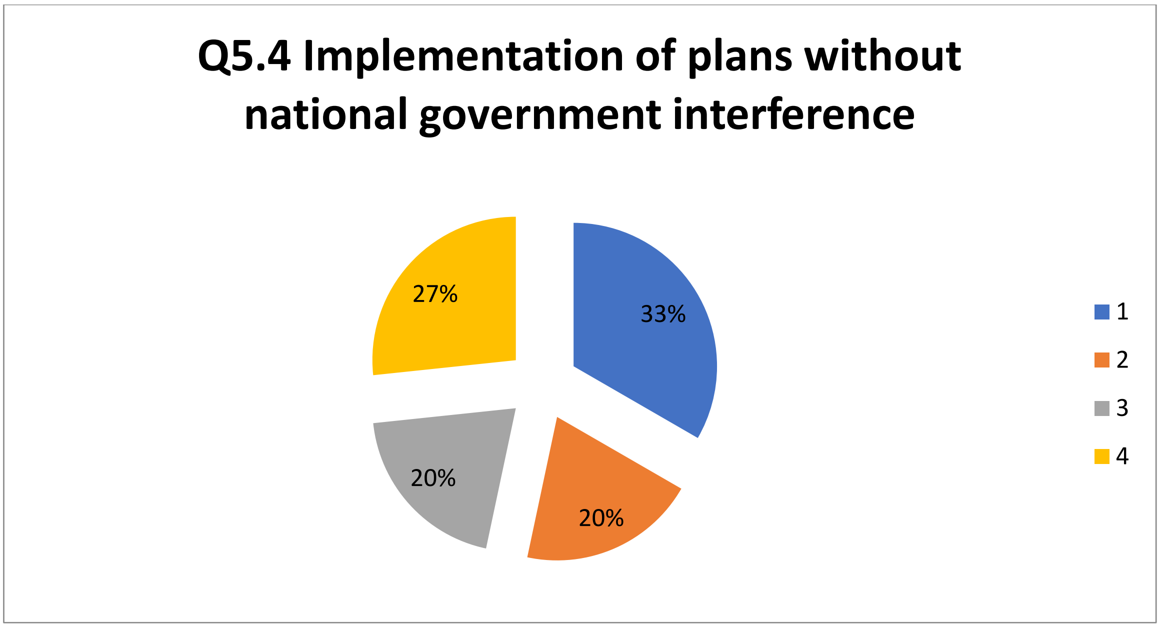


Figure 7.24: National government interference
(Mean; 11, Standard Deviation; 7.5)

Question 5.5: Subnational governments have the power to develop and enforce regulatory policies within their jurisdictions.

Responses: 59% of the respondents (Figure 7.25) do not agree with the view that subnational governments have the power to develop and enforce regulatory policies within their jurisdictions

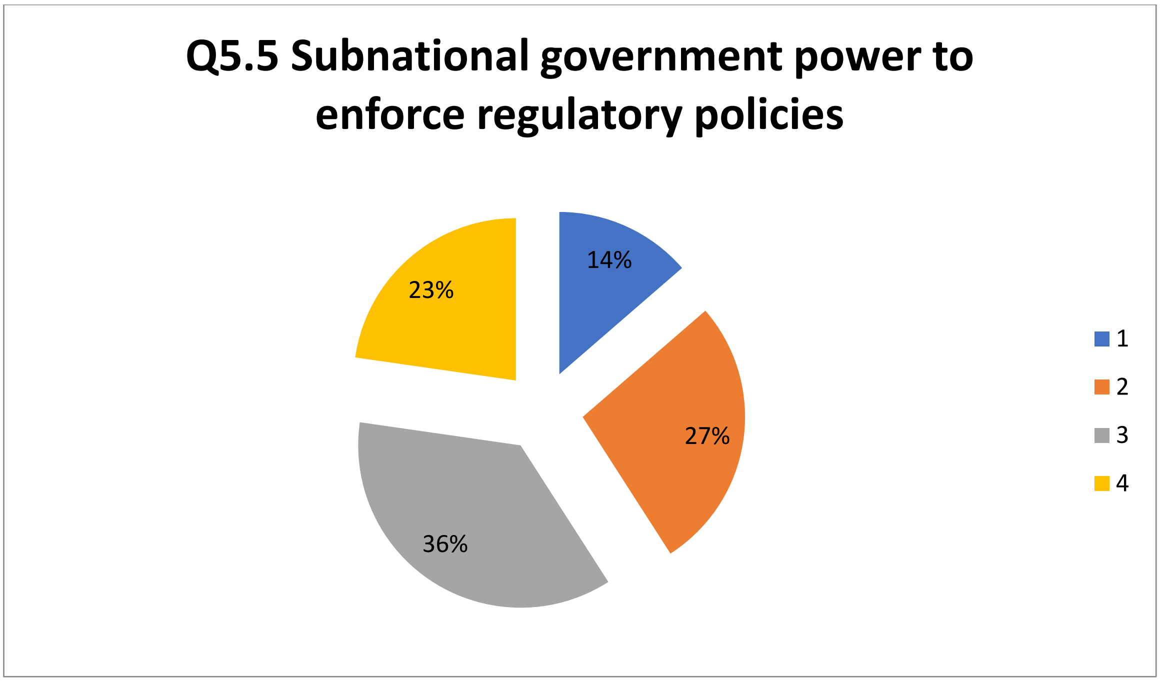


Figure 7.25: Law enforcement
(Mean; 11, Standard Deviation; 4.2)

6. Assignment of functional responsibilities

The assignment of functional responsibilities between government spheres is based on the subsidiary principle to maximize efficiency and accountability (Subsidiary principle says functional responsibilities are organised in a way that they are performed by the smallest, least centralised and capable authority).

Question 6.1: Subnational governments are the best basic and closer structures to know and deliver unique needs of local communities.

Responses: 89% of the respondents hold the view that subnational governments are the best structures to serve local communities.

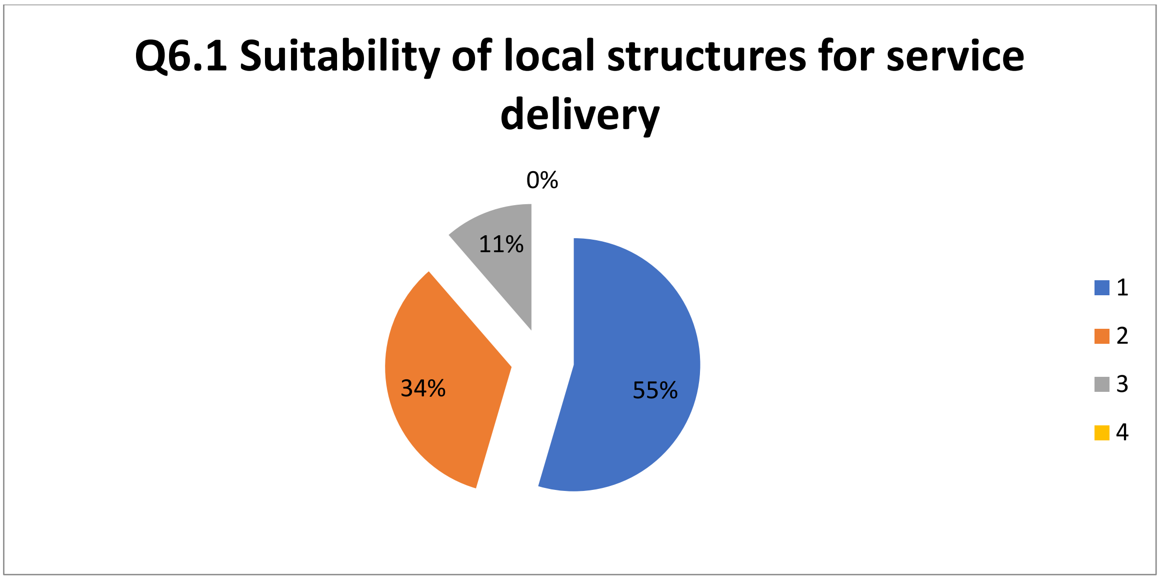


Figure 7.26: Suitability of local structures
(Mean; 11, Standard Deviation; 10.7)

Question 6.2: The concurrent functional assignment approach adopted by the country ensures efficient and effective public service delivery.

Responses: 61% of the respondents disagree with the view that the concurrent functional assignment approach ensures efficient and effective service delivery. However, the 39% that agree with the statement is a significant number.

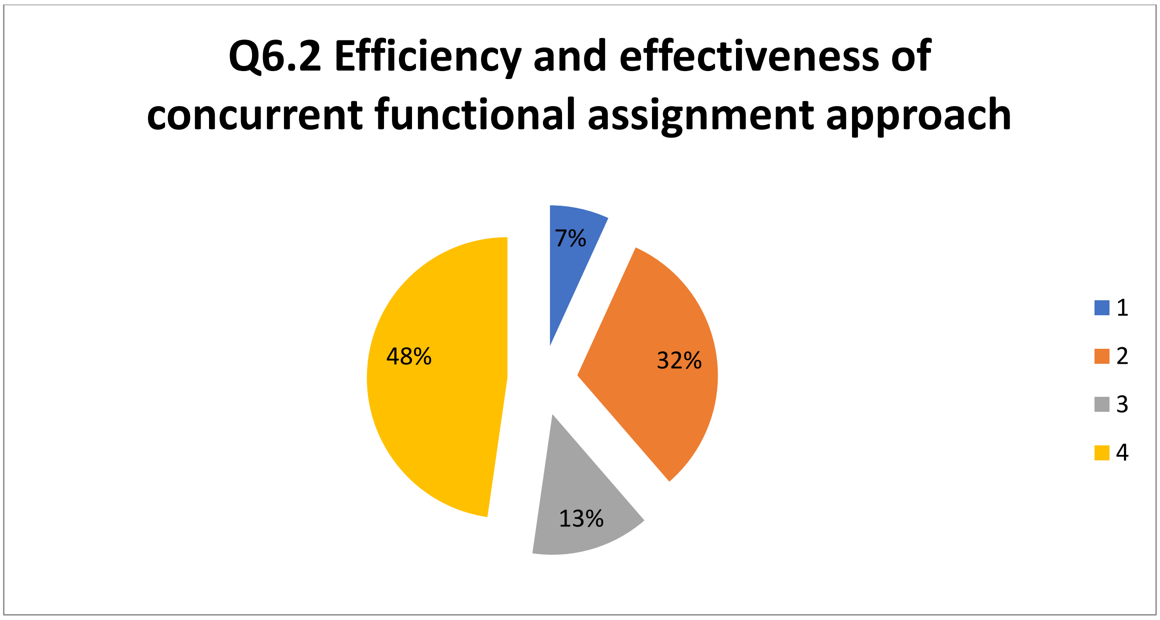


Figure 7.27: Functional assignment
(Mean; 11, Standard Deviation; 8)

Question 6.3: The functional assignment for subnational governments as presented in the Local Government Act 6 of 1997 is clear and detailed showing a clear demarcation of responsibility between spheres of government.

Responses: Figure 7.28 shows that only 34% of the respondents are of the view that there is a clear and detailed demarcation of functional responsibilities between spheres of government as spelled out in the Local Government Act of 1997.

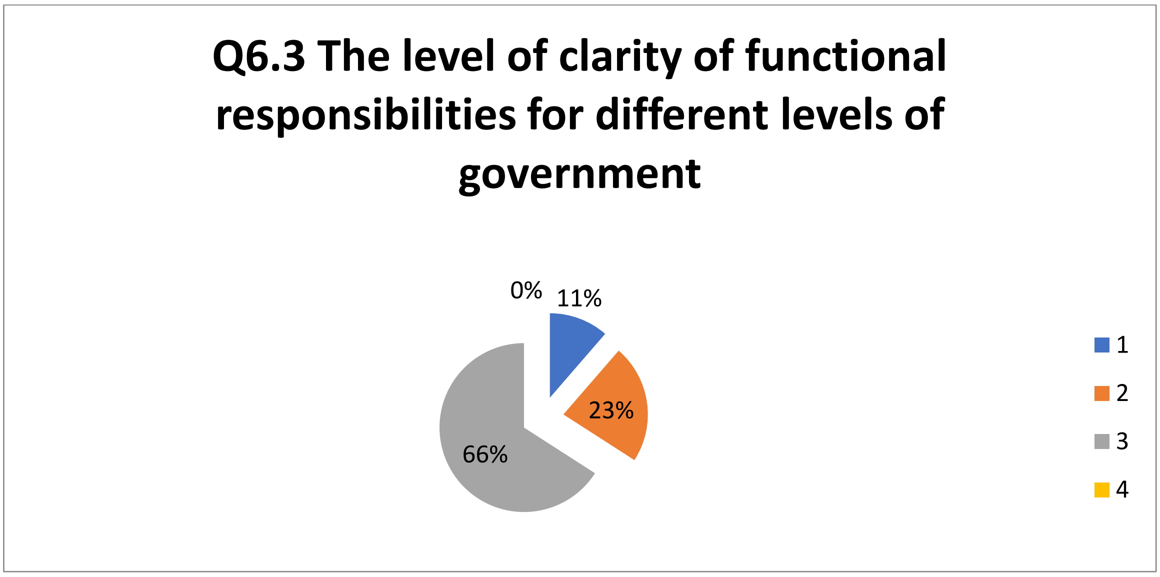


Figure 7.28: Clarity of functional responsibilities
(Mean; 11, Standard Deviation; 12.7)

Question 6.4: There is a clear demarcation of functional responsibilities between different councils in the district.

Responses: All the respondents agree that there is a clear demarcation of functional responsibilities between different councils in the district.

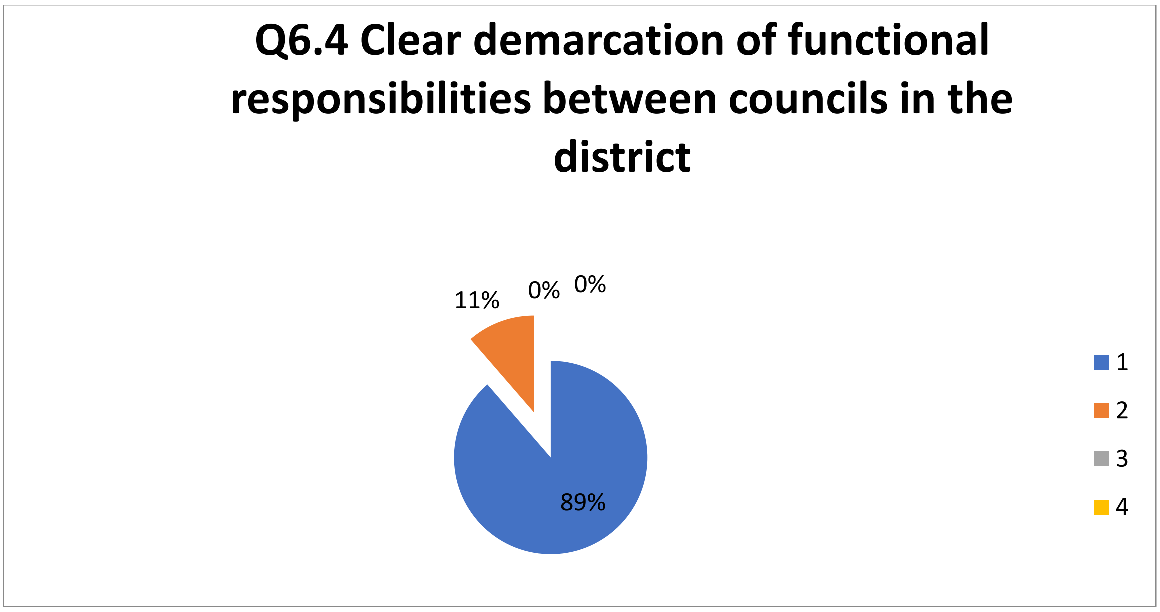


Figure 7.29: Functional responsibilities to councils
(Mean; 11, Standard Deviation; 18.8)

Question 6.5: Subnational governments have spending responsibilities that are relatively equivalent to their financial resources.

Responses: All the respondents (Figure 7.30) disagree with the statement that subnational governments have spending responsibilities that are relatively equivalent to their financial resources.

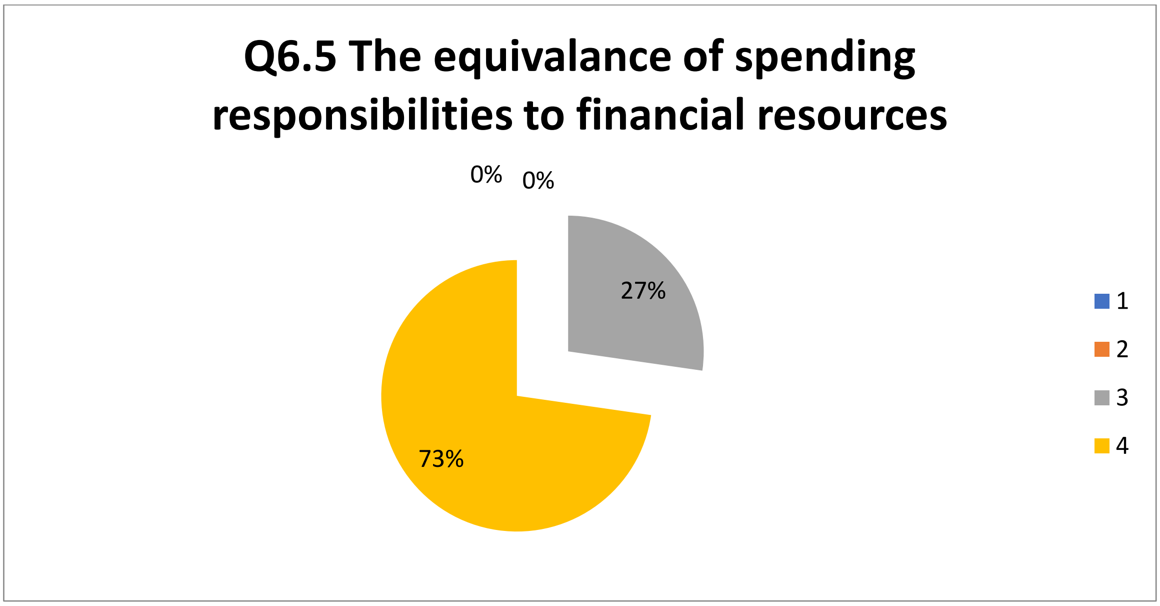


Figure 7.30: Functions and financial responsibilities
(Mean; 11, Standard Deviation; 15)

Question 6.6: Subnational governments have supervisory responsibilities over all public institutions within their territory.

Responses: Figure 7.31 illustrates that participants disagree with the view that subnational governments have supervisory responsibilities over public institutions in their territory.

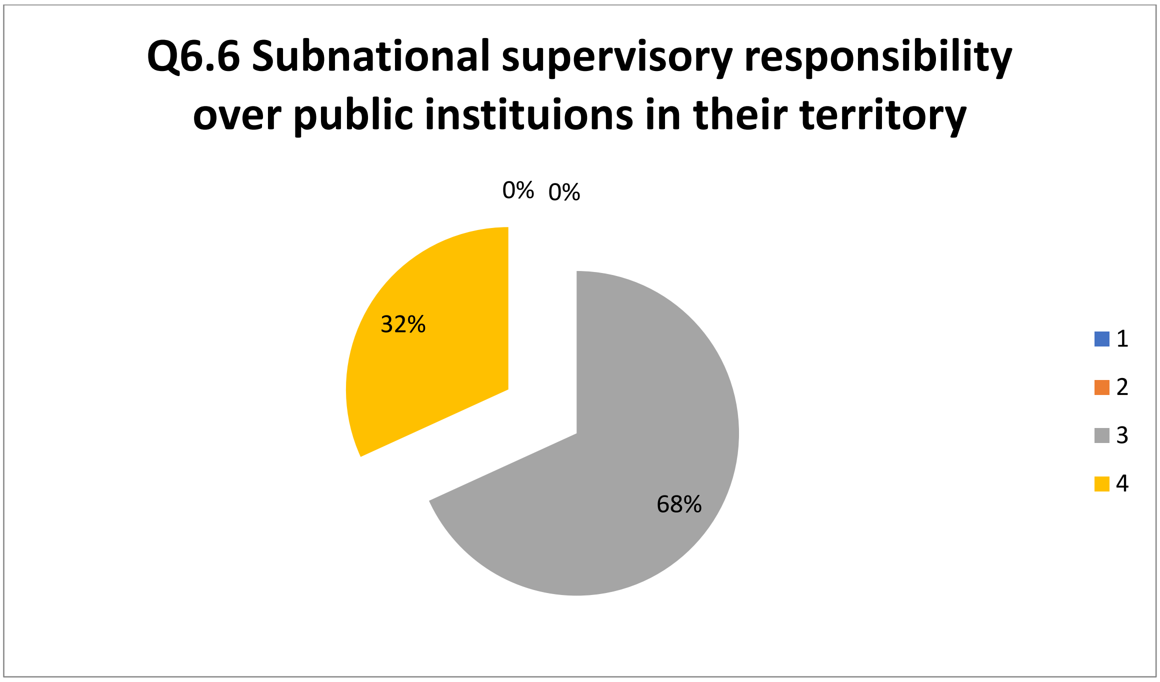


Figure 7.31: Supervisory responsibilities
(Mean; 11, Standard Deviation; 9.6)

Question 6.7: Subnational governments are responsible for performance of all public institutions within their territory.

Responses: The majority of the respondents (82%) argue that subnational governments are not responsible for the performance of all public institutions within their territory.

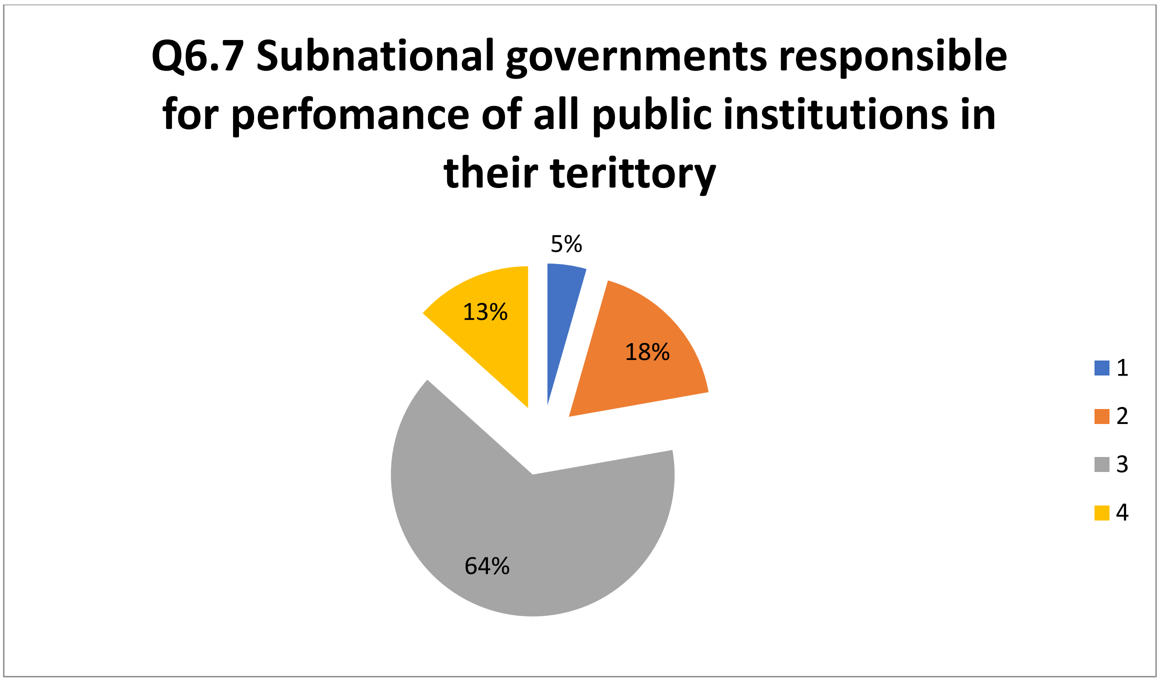


Figure 7.32: District performance
(Mean; 11, Standard Deviation; 12.1)

7. Subnational government financial resources

Subnational governments are independent financial actors with the responsibility to finance their expenditure with their own revenue.

Question 7.1: Subnational governments need a broad revenue base to generate enough revenue to finance their mandate.

Responses: All the respondents support the view that subnational governments need a broad revenue base for generation of revenue to finance their mandate.

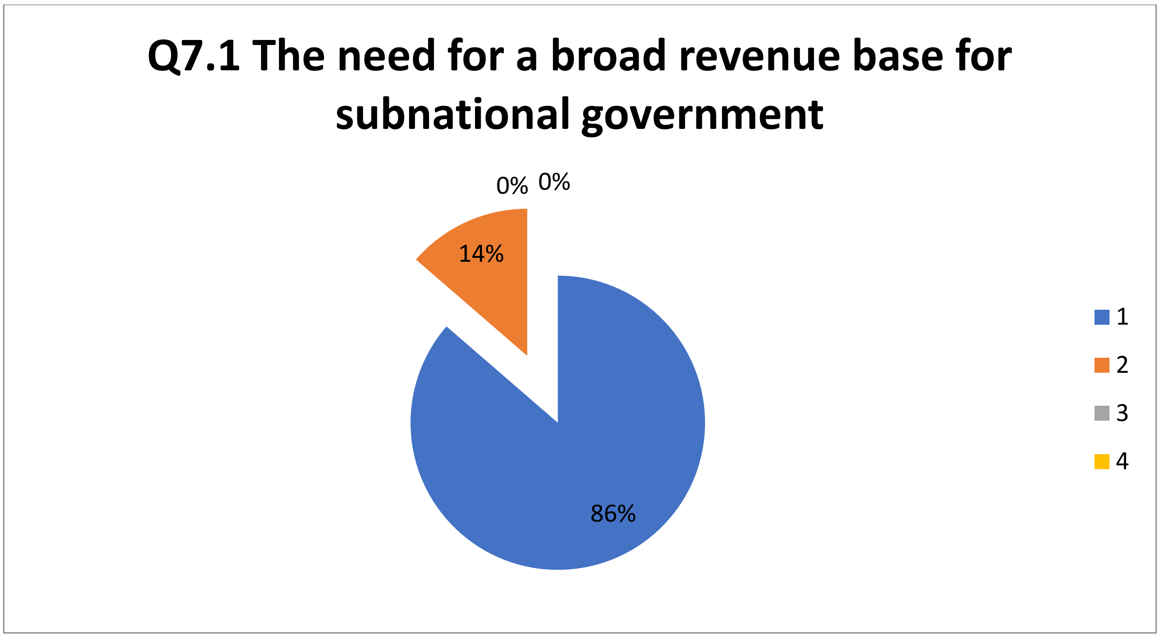


Figure 7.33: Revenue sources
(Mean; 11, Standard Deviation; 18.2)

Question 7.2: There are multiple revenue collectors impacting negatively on subnational governments' initiatives to collect revenue at the districts.

Responses: The higher percentage of respondents (73%) argues that there are multiple revenue collectors at the districts that have a negative impact on the subnational governments' initiatives to collect revenue.

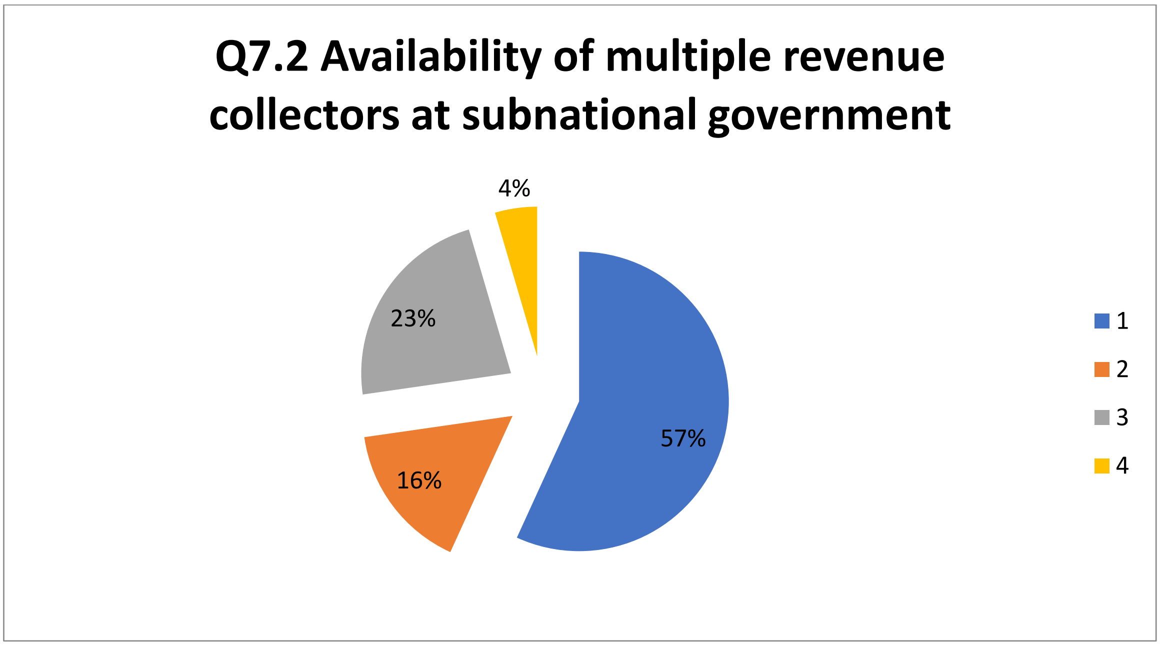


Figure 7.34: Revenue collectors
(Mean; 11, Standard Deviation; 9.9)

Question 7.3: Subnational governments as public spending entities, receive a share of the national budget as part of their income.

Responses: Figure 7.35 below illustrates that all respondents agree that subnational governments receive a share of national budget as part of their income.

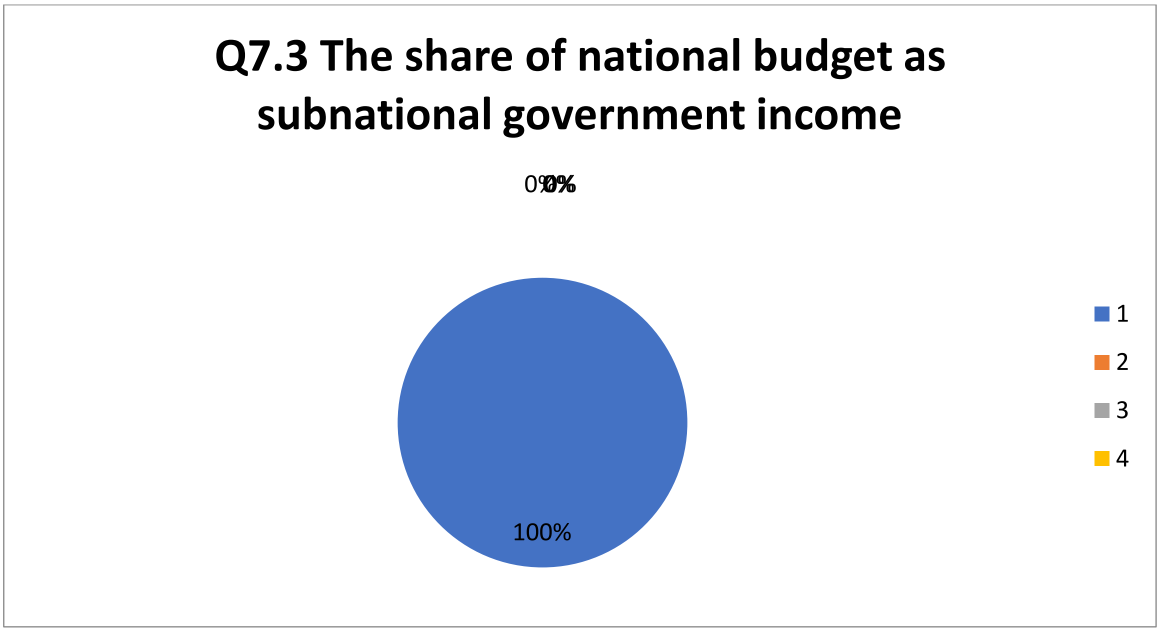


Figure 7.35: National budget
(Mean; 11, Standard Deviation; 15.3)

Question 7.4: There is a budget allocation formula that determines the national budget allocation for subnational governments' structures.

Responses: 75% of the councillors and technical officers who completed the questionnaire disagree with the view that there is a budget allocation formula that determines the national budget allocation for subnational government structures.

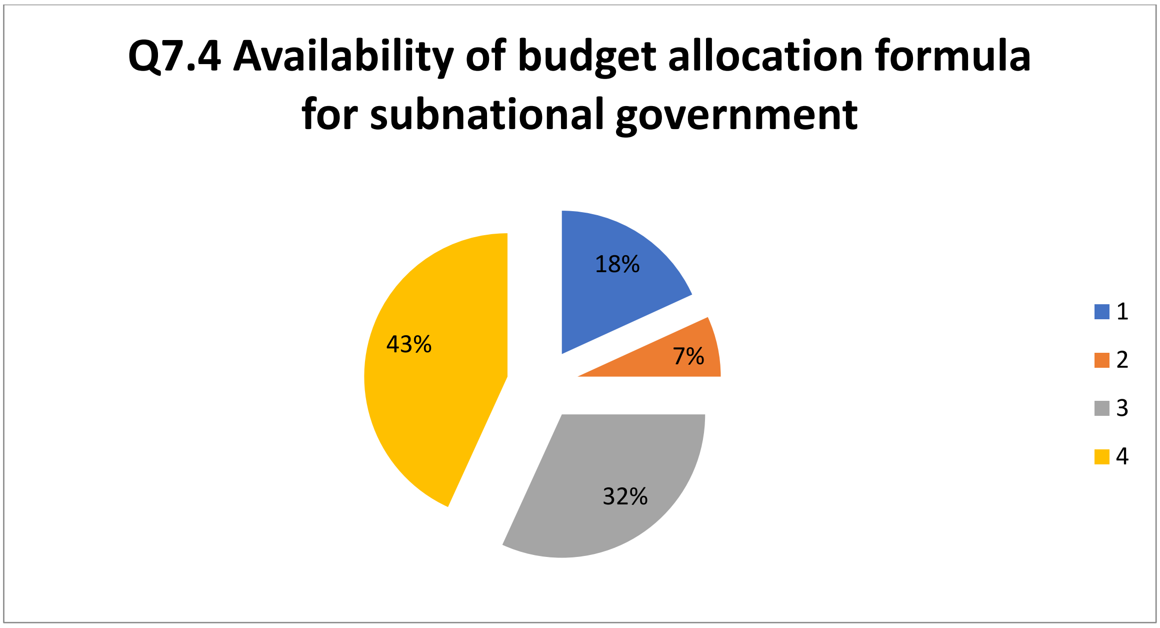


Figure 7.36: Budget allocation formula
(Mean; 11, Standard Deviation; 7)

Question 7.5: Subnational governments have a sustainable and predictable income.

Responses: All respondents disagree with the view that subnational governments have a sustainable and predictable income.

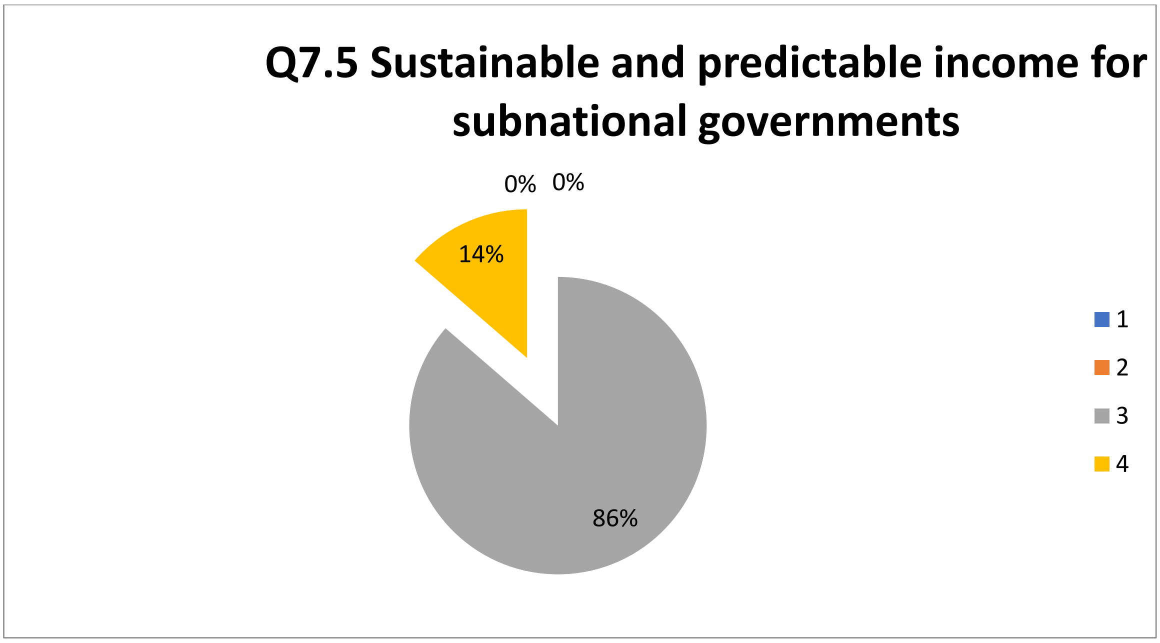


Figure 7.37: Subnational government income
(Mean; 11, Standard Deviation; 18.2)

Question 7.6: Subnational governments are independent financial entities that can borrow funds to finance their activities.

Responses: Figure 7.38 shows that 66% of the respondents disagree with the view that subnational governments can borrow funds to finance their activities.

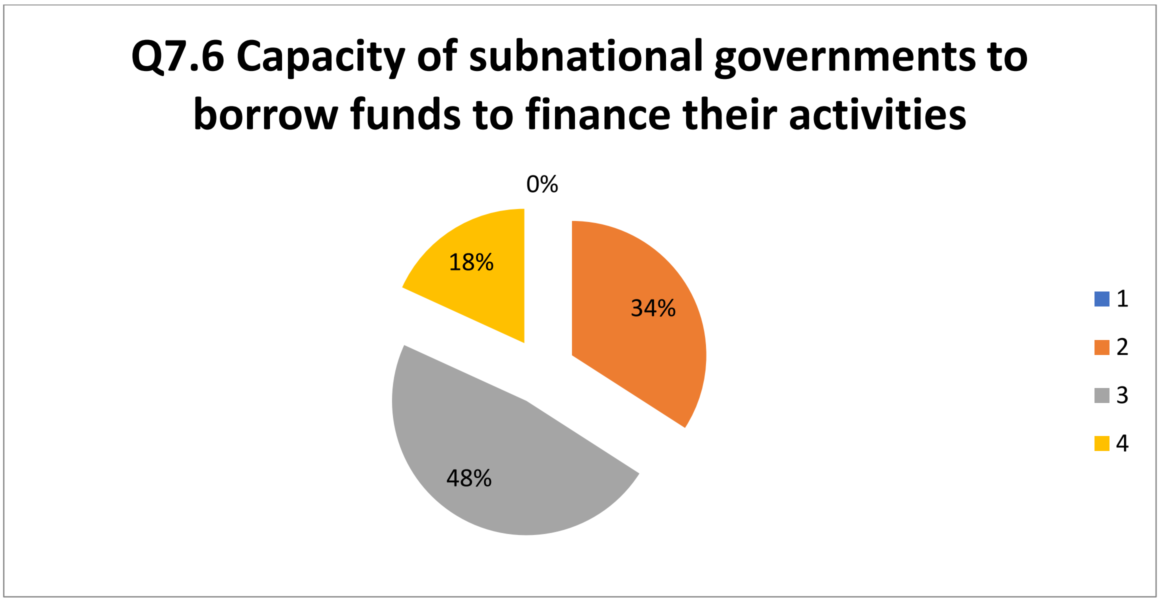


Figure 7.38: Loans
(Mean; 11, Standard Deviation; 9.1)

Question 7.7: The country has a funding model for supporting local service delivery.

Responses: The majority of the respondents (79%) agree that the country has a funding model to support local service delivery.

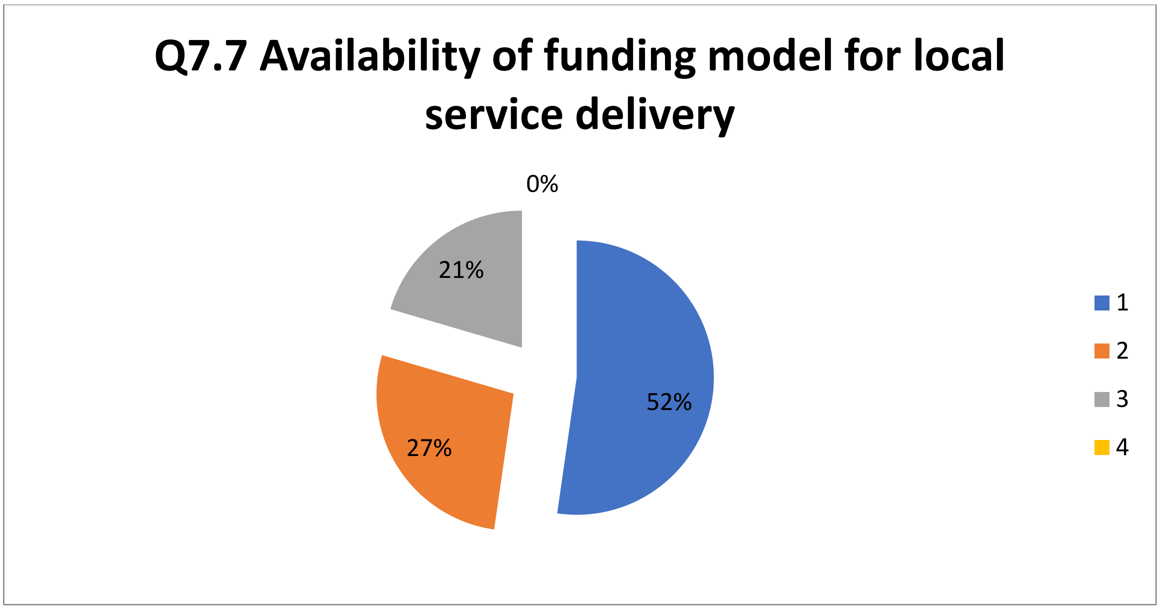


Figure 7.39: Financing model
(Mean; 11, Standard Deviation; 9.5)

Question 7.8: Subnational governments fail to deliver local demands due to limited financial resources.

Responses: All the respondents (Figure 7.40) are of the view that subnational governments fail to deliver local demands due to limited financial resources.

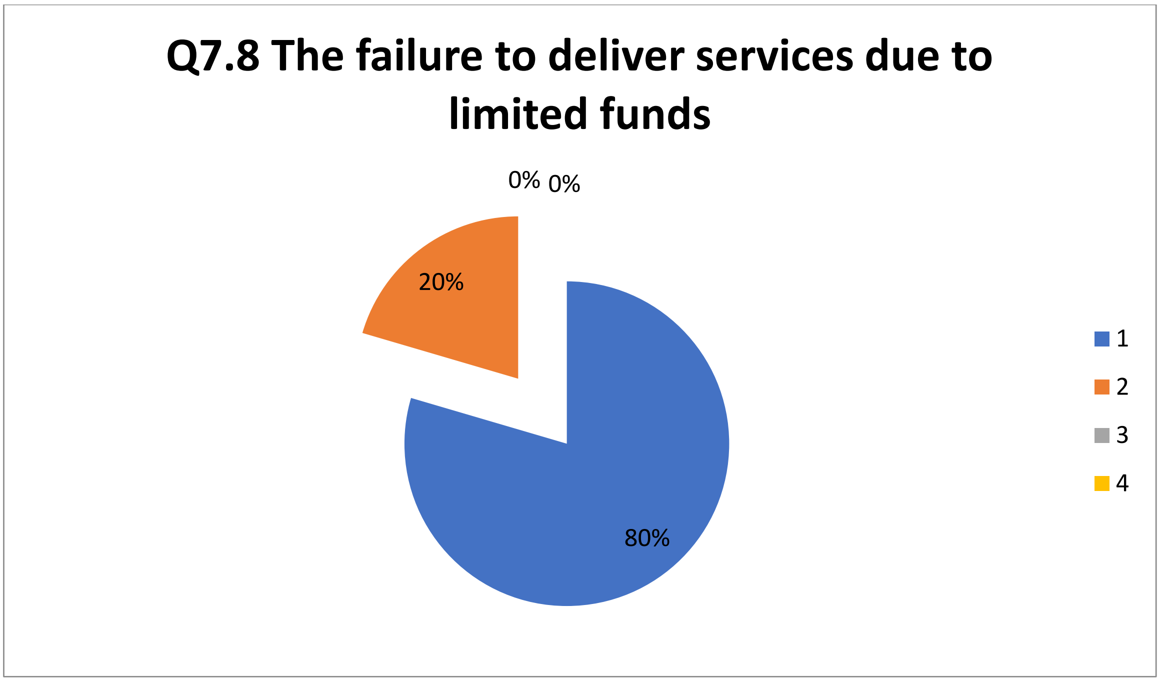


Figure 7.40: Budget constraints
(Mean; 11, Standard Deviation; 16.6)

8. Subnational government public financial management system

Public financial management is explained through the annual planning and budgeting cycle.

Question 8.1: Subnational governments engage in the integrated planning process within their territory for district development (Integrated planning is the process in which multiple institutions in the district come together to identify strategic challenges and prioritise programs and projects for local development).

Responses: All the respondents (Figure 7.41) agree that subnational government's practice integrated planning within their territories.

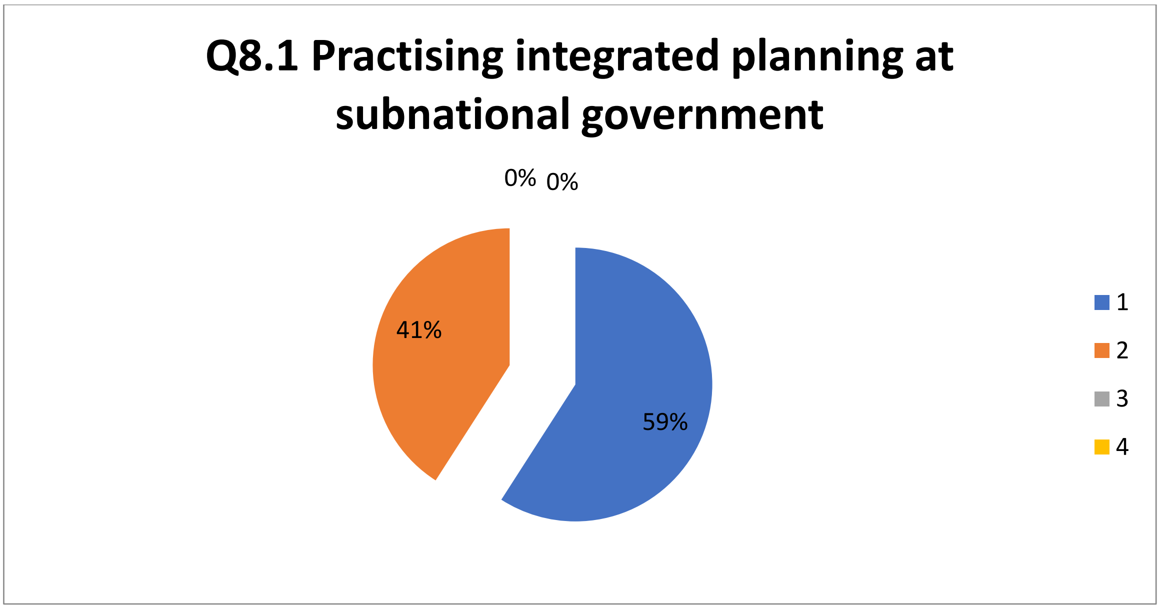


Figure 7.41: Integrated planning
(Mean; 11, Standard Deviation; 13.1)

Question 8.2: Subnational governments as spending units prepare their annual budgets through a consultative and interactive process with the Ministry of Finance.

Responses:57% of the respondents disagree with the view that subnational governmens prepare their annual budgets through a consultative and interactive process with the Ministry of Finance (Figure 7.42). However, the 43% that agree is a significant percentage.

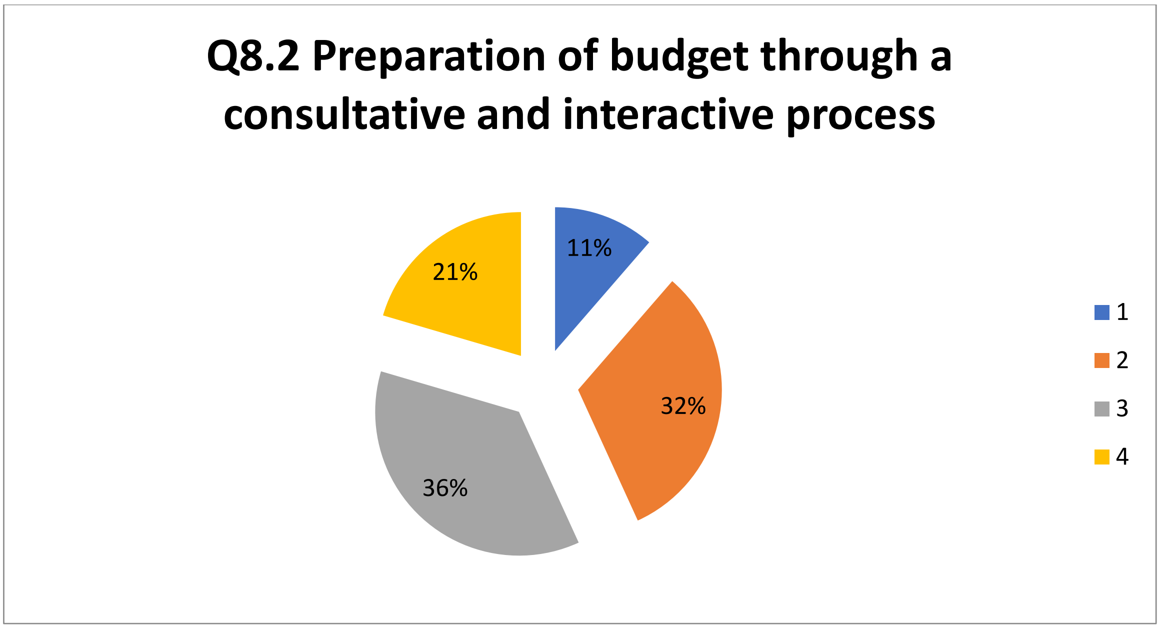


Figure 7.42: Budget preparation
(Mean; 11. Standard Deviation; 5)

Question 8.3: Subnational governments' budget is executed with an effective procurement process that guarantees value for money.

Responses: 84% of the respondents agree that subnational government's budget is executed through effective procurement processes.

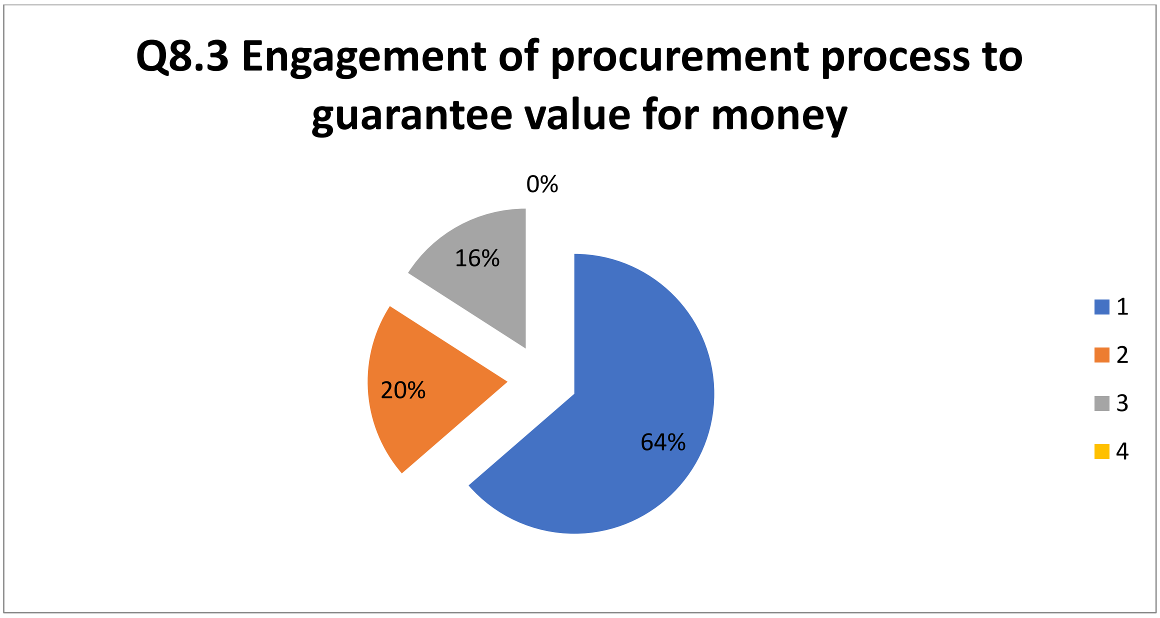


Figure 7.43: Procurement process
(Mean; 11, Standard Deviation; 12)

Question 8.4: There is a proper reporting system at your council.

Responses: Figure 7.44 illustrates that 89% of the respondents acknowledge the presence of a proper reporting system at the councils.

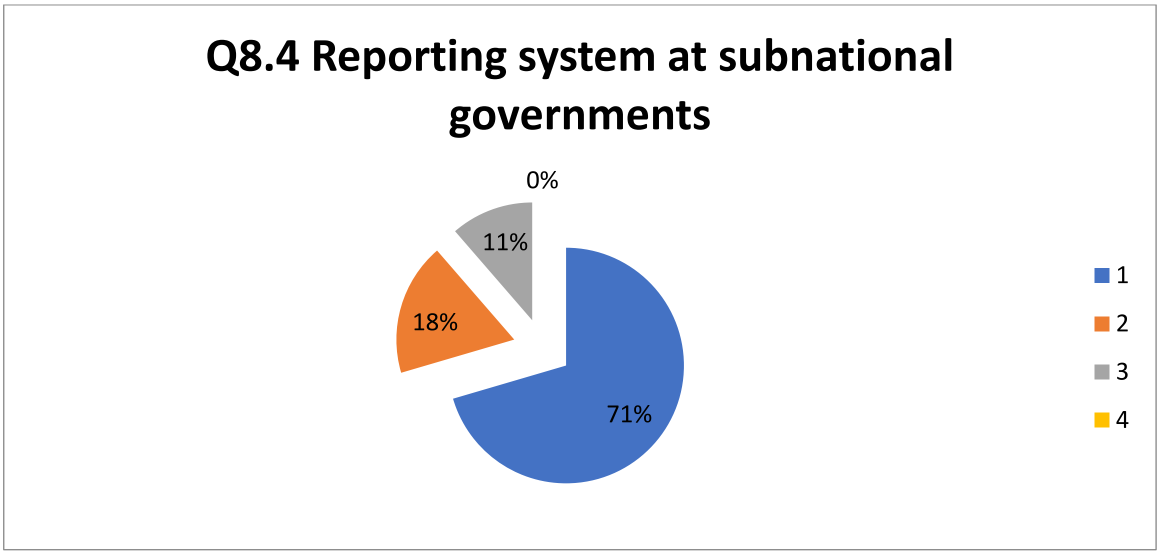


Figure 7.44: Reporting system
(Mean; 11, Standard Deviation; 13.7)

Question 8.5: There is an internal audit function to manage risk and guide the operations of the council.

Responses: 86% of the respondents disagree with the view that there is an internal audit function at councils.

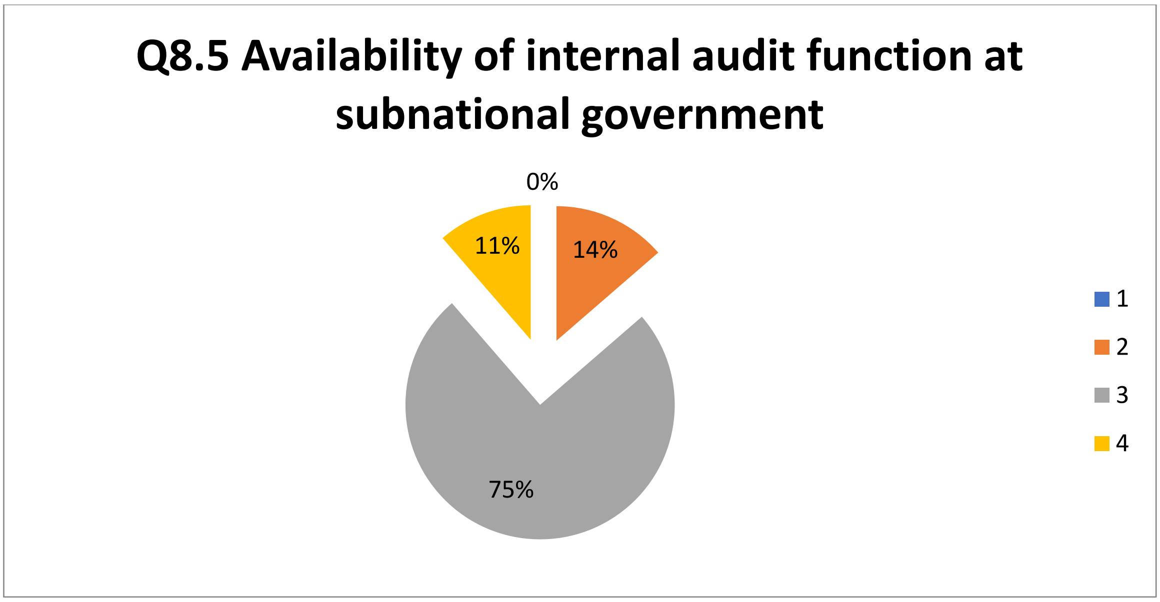


Figure 7.45: Internal audit function
(Mean; 11, Standard Deviation; 14.9)

Question 8.6: Subnational governments are subject to external oversight through parliament committees and external audit as per Public Financial Management and Accounting Act 12 of 2011.

Responses: The majority of the respondents (95%) are of the view that subnational governments are subject to external oversight through parliament committees and external audit.

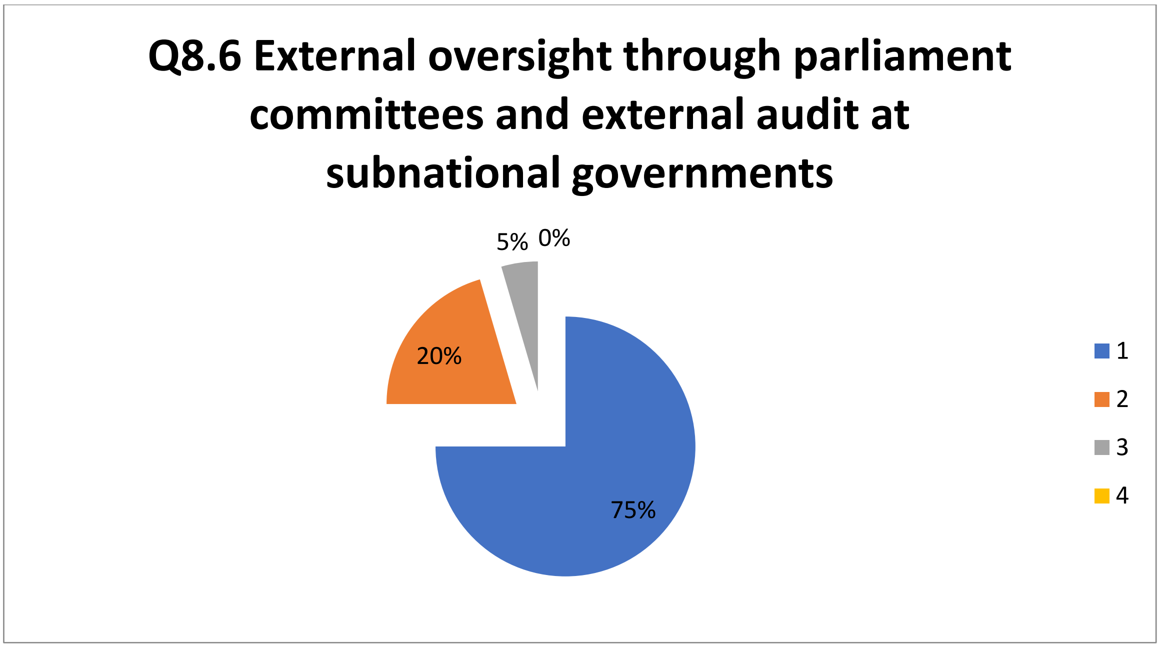


Figure 7.46: External oversight
(Mean; 11, Standard Deviation; 15.2)

9. Fiscal decentralisation reforms

Fiscal decentralisation reforms require a strong accountability framework with effective financial management to ensure compliance to fiscal rules and regulations and promote fiscal responsibility and discipline.

Question 9.1: The financial operations at your council comply with financial rules and regulations.

Responses: 93% of the respondents are of the view that the financial operations at their councils comply with financial rules and regulations.

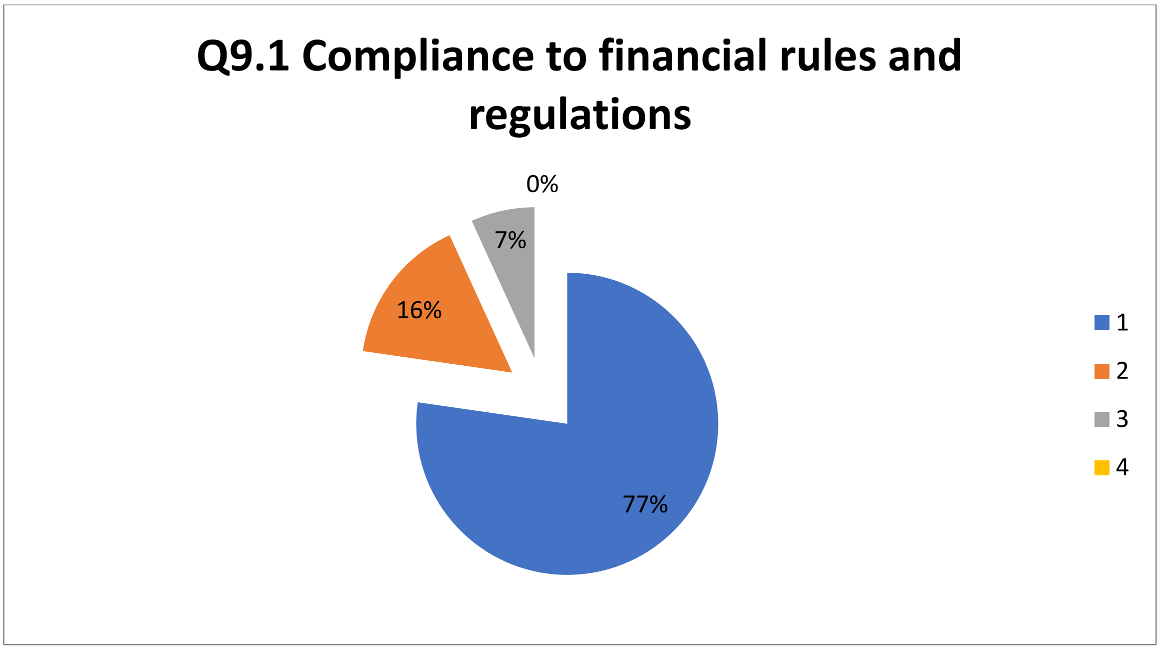


Figure 7.47: Compliance
(Mean; 11, Standard Deviation; 15.6)

Question 9.2: There is an institutional performance management system to monitor progress towards the achievement of the council plans.

Responses: All the respondents (Figure 7.48) agree that councils have institutional performance management systems for monitoring.

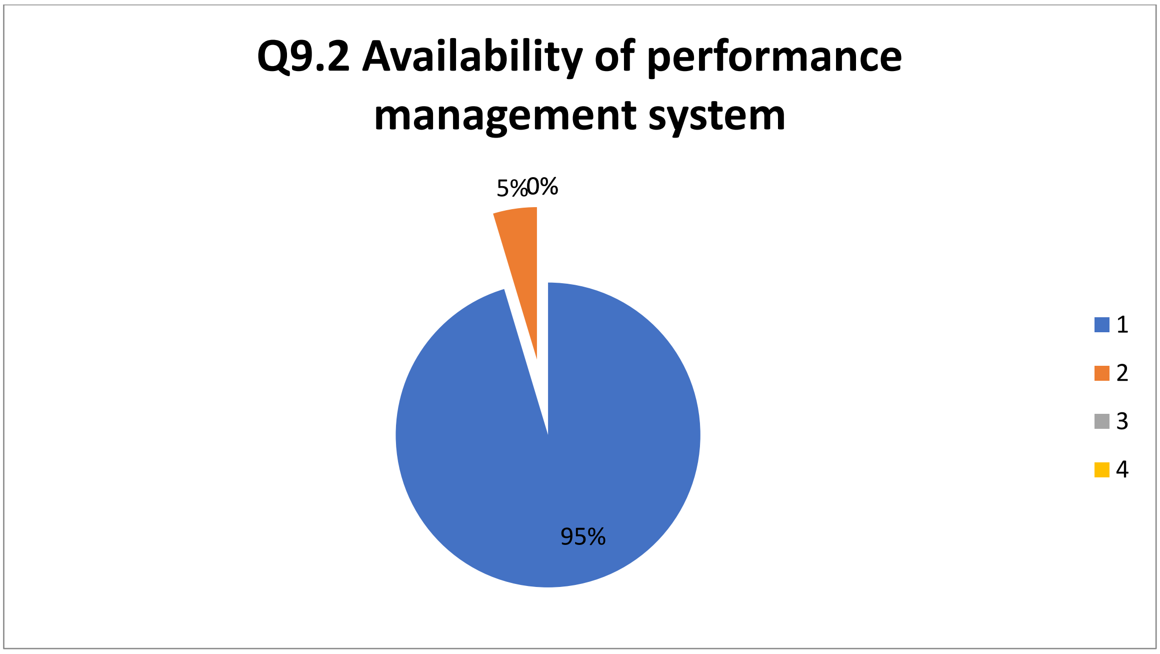


Figure 7.48: Performance management system
(Mean; 11, Standard Deviation; 20)

Question 9.3: Your council prepares and publishes monthly and quarterly performance reports.

Responses: Although 71% of the respondents agree that their councils prepare and publish reports, the 29% that disagree represents a significant percentage.

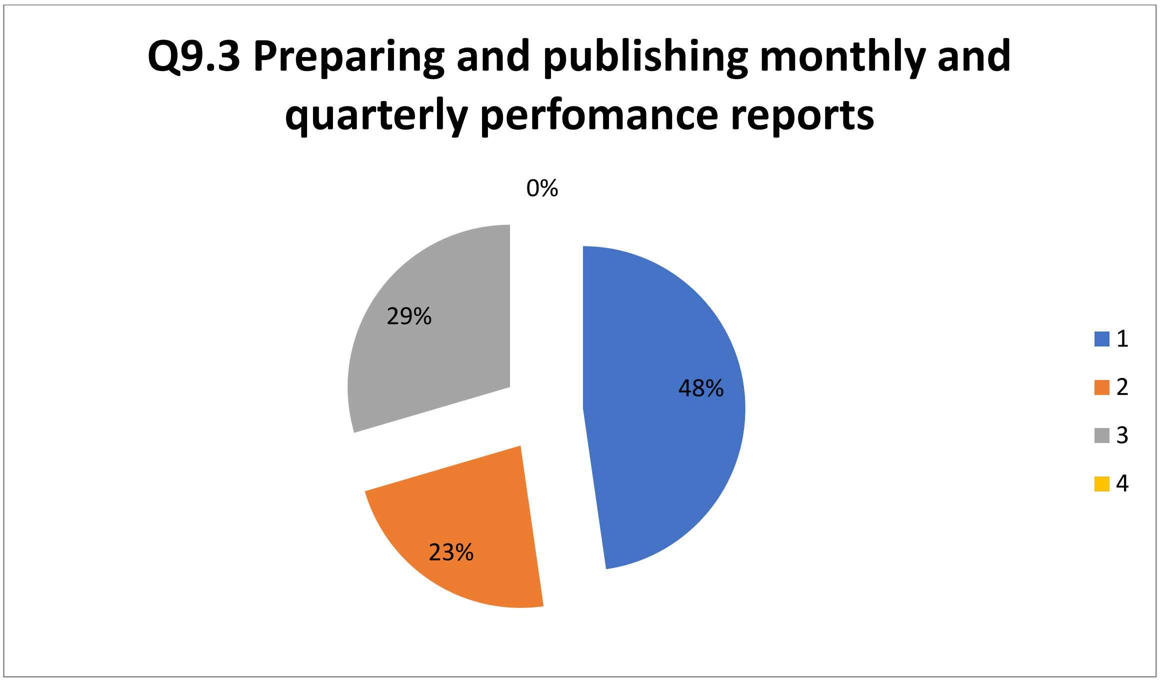


Figure 7.49: Performance reports
(Mean; 11, Standard Deviation; 8.6)

Question 9.4: Your council has a reporting system for providing feedback to local communities.

Responses: All the respondents are of the view that councils have a reporting system for providing feedback to local communities.

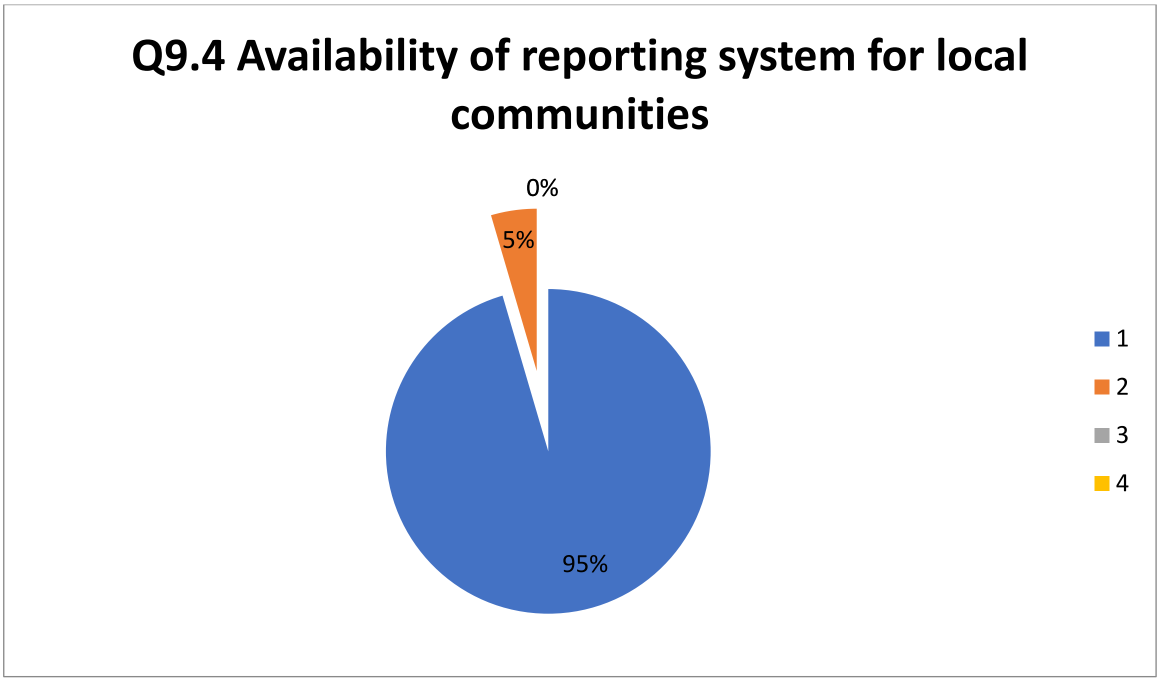


Figure 7.50: Reporting to local communities
(Mean; 11, Standard Deviation; 20.6)

10. Coordination of national and subnational governments

The coordination of efforts at subnational government requires national guidance, support and legal obligation to articulate roles and responsibilities of different bodies to avoid duplication of efforts, lack of coherence in implementation and conflicts.

Question 10.1: There are policies that coordinate operations (development plans) of subnational governments with national government.

Responses: Majority of the respondents (77%) disagree with the view that there are policies that coordinate operations of subnational and national governments.

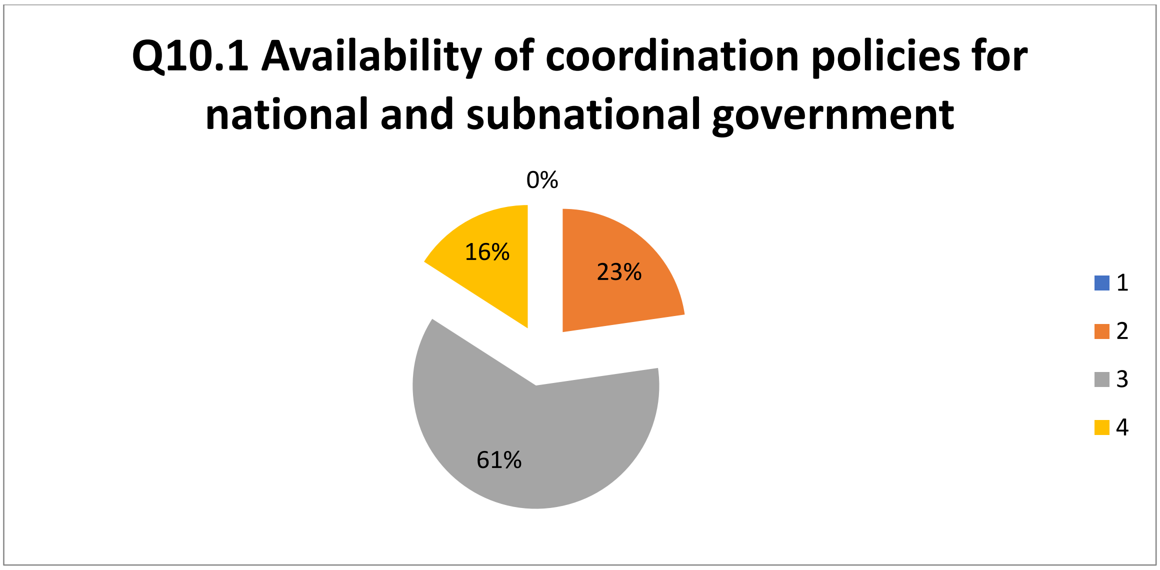


Figure 7.51: Coordination policies
(Mean; 11, Standard Deviation; 11.5)

Question 10.2: There is a clear separation of functional assignment/responsibilities between national and subnational government candidates (parliamentarians and councillors) within the constituencies.

Responses: 84% of the respondents agree that there is a clear separation of functional responsibilities between councillors and parliamentarians within their constituencies.

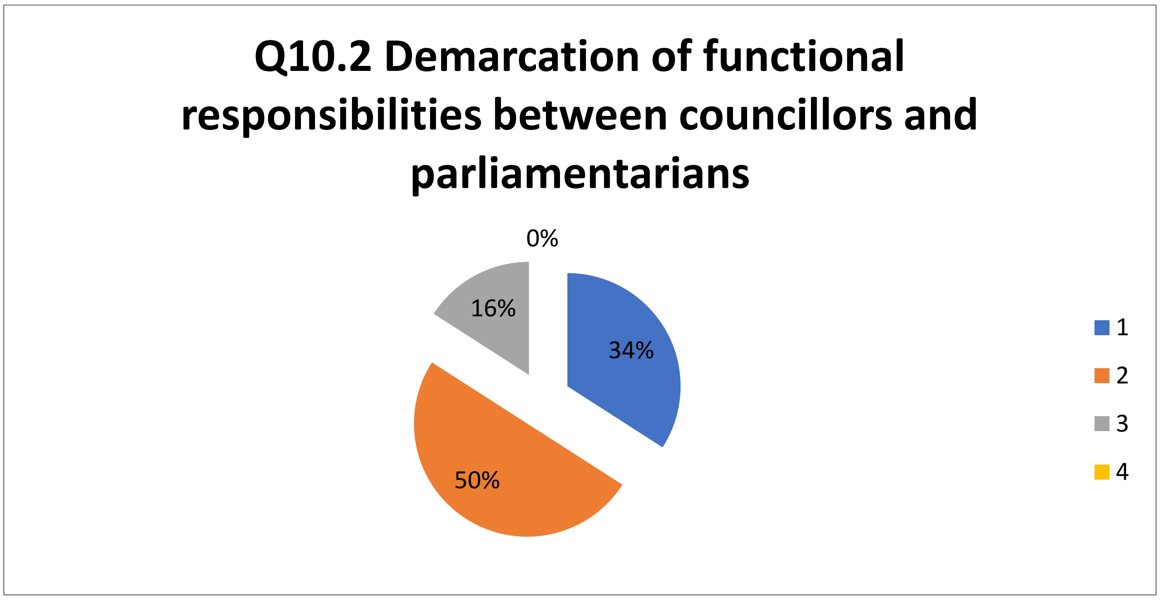


Figure 7.52: Functions of councillors and parliamentarians
(Mean; 11, Standard Deviation; 11.5)

Question 10.3: There is a clear separation of functional responsibilities between political appointees (councillors) and traditional leaders (chiefs) within local government structures.

Responses: 75% of the respondents agree with the view that there is a clear separation of functional responsibilities between councillors and chiefs within local government structures.

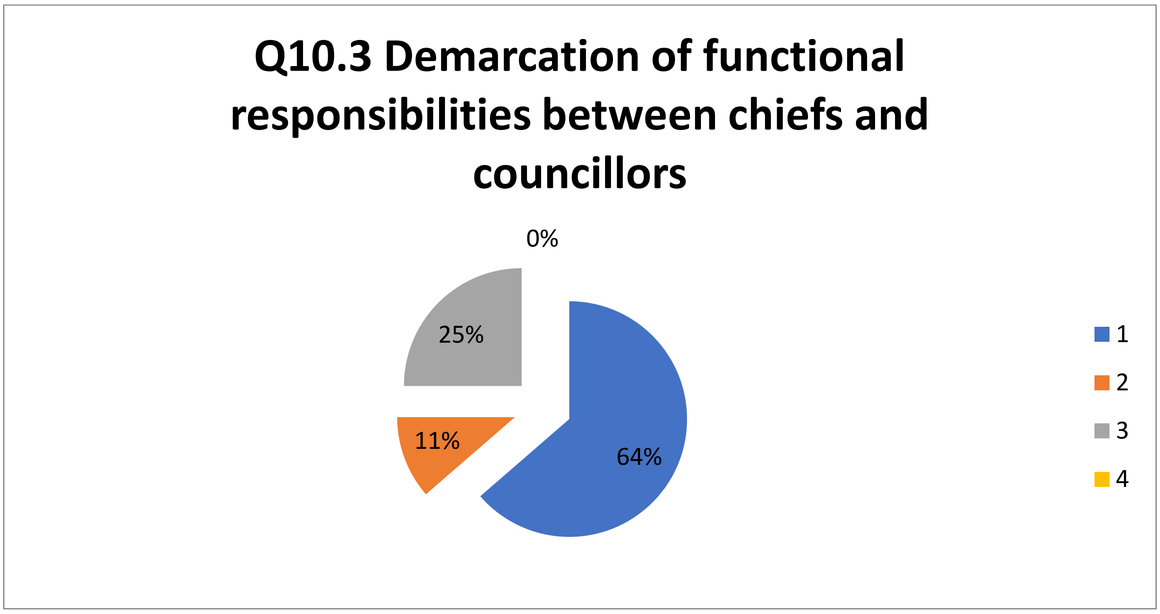


Figure 7.53: Functions of chiefs and councillors
(Mean; 11, Standard Deviation; 12.2)

Question10.4: There are clear functional responsibilities between local authorities at the district.

Responses: There is a small margin between respondents who agree (52%) and disagree (48%) with the view that there are a clear functional responsibilities between councils at the district.

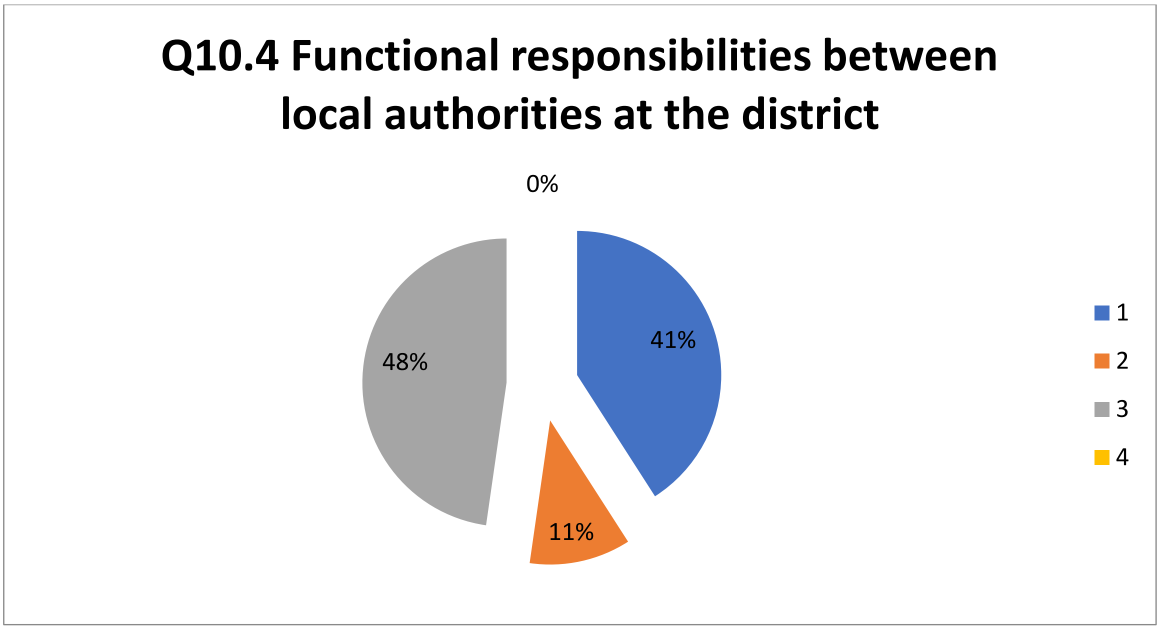


Figure 7.54: Functions of local authorities at the district
(Mean; 11, Standard Deviation; 10.1)

Question 10.5: There is clear coordination of subnational and national government offices (office of District Council Secretary and District Administrator) at the district.

Responses: 77% of the respondents agree that there is clear coordination between the office of the District Council Secretary and the District Administrator at the district.

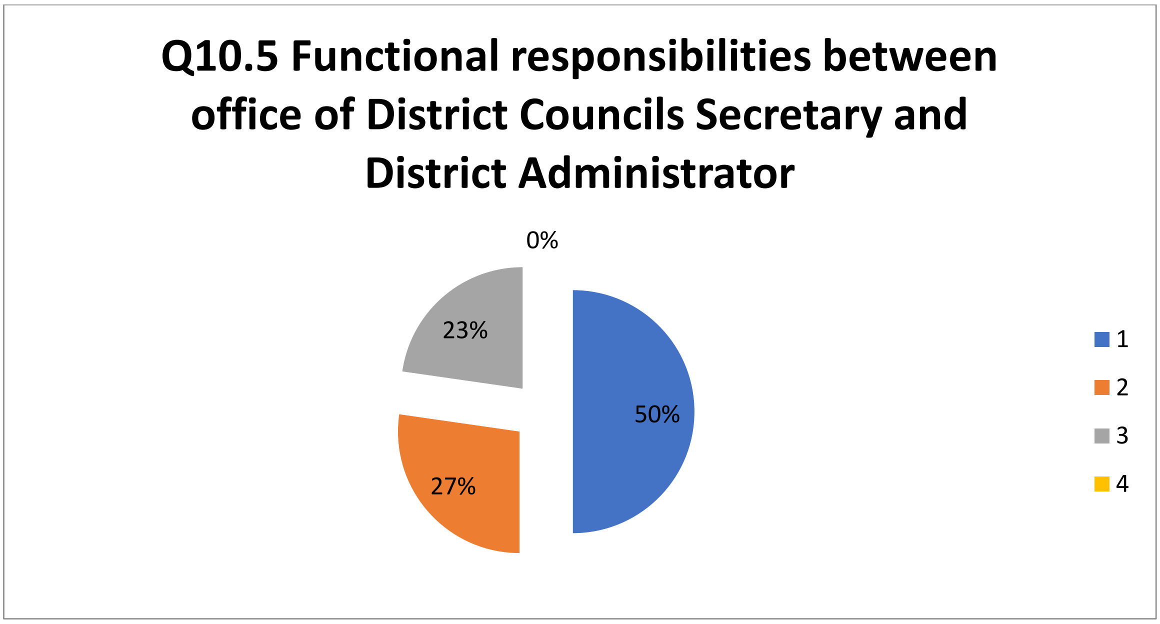


Figure 7.55: Functions of District Council Secretary and District Administrator (Mean; 11, Standard Deviation; 9)

11. National government support

The successful implementation of public financial management reforms requires the support and commitment of national government.

Question 11.1: Subnational governments have capacity (resources) to implement fiscal decentralisation.

Responses: The majority of the respondents (61%) are of the view that subnational governments have resources to implement fiscal decentralisation.

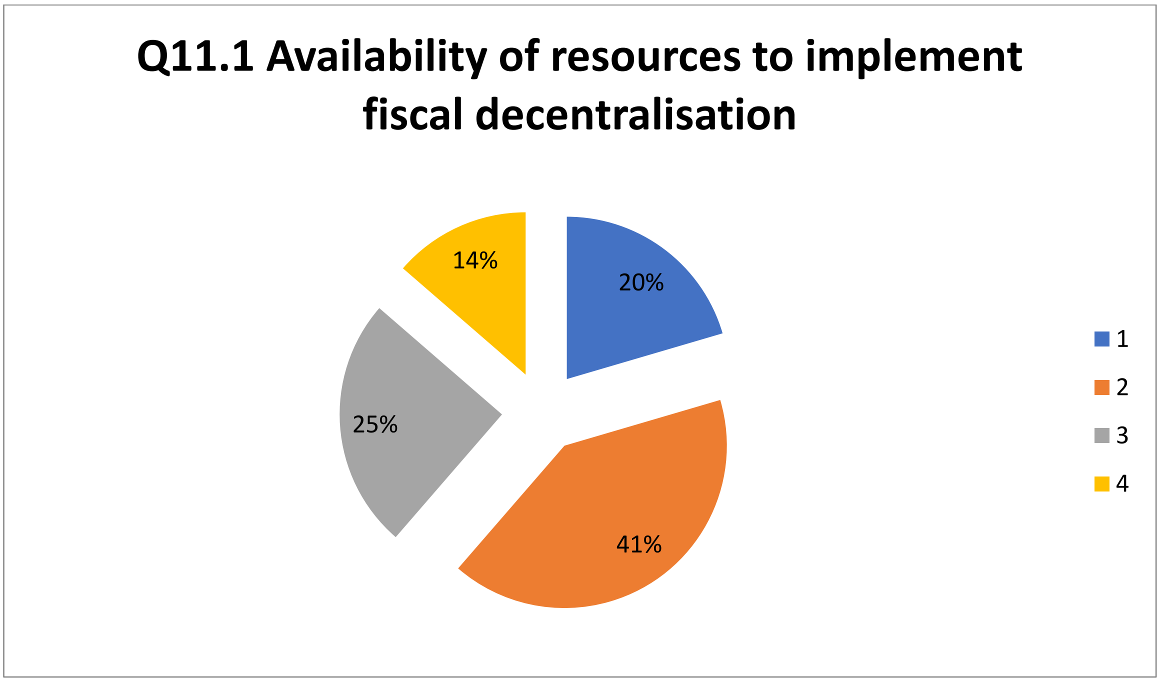


Figure 7.56: Capacity (resources) to implement fiscal decentralisation (Mean; 11, Standard Deviation; 5.1)

Question 11.2: Subnational governments have capacity (technical knowledge) to implement fiscal decentralisation.

Responses: All the respondents are of the view that subnational governments have skilled personnel (technical knowledge) to implement fiscal decentralisation.

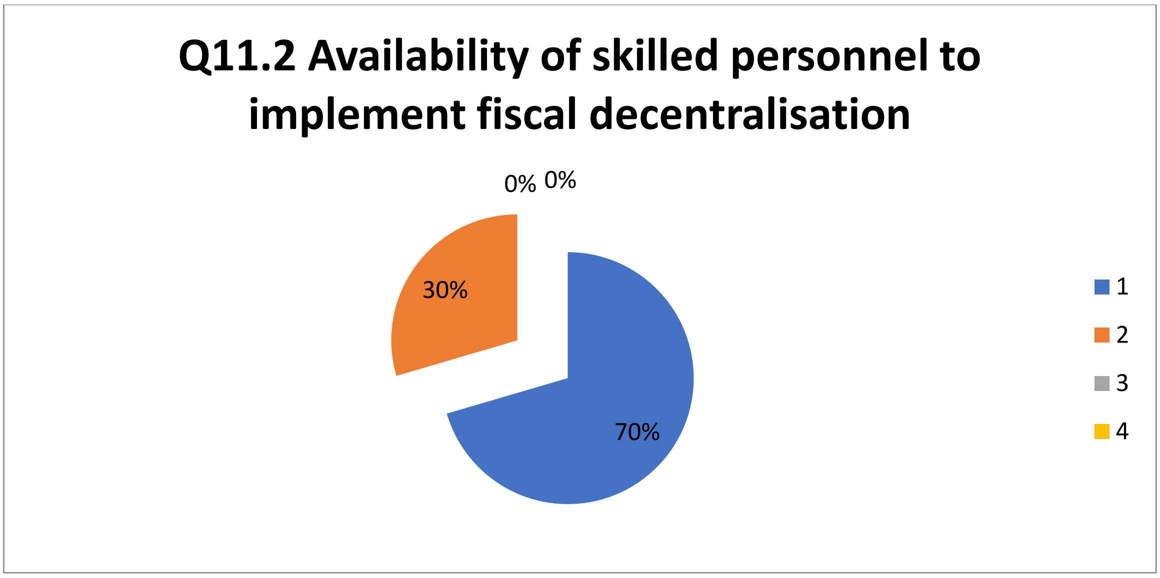


Figure 7.57: Capacity (technical knowledge) to implement fiscal decentralisation (Mean; 11, Standard Deviation; 14.7)

Question 11.3: National government creates an enabling environment for the adoption of fiscal decentralisation (enabling environment in terms of institutional structures such as rules and regulations).

Responses: The majority of respondents (82%) disagree with the view that national government creates an enabling environment for the adoption of fiscal decentralisation.

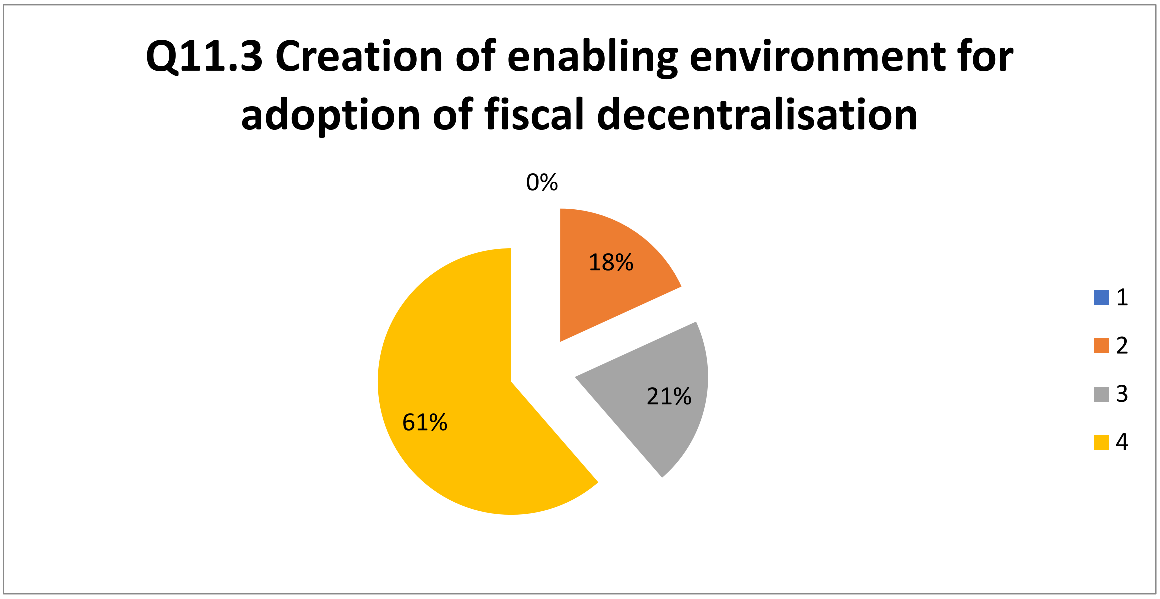


Figure 7.58: Enabling environment for fiscal decentralisation (Mean; 11, Standard Deviation; 11.4)

Question 11.4: National government plays a supervisory role to strengthen the local financial management system.

Responses: 62% of the respondents agree with the view that national government plays a supervisory role to strengthen the local financial management system.

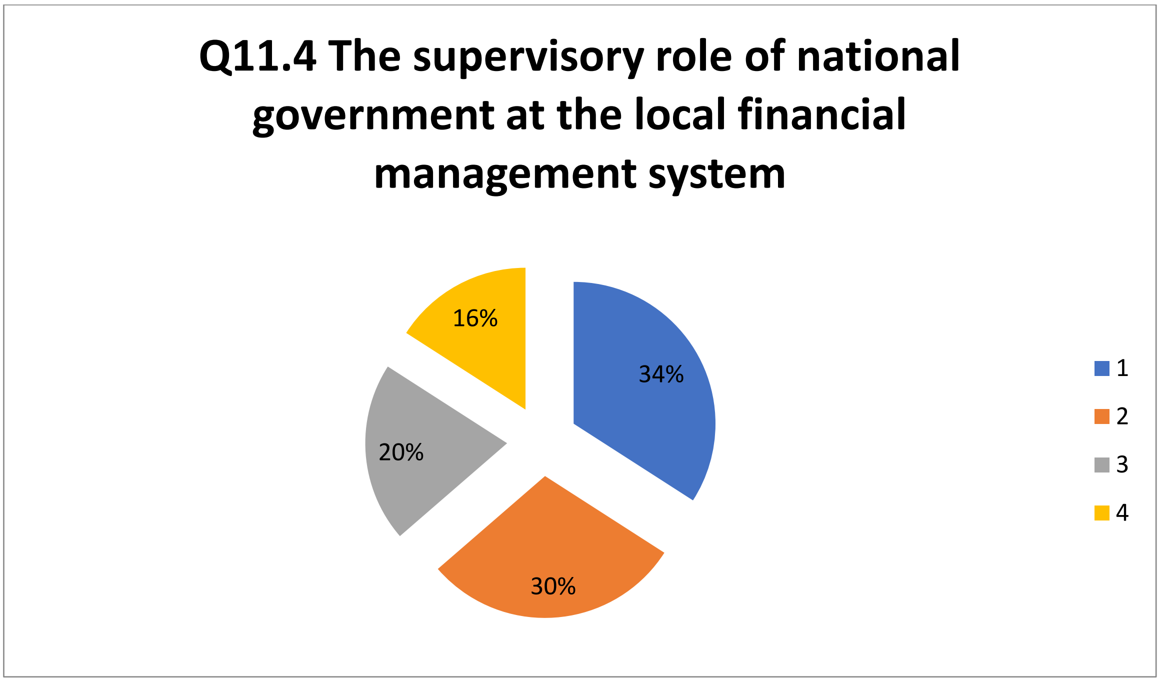


Figure 7.59: The role of national government
(Mean; 11, Standard Deviation; 3.7)

Question 11.5: There is political will for a fiscal decentralisation program.

Responses: 80% of the respondents argue that there is no political will for a fiscal decentralisation program.

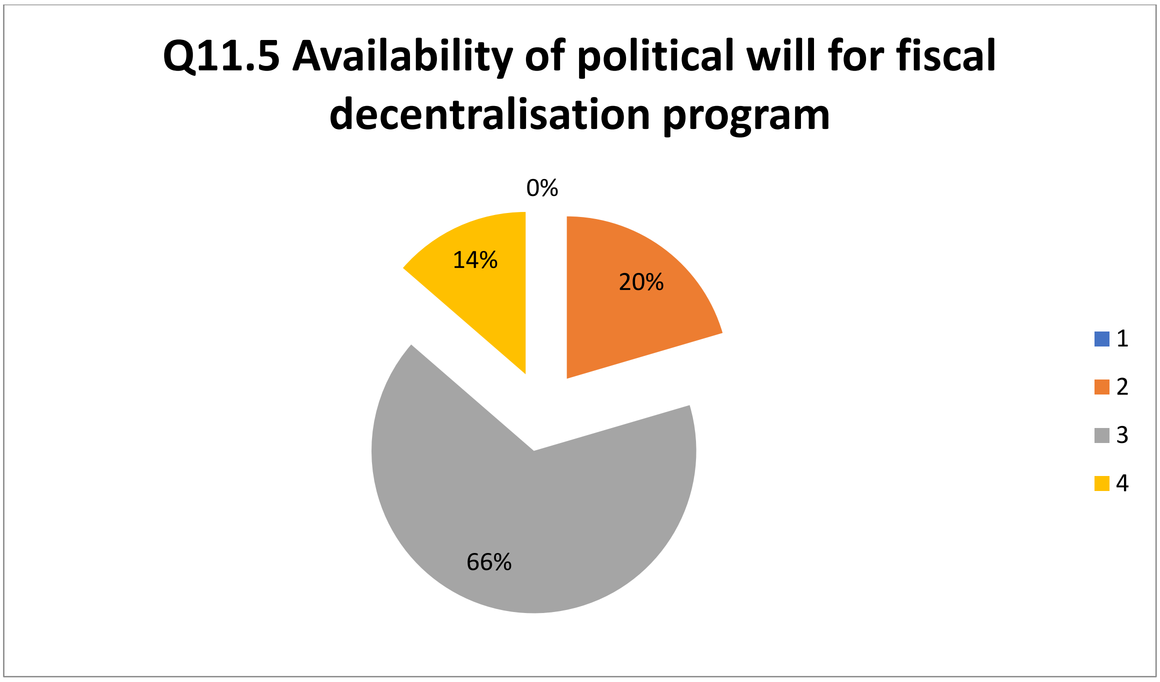


Figure 7.60: Availability of political will
(Mean; 11, Standard Deviation; 12.6)

7.2.1 General assessment of the views of the participants who completed the questionnaire

The data collected through questionnaires shows that Lesotho decentralisation lacks the concept of fiscal decentralisation as the financial practices at subnational government are incompatible with the definition of the concept as described in the literature. This is reflected in the responses that clearly indicate the absence of budget powers in terms of revenue and expenditure as well as the absence of subnational government financial legal frameworks (cf. questions 1.1; 1.2; 2.5). The budget powers in terms of revenue and expenditure are important because generation and utilisation of financial resources influence the functional capacity of subnational governments and determines their level of autonomy in managing local affairs. The functional capacity and autonomy are central to the primary reason for the establishment of subnational government structures, as Section 106 of the Constitution Act of 1993 spells out that subnational government structures must enable urban and rural communities to determine their affairs and develop themselves. The critical issues that are highlighted from the collected data include lack of authority for revenue and expenditure management, absence of subnational government regulatory frameworks and the dependence of subnational government on national government to finance their entire budget. These issues are further discussed later as part of identified themes.

7.3 REPORTING AND ANALYSIS OF FINDINGS FROM DATA COLLECTED THROUGH INTERVIEWS

This section presents the second set of data with its analysis and interpretation collected through interviews with various senior officials in the different council structures. The researcher held interviews with management teams of councils to gather data about the practicality of subnational financial management and to understand the status of fiscal decentralisation and intergovernmental relations. The interviews were held at the council offices of the interviewees.

An in-depth interview was held with district council management teams and chairpersons of council finance committee at their respective offices. In this regard, only 26 members were interviewed and saturation was reached. The participants represents leaders of the local authorities who have financial decision making powers and meet the criterion for participating in the study as explained in chapter one (cf. Section 1.6.2). Thematic analysis was used to analyse the data collected through interviews. The interviews were recorded with a voice recorder and later transcribed and extensive notes were also taken during the interview.

The interviews were contacted with the interview schedule designed on the bases of the reviewed literature. The interview questions intended to gather information about status of fiscal decentralisation at Lesotho local authorities, the intergovernmental fiscal relations and the subnational financial management system. In this regard, several questions were designed and their responses are discussed in the next section. The researcher worked on the transcripts manually by reading and rereading the transcript to generate codes and modify them. The interesting and dominating codes were identified within a minimum time and limited resources. The following five themes were developed; Assignment of functions, Revenue and expenditure management, intergovernmental transfer system, subnational government financial management system, public financial management reforms. The results of the interviews are subsequently reported and interpreted.

Section A: Biographic information

Question 1: What is your work position?

Responses:

Work position	**Responses**
District Council Secretary	3
Town Clerk	3
Community Council Secretary	10
Finance Manager	3
Administration Manager	1
Human Resource Manager	1
Councillors	5
TOTAL	**26**

Question 2: How long have you been in your position?

Responses:

Time occupying the position(years)	**Responses**
0 to 3 years	2
4 to 6 years	7
7 years and above	17

Section B: Interview questions

1. **Conceptualising Fiscal Decentralisation**

The literature in chapter two (cf. Section 2.2) defines fiscal decentralisation as the allocation of budget powers in terms of revenue and expenditure as well as inter-governmental transfers between government spheres, whereby subnational governments are given the authority through a legal framework to manage their fiscal system and ensure the availability of resources to finance their mandate.

In this section of questions, the researcher intends to gather information about the availability of fiscal decentralisation components at Lesotho subnational government. The intention is also to probe the interviewees on their general understanding of fiscal decentralisation. This information is significant as it forms part of the base for the study by articulating the status of fiscal decentralisation at local authorities. The interviewees were asked various questions such as, *Do subnational governments have independent budget powers in terms of revenue and expenditure? and In your opinion, what constitutes fiscal decentralisation in Lesotho decentralisation system?*

The common view was that local authorities do not have budget powers in terms of revenue and expenditure. The respondents explained that local authorities do not have enough supporting legal framework to independently determine their revenue sources and spend locally collected revenue. Under such circumstance, it was indicated that councils rely on national transfer to finance their budgets. The respondents shared their views as follows:

"*Local authorities do not have revenue administration policies, the revenue rates and collection are determined through legal frameworks that belong to different national government* ministries." *(Community Council Secretary)*

"Local authorities manage and spend their allocated annual budgets, they are not allowed to spend the collected revenue. All the collected revenue is remitted to national government through deconcentrated office of the Ministry of Finance at the district." (Finance Manager)

"Councils use the grants from national government to finance their operations" (Procurement Officer)

"The entire council budget for operations and capital projects is financed by the grant transfer from national government. Even the funds from development partners are disbursed as grants from national government, therefore grants transfers is to sole source of income for councils." (Finance Manager)

In studying the interviewee's responses about the conceptual nature of fiscal decentralisation, their sentiments about Lesotho fiscal decentralisation were recorded as follows:

"*Fiscal decentralisation is a long-time dream that parliamentarians are not ready to implement as it means independence of subnational government so, parliamentarians do not develop legislations that support fiscal decentralisation"(Councillor)*

"Currently councils are treated as part of Ministry of Local Government, we receive quarterly warrants from the Ministry like its other departments and follow similar spending procedure as national government department."(District Council Secretary)

"There is no fiscal decentralisation, councils operate within the national government financial management system and practices because there are no policies that support fiscal decentralisation" (Procurement Office)

From the interview extracts above, the respondents believe that the country is not practicing fiscal decentralisation. This is based on the argument that subnational government do not supporting legislation to implement fiscal decentralisation. The limited revenue generation authority and inability to expend locally generated revenue reflect the absence of fiscal decentralisation components.

2. Local revenue management

As local governance bodies charged with the development of their communities, subnational governments have a responsibility to manage local revenue for financing local projects (cf. Section 2.3.2). This section of questions tested the status of local revenue management by probing the respondents about the revenue collection capacity of councils. The questions were about the management of revenue sources, tax administration and revenue management challenges.

The following responses were recorded:

"Local government act grant councils authority to identify sources of revenue and set their rates through bylaws; however the bylaws have to be approved by Minister of Local Government and Chieftainship. To date, the minister has never approved any bylaws from councils irrespective of multiple submissions of request for approval." (District Council Secretary)

"We collect tax using the policies from line ministries, so they are the once that manage those polices and have authority to amend them in terms of rates or adding new sources. For instance, the revenue from grazing fees as the dominating source in the community councils is administered through Range Management and Grazing Control Regulations Act of 1980, the Ministry of Forestry and Land Reclamation is the custodian to the regulation and councils have to depend on the ministry to amend the fees and enforce the regulation."(Community Council Secretary)

"Councils do not have tax collection policies, they administer tax policies from the national government in all the areas they are collecting revenue" (Senior Legal Officer)

In addressing the question about the administrative capacity of councils to collect revenue, the interviewees argued that councils are the best local structures for collecting revenues. The converging argument was based on various reasons including availability of qualified staff, easy administration due to location. The verbatim responses of the interviews were:

"We can collect revenue effectively, we are closer to communities and have accounts clerk in all the council structure who can collect revenue." (District Council Secretary)

"Councils have qualified accounting officers who are already collecting taxes on behalf of national government ministries." (Community Council Secretary)

"We can collect revenue at all councils but security issues need to be addressed because some community councils are too far from the bank and cannot easily manage cash handling." (Finance Manager)

"Community and urban councils do not have bank accounts, only district and municipal councils have bank accounts that serve all the councils in the district." (Procurement Officer)

The dominating revenue management challenges included:

"*The absence of subnational government revenue management legislation and overlapping/conflicting legislations" (Finance Manager)*

"We are not collecting enough tax, because we do not own the legislation and cannot amend the rates nor keep the revenue" (Community Council Secretary)

"We do not have sources of revenue" (District Council Secretary)

"The finance staff at community councils require lack training and exposure as most of financial operations only happens at District and Municipal councils"(Finance Manager)

The responses reflect weaknesses in the councils' authority to identify sources of revenue and managing local revenue. Similar to the literature, the responses confirms that Local Government Act of 1997 grants councils authority to determine sources of revenue and spend the revenue for local development through bylaws (cf. Section 5.3.2). However, the condition that the bylaws need to be authorised by the national government means the local revenue management authority stays with the national government. The failure of national government to authorise councils bylaws result in councils depending on national government ministries policies for local revenue management. Although councils are explained to be more capable tax collectors, the absence of local tax policies is counterproductive.

3. Subnational expenditure management

In order for subnational governments to perform their responsibility of serving local communities, they need to allocate and use resources responsively, efficiently and effectively (cf. Section 2.4 & 5.3.4). Section three of the questions concentrate on how district plans and budgets are developed and implemented. The intention is to assess whether districts practice integrated planning and how they manage their budgets.

The interviewees agreed on the informed and consultative nature of the council planning process, however there was no integrated planning as all institutions in the district plan independently. In their words, the respondents said:

"The act (Local Government Act of 1997) establishes the District Development Coordination Committee to coordinate district plans and it should be chaired by the District Administrator. However, for the past ten years that I have been working here, there has never been a setting of such a committee." (Administration Manager)

"The District Development Coordination Committee used to function well, however it become dormant with time because members failed to commit and skip meetings." (Community Council Secretary)

"We develop our plans on the bases of community needs gathers at lipitsong (public gathering), and do not discuss them with national government department in the district." (Community Council Secretary)

"DDCC (District Development Coordination Committee) used to function well to coordinate the annual district plans by bringing the plans from the councils and national government department at district together. However its effectiveness depend on how close the office of DSC and DA operates, currently the committee is not effective." (Town Clerk)

"We used to submit proposed plans to the coordination committee for discussion and authorisation but that was long time back, we currently develop our plans based on gathered community needs." (Community Council Secretary)

In address the question about budget development and implementation, the dominant view was that the budget is developed on the bases of council plans and reflect the local economic and social need. The respondents said:

"We draw the budget to implement council development plans, the plans reflect the needs of local communities because they are developed through local needs as voiced by communities in their public gatherings." (Community Council Secretary)

"The budget policy is based on the local communities' development plans." (Town Clerk)

"The budget policy includes local needs but sometimes the ministry instruct us to include and finance things that are not in the local plans." (Finance Manager)

"Each council in the district is expected to submit its annual budget request and administer it through its vote book. However, currently it is not practical due to budget shortages, we receive limited budget and annually discuss and decide on how we share the budget to maintain the operations." (Finance Manager)

"The budget is administered at district council through one votebook, we submit our requests and the district council procure for us depending on the availability of funds." (Community Council Secretary)

"We prioritise activities annually depending on the approved budget and decide on how the budget should be allocated to finance them. Usually we try to ensure that each council implement one project per financial year due to budget cuts." (District Council Secretary)

The common suggestions for strengthening efficiency of expenditure management included:

"Make councils budget heads so that they can directly have consultative discussions with Ministry of Finance regarding budget process. This will improve subnational budget policy and facilitate timely release of funds for effective implementation of projects." (Finance Manager)

"Development of policies regarding utilisation of local revenue to finance local development." (Town Clerk)

"Strengthen monitoring and reporting system through digitisation of subnational government financial processes." (Administration Manager)

"Government have to establish coordination structures to ensure integrated planning in order to avoid duplication of efforts and wasting resources." (Community Council Secretary)

The recorded responses shows that the planning process at the district is not integrated, as there is no effective coordination structures. Thus, government structures (national and subnational structures) prepared their plans independently. The responses reflect an attempt through the act to implement integrated planning by creating a coordinating committee, however the structure was not strong enough to maintain its objective. Despite that, the planning process for councils is consultative and accommodate local communities. It can also be observed that budget management is compromised as expenditure responsibilities is only at district council as the financial account holder. This is in contradiction with the provisions of the law, as section 47(1) of the Local Government Act of 1997 spells that each council will establish and administer its council fund for general financial purposes.

4. Intergovernmental transfers

Intergovernmental transfer refers to a multidimensional component of fiscal decentralisation whereby finances are transferred from one sphere of government to another for addressing fiscal gaps (cf. Section 2.3.1.2).Section four of the questions was intended to gather information about financial resources allocation formula and revenue sharing methods. The intention is to understand the intergovernmental transfer system and its objectives. The questions under section four include, *Do subnational governments receive transfers as grants and revenue sharing from the national government?, Is there a regulatory framework for governing the transfer systems? and Please explain the current intergovernmental transfer system.*

The common views among respondents was that the transfer system is the best method and currently the sole source of income for councils, but there is no specific regulatory framework for governing the transfer system. The dominant views included:

"We receive transfers from the national government as grants to finance our budget. The national government provide grants for daily operations of council and for capital projects." (Procurement Officer)

"Transfers are the sole source of revenue for councils and come as grants. We do not share any revenue with the national government as we receive funds like all other government departments" (District Council Secretary)

"We use grants to finance our activities and do not engage in revenue sharing, all the revenue collected at district level is deposited to the consolidate fund to finance the entire government budget at national and subnational level." (Finance Manager)

In addressing the question about the transfer system and council authority in utilising the transferred funds, the respondents said:

"Grants are distributed through the budget formula whereby Councils receive quarterly warrants depending on their approved annual budget." (Community Council Secretary)

"We annually receive grants transfers through four quarter warrants like other national government department/ministries. The transfers that do not come as quarterly warrants are those from development partners. The financial support from development partners also come as grants through the Ministry depending on the conditions of the support." (Procurement Officer)

"Quarterly warrants are released to council for operations and capital projects depending on the approved budget. The usual argument is that the approved annual amount which determine the amount of quarterly warrants is influenced by the council's consumption rate of the previous financial year budget, whereas the consumption rate is also influenced by various factors that are external to the control of councils such as the timely release of warrants." (Finance Manager).

"The consumption of grants is determined by the annual budget policy that is developed by the councils." (Procurement Officer)

"In both operations and capital initiatives, councils make priorities on the preferred activities to be financed in a financial year." (Community Council Secretary)

"We decide on how the transfer funds are used. Even with the grants from the development partners, we are guided to focus on certain areas but ultimately we decide on the projects that should be financed in those areas. For instance, the UNDP supported councils with funds to improve employees' skills through training. The respective councils decide on the areas on which they train their staff." (Finance Manager)

"Councils determine the use of the budget because budget policy is developed on the bases of local needs, and the transfers are made in line with the budget." (Administration Manager)

"Councils are allowed to manage their expenditure by using the transfer funds to finance their local development plans although the expenditure is regulated through national government financial policies" (Town Clerk)

"The transfers and other financial operations at subnational government are guided by the Public Financial Management Accountability Act." (Procurement Officer)

"Councils use national government policies, we are directed to always engage national government policies in every case where we do not have regulatory frameworks." (Senior Legal Officer)

"The budget requests, approvals and expenditure of the grants are guided by Public Financial Management and Accountability Act." (Finance Manager)

The respondents argued that transfers are the best funding model for Lesotho. They provided their explanations as follows:

"Transfers are needed to support local development but they need to be more predictable and rational to have impact on local development." (Town Clerk)

"The government has to assist councils with grants especially those in remote areas because most of us in the rural area have multiple challenges."(Community Council Council)

"Although depending on grants is not enough for us to operate effectively, government has to design transfer system to support local service delivery so that we can achieve equitable development." (District Council Secretary)

"The transfer system is a good way of financing council, but need to be improved especially the budget cuts. The councils in the hard to reach areas has more challenges than in urban and easily accessible areas." (Community Council Secretary)

"The Ministry of Finance transfers funds to the Ministry of Local Government and Chieftainship as per approved annual budgets and the Ministry transfers the funds to district councils. The District Council on behalf of all councils in the district administers the funds however, there is no formula for sharing the budget among councils in the district each district design its suitable way depending on their needs every time they receive the budget." (District Council Secretary)

The above quotes show that grant transfers are the sole source of income for subnational government. There is no revenue sharing formula and legislations for managing transfers. Although the respondents support transfers as the best methods for financing councils and have authority over expenditure, the current transfer system is not recommended, as it comprise the main purpose of transfer system. Lual (2018:7) explains that transfers should be complementing local revenue for addressing the inevitable fiscal gaps. Dependency on national government financing compromise subnational autonomy and independence. The second-generation theory recommend a minimal national government intervention to promote accountability (Martinez-Vazquez et al., 2016:4).

5. Autonomy of subnational governments

The autonomy of subnational governments is determined by their ability to independently develop and finance their developmental plans(cf. Section 2.3.2).This section of questions assess the financial independence of councils, their ability of to generate enough revenue to finance their mandate and independently manage their development plans. The questions under section five includes: *Do subnational governments have the capacity to finance their mandate? and What percentage of the council revenue is locally generated?* The most prevalent views in the responses were:

"Councils do not have revenue to finance their initiatives, although we can develop constructive local projects their implementation rely with national government as the financer. We do what is possible with the allocated warrants amount but we basically do not have convincing opportunity to negotiate the budget amounts." (Town Clerk)

"We do not have any source of income except the grants from the national government and the grants are continually decreasing while the local needs are increasing." (Finance Manager)

"Councils can generate enough revenue to finance their mandate, only if national government create the enabling environment by developing supporting statutes." (Community Council Secretary)

"We currently collect a very limited revenue, even if we are allowed to use it for local development it is insufficient. For instance in the previous financial year, the annual collection was less than $303.70, the amount that is less than the month allowance of one councillor" (Finance Manager)

"Councils can finance their mandate through local revenue, the national government has to implement decentralisation policies and create a conducive environment for councils to operate and manage local affairs." (District Council Secretary)

"Councils have the capacity to finance their activities and develop local communities, the challenge is the national government that do not want to devolve authority to the councils." (Councillor)

In responding to the question about the authority of subnational governments to develop and enforce policies in their territory. The common views of the respondents included:

"Subnational governments have a legal mandate through the Local Government Act to develop bylaws to manage their affairs; however, the

bylaws need to be approved by Minister." (District Council Secretary)

"We tried to develop bylaws but the Minister did not sign them, so their effectiveness depend on the signature of the Minister not on the council." (Councillor)

"Councils are legal entities and have authority within their jurisdictions. The Local Government Act guides councils on the procedures for developing local policies, once the policies are registered as legal documents they can be enforced in their respective areas." (Senior Legal Office)

"We do not have our own policies and has never succeeded in developing one since the establishment of the councils. We use different policies from the national government and do not have authority to manage and enforce them." (Community Council Secretary)

"We are already collecting revenue for national government, have qualified staff, we are closer to communities and have best knowledge about revenue sources and can make follow up easily to ensure compliance to tax policies" (Town Clerk)

"Councils can collect revenue but it will never be enough for financing local development, especially for councils in rural areas, there are no enough sources of revenue, limited resources, and low economic activities. We will still need interventions to ensure development"(Community Council Secretary)

The respondents have conflicting views with regard to the ability of subnational government to generate enough revenue to finance their mandate. The inability to generate enough revenue, is due to having one source of income and no sources of revenue. On the other site, the respondents argued that councils have capacity to collect enough revenue depending on the creation of an enabling environment by developing supporting legislation. The responses also indicates that the final authority in development of local policies is still with the national government.

6. Assignment of functional responsibilities

The assignment of functional responsibilities between government spheres is based on the subsidiary principle to maximise efficiency and accountability. In subsidiary principle, functional responsibilities are organised in a way that they are performed by the smallest, least centralised and capable authority (cf. Section 2.3.1). The questions in this section intend to probe the views of the interviewees about how functions are shared between government spheres and among councils and to explore the nature of spending responsibilities at district.

The respondents argued that councils are the best government structures for delivering local public services, preferably through the concurrent functional approach. The following responses were recorded:

"Councils are the best government structures to serve local communities, they are more accessible to communities given the geographical character of the country that makes it difficult to move between villages." (Councillor)

"Councils are closer to communities and have the best knowledge of local needs therefore they are the best structures to address them." (Community Council Secretary)

"Councils are the best structures to serve local communities, however currently some councils are far and not easily accessible. Government need to reinstate the old councils that were closer to the community." (Councillor)

"Councils are the best option for serving local needs because they are part of the local community, the communities easily communicate with councils as they are situated within their area. This improve quality of services because we deliver services that local community requires and promote compliance as communities become part of the governance structure." (District Council Secretary)

"The functions of councils are stipulated in the Local Government Act and most of them are shared with national government departments." (Community Council Secretary)

"Sharing functions may be good for us, but the problem is that it is not clear how we share the functions with national government department." (Community Council Secretary)

"The concurrent approach is not effective because national government departments are still performing functions that should be performed by the councils." (Community Council Secretary)

"I support the concurrent approach, we can even consider gradual devolution of functions from national government to councils. However government should have clear policies to guide how functions are shared and engage change management strategies to promote support from stakeholders." (Human resource Manager)

When asked about the clear demarcation of functional responsibilities and coordination between councils and other institutions in the district and the equivalence of functional and financial responsibilities, the respondents said:

"The local government act tabulate functional responsibilities for councils, however the functions are in summary form resulting in overlaps of functions between councils and national government departments at the district, even among councils themselves." (Administration Manager)

"We experience functional challenges between chiefs and councillors, each party believe the other party is encroaching into its territory. Because councils and chiefs share functional areas, the law need to be more specific and clearly separate their functions." (District Council Secretary)

"We share functions with national government departments at the local areas, but national government departments report to District Administrator while we report to District Council Secretary. We work parallel to each other and each office implements its plans depending on its budget." (Town Clerk)

"Councils share functions with national government departments at the local area but the team-work and coordination depends on good will because there is no legal document that guide coordination of councils to national government departments." (Community Council Secretary)

"There are is no coordination or relations between national government departments and councils in the district, the act separate the two spheres as they are directed to report to two independent offices." (Senior Legal Officer)

"National government is the primary financer for councils, even though some functions are devolved to the councils their budget remains with the national government." (Procurement Officer)

"Government have to develop legal frameworks to support decentralisation especially with regard to functional responsibilities and financial resources." (Community Council Secretary)

"The national government have to develop intergovernmental policies to manage the coordination between spheres of government and implement an inclusive sensitisation campaign to educate all stakeholders in order to build support for the decentralisation program" (District Council Secretary)

In a general view, the respondents agree that councils are the best public structures for delivering public services. They acknowledge the importance of concurrent functional approach. However, the poor presentation of functional responsibilities create conflict and overlap resulting in poor implementation of concurrent functional approach. This challenge of functional overlap due to absence of detailed functional structure was also picked in the literature. Daemane asserts that there is a huge overlap as one set of functions is a subset of another (cf. Section 5.3.1). The co-existence of subnational and national structures at district without coordination mechanisms can result in poor uncoordinated planning, duplication of efforts and inefficiencies.

7. Subnational government financial resources

Subnational governments are independent financial actors with the responsibility to finance their expenditure with their own revenue (cf. Section 2.3.2). The intention of section seven of the questions was to assess subnational government resources by considering the funding model and sources of income.

The respondents believed that broadening local revenue base could improve local revenue generation in an effort to address budget shortage at local spheres. This was based on the argument that councils have government grants as their sole income and this proved to be insufficient. They explained that councils are financed through grants transfers that are negotiated by the Ministry as part of national government budget process. In their views, the respondents said:

“Our sole financer and source of income is national government through transfers and sometimes we received funds from development partners such as the Deutsche Gesellschaft fur International Zusammenarbeit (GIZ) and United Nations Development Programme that also come as transfer from national government.” (Finance Manager)

“*The amount of annual budget (grants) is negotiated during the budget process between Ministry of Local Government and Ministry of Finance, and then the Ministry of Local Government draws budget celling for its departments including district councils.” (Finance Manager)*

“The budget estimates are issued by the ministry however, they are considered to be determined by the consumption rate of the previous year budget and this result in continuous decline of our budget because we periodically experience limited consumption due to late release of warrants.” (Community Council Secretary)

“The act (Local Government Act) authorise councils to utilise borrowing as a source of income, however we never took loan because the provision depend on the sustainability and predictability of income which we do not have as our budget estimates continually declines annually.” (District Council Secretary)

“The continuous decline in budget have negative impact on service delivery, we even fail to pay employee salaries.” (Human Resource Manager)

“In the current financial year, each council is undertaking one smallest project while other projects are postponed due to a shortage of finances; this is done to enable each council to at least complete one project to serve the

community." (Community Council Secretary)

"Local revenue collection can improve if we are allowed to identify sources of revenue and use the local revenue to finance local development." (Administration Manager)

It can be observed from the quotes above that, subnational government do not have reliable sources of income and are not in a position to finance their mandate. The absence of reliable income sources and predictable budget allocation makes it impossible for councils to utilise other sources of financing such as loans. Currently national transfers are explained as the sole source of income translating to the practical funding model for Lesotho local authorities.

8. Subnational government public financial management system

Public financial management is explained through the annual planning and budgeting cycle (cf. Section 2.4.1). The questions in this section intended to understand how subnational government generate and expend resources and ensure accountability. The common views included the following:

"Our planning process is very effective and consultative. Councillors and offices hold public gathering where communities discusses their needs for each council term. These needs are later used to develop plan." (Community Council Secretary)

"We do not plan with national government departments, their plans and budget are coordinated at District Administrator's office while our plans are coordinated at District Council Secretary's office." (Town Clerk)

"Councils use their respective plans to draw annual budgets, although we are not involved in budget negotiations." (Administration Manager)

"District councils compile the budget for all the councils in the district and submit to the Ministry of Local Government and Chieftainship that negotiates the budget with the Ministry of Finance." (Finance Manager)

"We operates under the Ministry of Local Government, so the ministry conduct negotiations and discussions with the Ministry of Finance on our

behalf." (Procurement Officer)

In addressing the question about how they enhance controls through governance structures such as auditors. The respondents said:

"We are part of the ministry budget, so we share the governance structures. The internal audit section at the ministry performs audit exercises for councils." (Procurement Officer)

"Our structure do not have audit function, however the internal audit exercise are performed by the ministry auditors." (Human Resource Manager)

"The internal audit function come as a borrowed function as is done by employee of the national government from the ministry. Although it is very helpful, it is not effective because the unit only has three internal auditors who perform audit for the ministry and all councils in the country." (District Council Secretary)

"The act provides for the engagement of external audit, and we periodically engage auditors from the Auditor General to maintain good books." (Finance Manager)

"We annually appear before the parliament committee called Public Accounts Committee mandated to review and reports on public accounts and auditor general's report." (Finance Manager)

"It would be better if councils are created as budget heads at the Ministry of Finance so that they can negotiate and discuss their budgets with the ministry." (Finance Manager)

"Councils do not have suitable financial and procurement legislation to manage and guide financial practices." (Procurement Officer)

The responses reflect absence of integrated planning at the district however, councils contact inclusive planning process that involves community consultations. Although the initial stages of budget process are initiated at the district, the actual budget negotiations are done by the ministry. Councils acknowledges the importance of financial governance structure by engaging internal auditors and external auditors, even though the need to strengthening of such structures apparent.

9. Fiscal decentralisation reforms

The fiscal decentralisation reforms require a strong accountability framework with effective financial management to ensure compliance to fiscal rules and regulations, promote fiscal responsibility, and discipline (cf. Section 3.2). The questions in this section were about compliance and accountability at subnational government financial system.

The respondents explained that national government legal frameworks direct their financial operations. In this regard, councils use the financial reporting and performance management systems of the national government. The dominant views included:

"Our financial operations are guided by the Public Financial Management and Accountability Act of 2011, Public Procurement Regulations of 2007 and Local Government Act of 1997." (Procurement Officer)

"We use national government regulations such as Public Financial Management and Accountability Act for financial transactions as they are used whenever we are audited." (Procurement Officer)

"Councils adopt the performance management system that is used by the national government for both project progress reports and individual employee performance monitoring and evaluation." (Human Resource Manager)

"The Public Financial Management and Accountability act compel us to prepare monthly and annual financial reports for the Ministry of Finance. We also prepare such for Ministry of Local Government." (Finance Manager)

"The financial reports are prepared monthly and annually for Ministry of Finance and Ministry of Local Government." (District Council Secretary)

"The performance and financial reports are not usually published, but

councillors are expected to report back to local communities at their respective electoral divisions about the performance of the council through public gathering system (lipitso)."(Community Council Secretary)

"Local Government Act spells that councillors should hold public gatherings (lipitso) to inform local communities about the plans and progress reports of projects."(Community Council Secretary)

"The national government is already using automated systems, we also need automation for our financial systems to improve accountability and transparency." (Town Clerk)

"Councils need to develop suitable financial and procurement regulations to guide their financial practices." (Procurement Officer)

The quotes above indicates that subnational government financial operations are guided by national government financial legislation. The accountability aspect is clearly articulated as councils are advised on preparation of financial reports and reporting to local communities. However, the respondents identified areas that needs improvement to strengthen accountability and transparency.

10. Coordination of national and subnational governments

The coordination of efforts at subnational government requires national guidance, support and legal obligation to articulate roles and responsibilities of different bodies to avoid duplication of efforts, lack of coherence in implementation and conflicts (cf. Section 5.3.4). Section ten of questions investigate the coordination of public structures operating at local spheres by exploring the clarity of their functional responsibilities.

The interviewees indicated that there are no intergovernmental policies, instate districts operate within a parallel structure of national and subnational institutions. Although they highlighted functional conflict between chiefs and councillors, they explained that there is a clear separation of functional responsibilities between councillors and parliamentarians. The following responses were recorded:

"There are no intergovernmental policies tabulating the expected functional relations between national and subnational government departments at the district." (Town Clerk)

"We operate parallel to each other because the act establishes office of District Administrator and District Council Secretary. It explains that District Administrator is responsible for all national government departments at the district except the subnational government structure, who only report to District Council Secretary." (Human Resource manager)

"The act specify that the District Administrator is responsible for national government department while District Council Secretary is responsible for subnational government. The two offices are independent and there is no legal coordination between them."(Senior Legal Officer)

"We coexist with national government department without any coordinating formal structures, our coordination depend on the will of district leaders." (Town Clerk)

"At the political level, the law clearly separate the functions of councillors and parliamentarians at the district." (Community Council Secretary)

"Parliamentarians often hold public gathering to address local development issues without informing us yet they know that they should not supposed to address local issues rather focus on national policies." (Councillor)

"Government tried to separate functions of councillors and chiefs through Chieftainship Act and Local Government Act, however there is constant conflict because of some overlaps." (Community Council Secretary)

"Councillors have challenges in implementing their duties, they often experience retaliation associated with political disparities as they are from different political affiliations. On the other side chiefs enjoys community support and compliance as they are seen as traditional leaders and a symbol of unity."(District Council Secretary)

“The act (Local Government Act) provides two schedules that tabulate the functional responsibilities of different councils in the district.” (Human Resource Manager)

“There is a need to clarify functional responsibilities in a detailed form to avoid overlaps and duplication.” (Community Council Secretary)

“The government need to reconcile legal frameworks that state functional responsibilities.” (Community Council Secretary)

“Councils should invest in public education and sensitisation exercises to ensure that all stakeholders understand and support decentralisation program.” (District Council Secretary)

The responses shows that there are no formal coordination structures between different public institutions in the district. The respondents acknowledges an attempt to legally allocate and separate functional responsibilities among different institutions such as councils, chiefs and parliamentarians. However, there are multiple challenges that need government intervention, for instance the need to write functional responsibilities in details to avoid overlaps.

11. National government support

The successful implementation of public financial management reforms requires the support and commitment of national government (cf. Section 3.3; 3.4.2). Section eleven of the questionnaires concentrated on the readiness of the country to implement fiscal decentralisation. The focus is on the implementation capacity of subnational government and the support from the national government.

The respondents had conflicting views about the capacity of councils to implement fiscal decentralisation. Some interviewees argued that councils have well established structure as infrastructure and qualified staff to implement fiscal decentralisation. On the other hand, other contended that councils do not necessary production material such as vehicles, operational systems and legislative base for effective adoption of fiscal decentralisation.

The respondents said:

“Councils have good infrastructure such as office building but do not have operational equipment such as vehicles and computers required for operational effectiveness.” (Administration Manager)

“We have qualifies financial/accounting staff at all councils who can effectively lead financial operations at council level.” (Community Council Secretary)

“I think we are ready to work on fiscal decentralisation, we have skilled staff in all the councils, although I can recommend on-the-job training and creation of a more senior account position for some councils to strengthen our human resource base.” (Finance Manager)

“We do not have enough legal frameworks to support implementation of fiscal decentralisation, the country needs to develop supporting statute that support local financial resource management.” (District Council Secretary)

“The development of the decentralisation policy is a remarkable progress, it is necessary for the policy to be implemented especially by developing suitable legislation that facilitate full devolution.” (Human Resource Manager)

“The ministry (Ministry of Local Government) supervises local financial management and facilitate budget allocation and expenditure reports.” (Finance Manager)

“We are supervised by financial staff at the ministry as we function as a department under the ministry.” (Procurement Officer)

“Although fiscal decentralisation is a critical topic advocated in political party rallies and part of most political parties’ manifesto in the county, it was never considered for implementation” (Community Council Secretary)

“Fiscal decentralisation has been a dominant issue for councils, and the need to address it has been stressed in multiple platforms and through multiple studies. Despite that, government has been avoiding to address it legally by developing necessary legal framework for its implementation”

(Councillor).

"Since the inception of decentralisation through the 2005 local government elections, none of the administrations have ever tried to implement/pilot fiscal decentralisation."(Town Clerk)

"The government should implement the National Decentralisation Policy in order to ensure effective implementation of fiscal decentralisation." (District Council Secretary)

"Decentralisation Policy create the platform to reconstruct decentralisation, through it supporting policies that can enable the country to maintain effective councils can be developed." (Administration Manager)

The capacity of local authorities to implement fiscal decentralisation is contested as other believed councils have capacity and are ready while others think they are not ready and recommend some necessary improvements. The responses also indicate that there is no political will to implement decentralisation however, the inception of National Decentralisation Policy is acknowledged as the base for developing supporting statute to ensure a successful implementation of fiscal decentralisation.

7.3.1 General assessment of the perceptions and experiences of council management teams and chairpersons of council finance committee

The feedback from interviewed respondents (District council management, municipal management and chairpersons of finance committee) is aligned with that of respondents who completed the questionnaire (finance officers, Urban council management, Community council management and members of finance committee). The two sets of respondents were asked similar questions for triangulation purposes and to observe whether the two groups at different levels of the financial structure of subnational government have same views about fiscal decentralisation. The intention was also to merge the results of the two data sets by comparing and contrasting the content of identified themes.

The feedback indicates that the views of interviewed council management teams and council chairpersons are similar to those of respondents that completed the questionnaire. The two sets of respondents agree on the absence of fiscal decentralisation in decentralisation processes reflected in multiple challenges in the finance sector of subnational government. They identified the implementation of the national decentralisation policy through formulation of enabling legislative framework as the best strategy for incorporating fiscal decentralisation. Although the feedback points to multiple challenges, the critical challenge towards the preferred solution is lack of political will and creation of enabling environment by the national government.

The next section discusses the main themes that emerged during the study.

7.4 RESEARCH FINDINGS ON IDENTIFIED THEMES

This section discusses the themes that emerged in multiple data sets used in the study. The discussion considers the themes that were developed in consideration of the research data. The themes were established in relation to conceptualisation of fiscal decentralisation, subnational financial management system and public financial management reforms.

7.4.1 Assignment of Functions

Fiscal decentralisation theories support the principle of subsidiary for functional assignment. The subsidiary principle points to the need to organise responsibilities in a way that functions are performed by the smallest, least centralised and capable authorities (cf. Section 2.3.1). The respondents agree that local authorities are the best structures for service delivery due to their location as the least centralised and accessible governance structures. In responding to interview question six, Councillor and Community Council Secretary argued that councils are more accessible and have the best knowledge of local needs hence the best structures for delivering local needs (cf. Section 7.3).

Section 5 of the Local Government Act of 1997 authorises local authorities to perform such functions as stated in the first and second schedules of the Act.

The literature shows that the assignment of functions to local authorities is in a concurrent form and presented in general terms without being specific. It draws clear demarcation lines within which each sphere of government is accountable, thus, the schedules lack detailed explanations and create functional overlaps (cf. Section 5.3.1). The respondents argue that the concurrent functional assignment is the best model for Lesotho although it is currently not effective and efficient due to multiple challenges. The assignment of functions to local authorities has multiple challenges such as the failure to draw clear demarcation lines of functional responsibilities among parties within the shared functional area, the observed functional overlaps and the ambiguity in the assignment of functions. The interview responses under section ten of the questions referred to functional overlaps between community leaders such as chiefs and councillors and mostly reflected during the implementation of the functions (cf. Section 7.3).

7.4.2 Revenue and Expenditure Management

Local revenue management is a critical part of fiscal decentralisation as fiscal decentralisation is described through the delegation of budget powers such as revenue management. In complementing the first-generation theory, the second-generation theory of fiscal decentralisation stresses the importance of the assignment of revenue management to subnational governments (cf. Section 2.3.2). Ejobowah (2018:224) explains that second-generation theory advocates for subnational governments to generate their own revenue for financing their functional responsibilities and limit the involvement of national government at local affairs. In responding to questions under section one of the interview questions (cf. Section 7.3), the members of council management teams and chairpersons who were interviewed argue that councils do not have revenue management authority. Although the Local Government Act of 1997 is cited as the permitting legislation for revenue management at subnational government, respondents explained that the execution of the provision in section 56 of the Local Government Act of 1997, depends on national government as subnational governments are tasked with developing bylaws for revenue management. Conversely, such bylaws still need to be authorised by national government since to date, none of the proposed bylaws have been approved.

The definition of fiscal decentralisation also includes devolution of budget powers as expenditure from national government to subnational government (Hard & Welham, 2016:7). In this regard, local expenditure management becomes the focus area for successful implementation of fiscal decentralisation. The second-generation theory advocates for the adoption of hard budget constraints at subnational government to secure fiscal autonomy and discipline (cf. Section 2.3.2). The hard budget constraints refer to co-existence of market-based and rule-based institutions. In a market-based setting, subnational governments become independent actors with autonomous taxing and spending powers who can borrow and manage their financial system, whereas rule-based institutional design refers to legislative regulations that forbid financial malpractices (Ejobowah, 2018:225).

In addressing section one of the interview questions about expenditures powers at subnational government (cf. Section 7.3), the interviewees explain that although councils are authorised to independently manage and spend their annual budget, they are not allowed to spend the locally collected revenue. Thus, councils do not have the necessary expenditure autonomy as they depend on national government to finance their budget requests because they are not allowed to utilise local revenue. The composition of the subnational government revenue for financing the budget is important as it determines the subnational government autonomy over expenditure management (cf. Section 2.3.2).

Section 47 of the Local Government Act of 1997 identifies multiple sources of subnational government revenues such as fines and penalties, rates, taxes, duties and fees and revenue for all sources and grants (transfers). In responding to questions 2.1 and 2.2 of the questionnaire, respondents have divergent views regarding the authority of councils in identifying sources of revenue and setting tax rates (cf. Section 7.2). The interviewee’s responses explain that councils have authority to develop bylaws to identify sources of revenue and set tax rate; however, the bylaws have to be approved by the minister in the Ministry of Local Government and Chieftainship, and to date, there are no approved bylaws (cf. Section 7.3). In this regard, national government has the power to identify sources of revenue and set tax rates resulting in councils relying on transfers as their sole source of income.

The Local Government Act of 1997 prescribes in Section 48 that all monies received by councils should be deposited in the bank account named “the fund”. However, the bank account should be with the bank specified by the Minister of Local Government and Chieftainship, and to date, there is no such a bank account. The respondents of the questionnaire and interviewees in responding to questions 2.4 and section two of the questions, respectively, argue that not all councils have bank accounts. The interviewees went further to explain that only District Councils and the Municipal Council have bank accounts. The provision to deposit collections in the bank account is also disputed by the national government legislation that requires all public institutions to deposit the collected revenue to a consolidate fund as part of national revenue. The remittance of collected revenue and the absence of bank accounts results in national government as the sole source of income for subnational governments. This negatively affects expenditure management by subnational governments.

With regards to rule-based institutional designs whereby subnational governments must have guiding legislation to avoid financial malpractices, councils depend on national government legislation. In articulating the challenges at the subnational financial management system, the absence of local financial management legislation is frequently mentioned by the respondents. Their view is that; the implementation of the national decentralisation policy is considered to be the sole solution as it creates the platform for the development of multiple legislative frameworks for supporting decentralisation.

7.4.3 Intergovernmental Transfer System

In line with the prescription of the second-generation theory of fiscal decentralisation, with regard to tax assignment (cf. Section 2.3.2), the researcher recommends limited intervention by national government in subnational government affairs. Despite that, the existence of externalities and considering grants as a source of income reflect the involvement of national government at local level. It is, therefore, important for the country to have an established transfer system to regulate the financial relations between and among government spheres. The collected data through interviews and questionnaires supports the adoption of a transfer system as one of the funding strategies for subnational governments to ensure equitable development within the country. The responses to question 4.1 of the questionnaire about subnational government receiving transfers to address the asymmetry between expenditure needs and revenue supply are divergent. The interviewees' responses to question four of the questions explain that the asymmetry between expenditure needs and revenue supply is not significant as transfers are the sole source of income for financing the entire council budget. Thus although subnational government receive transfers from national government, the transfers are not for addressing the asymmetry between expenditure needs and revenue supply. The country made an effort in 2014, with the support of development partners (United Nations Capital Development Fund and European Union) to develop a funding mechanism for local authorities (cf. Section 5.3.3). There is a need to establish a suitable transfer system with regulatory frameworks to ensure efficiency and effectiveness of the system.

7.4.4 Subnational Government Financial Management System

Fiscal decentralisation is also defined through the rules and regulations within which limited resources are managed and the planning process to ensure that financial resources are well utilised and prioritised (cf. Section 5.3.4). This counts for a subnational government financial management system consisting of planning, budgeting, spending and reporting. According to Tkachenko (2020:78), a public financial management system refers to a system of principles and approaches for making decisions about generation, distribution and utilisation of public financial resources as well as monitoring and evaluation processes for improving social and economic welfare. In reference to both the literature and respondents, subnational governments have an effective planning system. However, the literature points to the inefficiency of the subnational government financial management system.

The discussion in chapter five (cf. Section 5.3.4) shows that the subnational government financial management system experiences multiple challenges such as absence of coordination structures between functions of the system, absence of internal audit functions and dependency on national government ministry approval for auditing and reporting. Research respondents also acknowledge the challenges. The respondents pointed to absence of subnational financial management framework, inefficiencies of internal audit function, the manual financial system at local spheres that negatively affect reporting and accountability system and the dependency on minister's approval for local financial decisions (cf. Section 7.3).

7.4.5 Public Financial Management Reforms

Public financial management reforms are explained by several authors as the developments and changes in the financial sector intended to improve the operations of the public financial management system (Njenga *et al.*, 2014:148; Alkaraan, 2018:4; Omollo, 2018:172). The primary intention of public financial management reforms as reflected in the literature is to improve accountability, enrich performance and ensure devolution to solve inefficiencies and poor management of public funds (c.f. Section 3.2). The National Decentralisation Policy of 2014 spells out that Lesotho is undertaking financial reforms to develop a comprehensive legal framework to support the country's decentralisation process (Lesotho, 2014:19). In reference to data collected through interviews and questionnaires, respondents point to the need to develop a financial legal framework to support devolution as the constructive solution to multiple subnational government financial challenges. In this regard, some respondents state that a prudent solution to subnational financial management challenges is the implementation of the National Decentralisation Policy of 2014, which spells out the need for financial reforms, and development of supporting statutes. 'Nyane (2016:71) also accords that the National Decentralisation Policy sets the platform for reforms and gives the country an opportunity to address the missing link by establishing a legislation to guide subnational financial management in the decentralisation process.

7.4.6 Public Policy Formulation

Public policy formulation is a stage of the public policy process in which policy alternatives are developed to address policy challenges. Turnpenny and Jordan (2015:11) point out that the policy formulation stage is better explained through policy formulation processes, stakeholders and venues. As put forth by Kulac and Ozgur (2017:147), policy formulation is a policy process stage in which multiple problem solving tools are developed and analysed by multiple actors including government, public servants, politicians, social groups and the media. Policy formulation venues refer to the institutional locations where policies originate, gain support and are utilised (Timmermans & Scholten, 2006:1105; Turnpenny & Jordan, 2015:11). Policy formulation venues include the legislature, executive, judiciary, research institutions, academics, media and societal organisations/associations.

The literature reflects the involvement of multiple stakeholders such as politicians and financial professionals from both the national government and subnational governments (c.f. Section 3.5.2). The importance of the Ministry of Finance and Ministry of Local Government and Chieftainship as the country's financial management custodians and decentralisation programme implementing ministry, respectively, is reflected. The data collected through interviews and questionnaire points to the absence of political will for the adoption of fiscal decentralisation. The majority of the respondents are of the view that national government is not creating an enabling environment for the adoption of fiscal decentralisation. The negative observation is also identified with other national government ministries that share functional responsibilities with councils, whereby respondents explain that there is no coordination or established working relations between councils and national government offices at the district. Inadequate coordination of public institutions at the district is also highlighted by the National Decentralisation Policy of 2014 that spells out that institutional structures, human resource management strategies and legal frameworks in some sectors create constraints instead of supporting coordination and integration at the district (Lesotho, 2014:8).

7.4.7 Country Context

The literature identifies country context and implementation capacity as cross-cutting factors that influence financial reforms (c.f. Section 3.4). Public financial management reforms have to consider the economic, political, legal and social frameworks of the country to ensure the success of the process (Alkaraan, 2018:2). The literature reveals that Lesotho is a constitutional monarch with the King as the head of state. Although the country is a multi-party democracy at all levels of government, it embraces the chieftainship system hence practices a bicameral system with two legislative houses to accommodate chiefs and politicians in governance (c.f. Section, 4.2). The economic and social performance of the country is explained to be dependent on its sole neighbour, the Republic of South Africa (World Bank, 2019:73). The data collected through interviews and questionnaires reflects the need to reconcile the Local Government Act of 1997 and the Chieftainship Act of1968 to clarify and separate functional responsibilities of chiefs and councillors. The respondents also point out that the country has to develop supporting legislative frameworks to address the observed legal gap in the decentralisation process.

The researcher views implementation capacity in terms of the availability of resources and technical knowledge for implementation of fiscal decentralisation. The data from interviews and questionnaires confirm to the availability of skilful personnel with technical knowledge for the successful implementation of fiscal decentralisation. However, the respondents have different views with regard to availability of resources as the interviewees point out that subnational governments do not have the necessary resources to implement fiscal decentralisation, while the questionnaire responses reflect availability of resources. The interview respondents argue that there is a need to equip councils with resources such as equipment, operational systems and finances to support the implementation of fiscal decentralisation.

7.5 CHAPTER SUMMARY

The chapter reported on the collected data. The data collected through questionnaires and interviews from different council employees were analysed and interpreted. The self-administered questionnaires were distributed among members of management teams (except chief accounting officers), finance staff and members of the finance committee (except chairpersons) of participating councils. Interviews with questions that correlate with the questions of the questionnaire were held with members of District council management teams and the chairpersons of finance committees of the participating councils. The questions were informed and guided by the explored literature as discussed in previous chapters. The questions and the responses as the views of research participants were presented.

The chapter was concluded by considering the important themes that were identified from the data collected through questionnaires, interviews and the literature about the concept of fiscal decentralisation. The themes were about the conceptual nature of fiscal decentralisation and public financial management reforms and their applicability in Lesotho decentralisation system. The discussion reflected the views gathered through exploring the literature and using the responses from various respondents in an effort to provide the status of the elements within the Lesotho decentralisation program. Multiple challenges that subnational governments experience such as functional overlaps, absence of local legal frameworks that support revenue collection, limited sources of income and the inefficiencies of the financial management system were highlighted. However, some positive elements that can form part of the baseline for development of a more inclusive and contractive system were identified. The examples include the adoption of concurrent functional assignment and intergovernmental transfers to support local development. The subsequent chapter focuses on recommendations and conclusion of the study.

CHAPTER EIGHT:

RECOMMENDATIONS AND CONCLUSION

8.1 INTRODUCTION

This final chapter of the thesis aims to provide the conclusion of the research based on the findings from the reviewed literature and the empirical component of the study. The study was undertaken as a scientific contribution to the policy mandate to assist Lesotho in its endeavour to develop a comprehensive fiscal decentralisation statute by contextualising fiscal decentralisation and developing a fiscal decentralisation methodology that can assist the country to realise successful decentralisation processes and economic development. Therefore, the chapter presents the recommendations and fiscal decentralisation methodology for Lesotho that can assist Lesotho to achieve the objectives of its fiscal component of the decentralisation process.

8.2 GENERAL SUMMARY

This section of the research presents the general overview of the study by summarising the research to present the area of intent for undertaking the study.

8.2.1 Research Introduction

The study was introduced through chapter one of the thesis as the proposal for the study presenting the background and justification for undertaking the study. The discussions in the chapter included multiple subheadings such as rational and background for the study, research methodology and ethical consideration. The rationale for the study presented the motivation for study in an effort to illustrate the necessity for undertaking the study. Fiscal decentralisation has been a missing link in Lesotho decentralisation processes, lagging behind political and administrative decentralisation, which both experienced a considerable success. The country has legislative frameworks to guide the implementation of political and administrative decentralisation. However, the fiscal component of the process has been lacking as there is no delegated statute for fiscal decentralisation. The National Decentralisation Policy of 2014 mandates the development of a comprehensive legal statute for fiscal decentralisation to ensure functional fiscal relations and public financial management to support the decentralisation process. The proposed research design and methodology was highlighted.

The discussion also considered the significance of ethical prescriptions in scientific studies. The ethics clearance was secured from UNISA's Department of Public Administration and Management Ethics Review Committee. The chapter was concluded by contextualising the significant terms used throughout the study such as decentralisation and fiscal decentralisation and presenting the organisation of the document by explaining the composition of the thesis chapters. The study focused on finding the best fiscal decentralisation methodology for Lesotho. In this regard, the central aim of the study was to develop a fiscal decentralisation methodology for Lesotho through an inclusive understanding of the concept and domesticating it as a strategy for economic development.

In an effort to address the aim of the research, the following objectives were considered:

8.2.2 Research Objective One

To explore fiscal decentralisation and its underlying theories, that is, reviewing the literature about fiscal decentralisation.

Chapter two of the study presented the literature review on fiscal decentralisation as an element of the decentralisation process. The review intended to explore fiscal decentralisation and its theoretical framework in an effort to address the research question: *What is the nature and scope of fiscal decentralisation within the decentralisation process?* The discussion was about the contextual nature of fiscal decentralisation within the decentralisation process. In contextualising fiscal decentralisation, the researcher focused on critical elements through which fiscal decentralisation is explained (cf. Section 2.2). Multiple authors including Yushkov and Rodriguez-Acosta, define fiscal decentralisation as the devolution of fiscal policy responsibilities from national government to subnational government. The authors clarify that fiscal decentralisation is about allocation of budget powers in terms of revenue and expenditure and a design of intergovernmental transfer systems between government spheres, whereby subnational governments are authorised through a legislative framework to manage their fiscal system to ensure availability of resources at subnational government spheres (cf. Section 2.2).

The theoretical basis of fiscal decentralisation was also presented (cf. Section2.3). The theoretical discussion considered explaining factors that influence the success of fiscal decentralisation, the principles that guide the implementation of fiscal decentralisation and the preferred design of intergovernmental transfer systems. The literature recognises the first and the second-generation theories in explaining fiscal decentralisation. Jilek and Jha explain that first-generation theory of fiscal decentralisation presupposes a responsive government in which resource allocation is matched with public needs to manage income distribution and maintain economic stability (cf. section 2.3.1). Yushkov adds that, in this regard, government is charged with three functions that can influence the success of fiscal decentralisation namely: allocation of resources, income distribution and macroeconomic stability. In the first-generation theory, functional assignment is guided by the subsidiary principle. The subsidiary principle points to the need to organise responsibilities in a way that functions are performed by the smallest, least centralised and capable authority. Therefore, the income distribution and macroeconomic stability functions become the responsibility of national government while the allocation function is devolved to subnational governments.

The first-generation theory considers the economic angle in defining fiscal decentralisation and assigns revenue and expenditure functions to government spheres for efficiency and macroeconomic stability (cf. Section 2.3.1). Jha points out that the first-generation theory minimises devolution of revenue responsibilities as it allocates only benefit tax to subnational government and all other tax bases to national government in an effort to avoid economic distortion and maintain stability (cf. Section 2.3.1.1). In this regard, the allocation of revenue and expenditure responsibilities between government spheres results in disparity between financial resources and expenditure responsibilities thus the existence of vertical fiscal gaps.

Boadway and Eyraud define vertical fiscal gap as the decentralised system in a financial structure that deals with the degree to which a government depends on their own revenue to finance their mandate (cf. Section 2.3.1.1). The vertical fiscal gap was explained as the situation in which national government has excess funds relative to its spending needs, while subnational government has revenue shortfalls relative to its spending responsibilities (cf. Section 2.3.1.1). The literature also identified the existence of horizontal fiscal gaps in addition to vertical fiscal gaps. The horizontal fiscal gap was explained by Hendricks as the disparity between spending responsibilities and financial resources among subnational governments at the same level, thus the situation in which subnational governments experience different vertical fiscal gaps (cf. Section 2.3.1.1). In addressing the disparities, the first-generation theory engaged intergovernmental transfers as a source of subnational government revenue.

Intergovernmental transfers are defined as the multidimensional component of fiscal decentralisation whereby finances are transferred from one government to another (cf. Section 2.3.1.2). Multiple authors such as Hart and Welham, Leon and Shotton and Gankhuyag assert that central to intergovernmental transfers is the asymmetry between subnational expenditure needs and revenue supply (cf. section 2.3.1.2). The literature made reference to multiple intergovernmental transfer systems with different designs depending on the objective of the transfer. The discussed transfers included the following:

1. Transfers for addressing the vertical fiscal gap;
2. Transfers for addressing the horizontal fiscal gap;
3. Transfers for correcting externalities;
4. Transfers for supporting national standards;
5. Revenue sharing transfers; and
6. Grant transfers.

The literature pointed to the second-generation theory as an extension of the first-generation theory (cf. Section 2.3.2). It was argued that the second-generation theory complements the first-generation theory of fiscal decentralisation by enhancing the scope of fiscal decentralisation by considering the incentives generated by institutions. According to Valdesalici and Leon, the second-generation theory of fiscal decentralisation considers multiple disciplines such as efficiency from economists, coordination from political scientists and the principle of autonomy and solidarity within legal parameters from public-law scholars (cf. Section 2.3.2). Although the second-generation theory confirms to the functional assignment principle of the first-generation theory, the theory prefers financial autonomy of subnational government and minimal intervention of national government. The central point in second-generation theory is the promotion of subnational government financial independence and self-reliance.

In promoting subnational government fiscal autonomy and limiting national government intervention, the literature considers the concept of soft budget constraints and hard budget constraints (cf. Section 2.3.2). Soft budget constraints are explained within the second-generation theory as distortionary policies that encourage subnational governments to spend excessively and accumulate unnecessary deficits counting on the bailout/assistance from the national government, resulting in dependency of subnational government on national government. In this regard, the second-generation theory recommends adoption of hard budget constraints. Hard budget constraints refer to a situation where institutions take full responsibility for their financial activities by funding their expenditure with their own revenue and internalise any deficits without considering external intervention. The adoption of hard budget constraints reflects the presence of market-based and rule-based institutions. In writing about soft and hard budget constraints, Leon and Ejobowah explain that in marked-based systems, subnational governments are independent actors with autonomous taxing and spending powers, whereas the rule-based institutional design means the legislative framework that manages subnational government financial practices to macroeconomic stability (cf. Section 2.3.2). The market-based system and rule-based institutions are to promote fiscal discipline and fiscal responsibilities of subnational government and ensure maintenance of an effective and efficient subnational financial management system.

The researcher also reviewed the literature on public financial management system as an important part of intergovernmental financial system (cf. Section2.4). The public financial management system was defined by authors such as Lawson and Tkachenko, as the composition of regulations, processes, procedures, approaches and principles used by government spheres to generate, allocate and expend resources, report on expenditure, and undertake audits. Public financial management encompasses budgeting, financial expenditure management, accounting, financial reporting and auditing provisions through which public finances are generated, utilised and reported. Public financial management is often explained in terms of the components of the budget circle that intend to ensure the planning, execution, accounting, and analysis of public expenditure.

The discussed objectives of public financial management included the following (cf. Section 2.4.1):

1. Aggregate fiscal management: the management of budget through revenue and expenditure for maintaining fiscal sustainability.
2. Operational management: management of daily operational activities to ensure value for money.
3. Governance: participation of the communities in local activities and promotion of accountability and transparency through timely and accessible financial and performance reports.
4. Fiduciary risk management: management and monitoring of financial resources in an effort to safeguard the public funds and minimise potential risks.

8.2.3 Research Objective Two

To review the literature on public finance management reforms and public policy development.

In addition to reviewing the literature on the conceptual nature of fiscal decentralisation, the research assessed the literature on public financial management reforms as presented in chapter three of the thesis (cf. Section 3.1). The chapter reported on the theoretical models and approaches of undertaking public financial management reforms (cf. Section 3.3). The discussion included expenditure management models and approaches, political economy models and revenue management approaches. The models and approaches are important for the study as they highlight mandatory factors that need to be considered in reforming public financial management systems. In this regard, the researcher identified significant factors that need to be considered when reforming the subnational government financial management system to develop the Lesotho fiscal decentralisation legislation.

The expenditure management models and approaches focused on economic and accounting themes of the reforms to improve financial management systems. The discussed models include new public financial management that emphasises incorporation of market-oriented principles, performance management and strategic reporting, and monitoring tools on the systems and processes under reforms to ensure fiscal discipline and strategic generation, distribution and utilisation of public resources. The public expenditure management approach to reforms focuses on the budget process by highlighting the significant multiple formal and informal actors and rules that influence budget performance.

The literature made reference to sequencing as another part of public financial management reforms (cf. Section 3.3.1.3). In this regard, countries are advised to focus on basic elements of the budget in implementing public financial reforms. In acknowledging the sequential nature of public financial management reforms and highlighting the interdependence of budget elements, the platform approach shows the significance of implementing packaged activities of reforms aimed at achieving increasing platforms over a manageable timeframe. Sequencing, therefore, focuses on the establishment of an implementation strategy capable of achieving reform objectives. The strengthened approach emphasises the three key factors for public financial management reforms such as developing a county-led reform agenda, establishing a coordinated program of support to ensure consistent supply of financial and technical support for smooth implementation, and creating of a shared information pool for the provision of information about reform performance and progress.

The political-economy models to public financial management reforms present the framework for understanding the political context within which public financial management reforms are implemented. It was explained that political-economy models consider political factors by focusing on involved actors, their interest and incentives, as well as the institutions that influence their behaviour (cf. Section 3.3.2). The drivers of change approach were discussed to explore factors that drive and determine the outcome of reforms. The approach focuses on how the interaction between agents (individual actors and their institutions), structures (country context) and institutions (rules and regulations) affect the outcome of financial reforms. The researcher believes that drivers of change approach can assist countries to develop a baseline for designing country specific strategies and programs for public financial management reforms.

The literature on public financial management reforms approaches was concluded by considering revenue models and approaches. Revenue models and approaches focus on the design and administration of tax systems, highlighting the significance of tax design in enhancing social and economic growth. The discussion pointed to four critical aspects of tax revenue reform as the efficiency and equity of taxation policy, the impact of taxation on economic aggregation, effectiveness and efficiency of tax administration and the consideration of the political nature of the taxation process (cf. Section 3.3.3).

The review of literature on public financial management reforms pointed to two cross cutting factors that influence reforms as the country context and implementation capacity. These factors are to be considered at the design and planning phase of the reform process although they come into play during the implementation phase of the reform process. The researcher acknowledges the need to contextualise public financial management reforms and the need to establish implementation capacity necessary to achieve objectives of the reform process.

The chapter was concluded by a review of literature on public policy development by conceptualising public policy and policy process in an effort to understand public policy formulation (cf. Section 3.5). Public policy is described by various authors such as Anyebe, Howlett and Serban as the statements of intent containing government goals, objectives and the means to achieve them (cf. Section 3.5.1). The policy process is a policy making processes composing of various stages that show how policies are developed and implemented. Miller and Howlett define public policy formulation as a policy process stage in which policy options that can successfully address a policy problem are developed, and involves drafting a legislative framework (cf. Section 3.5.2). It was discovered that the policy formulation stage is a highly political stage of the policy process that involves multiple political and technical processes (cf. Section 3.5.2).

The concept of policy design was considered and it was argued that in order to secure concrete knowledge/information about a policy, the process of policy analysis is considered (cf. Section 3.5.3). Policy analysis is explained as the strategy of supporting policy formulation through application of multiple methods of enquiry to produce and transform policy information to assist policy formulators to make informed decisions. The chapter was concluded by policy analysis approaches that advocate for acknowledgement of country context features, practical experiences of policy implementation, innovative means of analysing and engagement of systematic investigation strategies in analysing policy goals and objectives (cf. Section 3.5.5.1).

8.2.4 Research Objective Three

To explain the functioning of the Local Government system in Lesotho (To contextualise the Lesotho decentralisation process)

Chapter three addressed objective three of the study by presenting an explanatory discussion of the Lesotho decentralisation system. The researcher discussed the Lesotho decentralisation system by illustrating its institutional framework, structural composition and the legislative framework that regulates the system (cf. Section 4.5). The chapter was intended to present the decentralisation context within which fiscal decentralisation is currently practised by explaining its structural and operational designs. The chapter commenced by considering Lesotho country profile. Lesotho was explained as a constitutional monarch governed through a bicameral parliament reflecting the existence of chieftainship and a multi-party political system (cf. Section 4.2). The country is least developed with its economic status largely influenced by external factors such as the economics of its sole neighbour, South Africa, and fluctuation of the Southern African Customs Union revenue. The National Decentralisation Policy of 2014 points to political institutions and actors, governance system, monarch and chieftainship, social and demographics, economic structure, geography and settlement, and natural resource distribution as critical factors that influence the design of the Lesotho decentralisation system. The objectives of the Lesotho decentralisation policy were articulated (cf. Section 4.3).

The researcher considered the historical experiences of the country (cf. Section 4.4). It was discovered that Lesotho has always incorporated local government in its governance structure. The country went through several reforms in an effort to establish the most suitable subnational government structure to enhance development through popular participation. The discussion revealed the centrality of both traditional and political leaders in Lesotho governance system (cf. Sections 4.4.1 & 4.4.2). The researcher believes that the historical experiences of the country form a critical baseline for reforming the system and developing a supporting statute for fiscal decentralisation as it can enable one to understand the current decentralisation system, inform the future and assist to predict the reaction of citizens.

The chapter lastly described the current Lesotho decentralisation system (cf. Section 4.5). This was done through discussing the structural and operational systems of decentralisation based on the guiding legislative frameworks. In this regard, four types of councils were identified as District Council, Municipal Council, Urban Council and Community Councils (cf. Section 4.5.1). The four-level structure constitutes elected politicians and representative chiefs as councillors and civil servants as technocrats. The Local Government Service Commission and Local Government Service tribunal are also established to support the councils. Parallel to subnational government structures, the Local Government Act of 1997 established the District Administrator's office as representative of national government at districts.

The operational part of the discussion illustrated the working procedures of the subnational government structures (cf. Section 4.5.2). It was explained that councils use a committee system to exercise their governance powers and perform their functions. In this regard, multiple standing committees such as the finance committee, social service committee and land committees, are established to facilitate the operations of the councils. It was discovered that the bicameral governance structure at the national government structure is also reflected at the subnational government although there are functional assignment challenges between traditional leaders and political appointees (cf. Section 4.5.2). The subnational structures also inherently reflect the coexistence of parallel structures representing national and subnational offices at the district level. The latest legislation for decentralisation, the National Decentralisation Policy of 2014, establishes the reform platform and presents an opportunity for the country to redesign the decentralisation program.

8.2.5 Research Objective Four

To review fiscal decentralisation management policies in Lesotho.

Chapter five of the thesis discussed legal frameworks that guide public financial management at subnational government to address the fifth objective of the research. The central focus of the chapter was on the assignment of functional and financial responsibilities, intergovernmental transfers and financial management practises as prescribed by the established legal frameworks. The discussion included the historical experiences of the country on fiscal decentralisation. It was discovered that Lesotho local governance has always incorporated functional and financial assignment (cf. Section 5.2). Mofuoa and Matlanyane, as authors that write about Lesotho local governance, acknowledge that the fiscal decentralisation component has always been part of subnational governance, as local structures were assigned functional and financial responsibilities.

The researcher analysed the current fiscal decentralisation system using multiple public financial management regulations that guide the public financial management and practices at subnational governments (cf. Section 5.3). The legislative frameworks include the Local Government Act of 1997, Public Financial Management Act of 2011 and Treasury Regulations of 2014. The statutes and regulations guide the assignment of functional responsibilities and revenue sources to local authorities. The Local Government Act of 1997, Local Government Regulations of 2015 and the Urban Government Act of 1983 are used to assign functional responsibilities to local councils. Authors such as ’Nyane and Daemane explain that Lesotho adopted the general and concurrent approach of functional assignment to government spheres (cf. Section 5.3.1). The discovered challenges of this functional assignment approach include, among others, the failure to provide detailed responsibilities in shared sectors, functional overlaps and the existence of the dual system at local government spheres (cf. Section 5.3.1).

The discussion highlighted revenue management by identifying sources of funding and tax administration procedure as prescribed by the law (cf. Section 5.3.2). The identified sources of revenue are fines and penalties, grants from national government, rates, taxes and duty fees as well as borrowing. It was discovered that the subnational government revenue management experiences multiple challenges such as the existence of multiple revenue collectors at district and conflicting legislative provisions (cf. Section 5.3.2). It, therefore, results in an absence of adequate revenue supply for subnational government to finance their mandate. Matlanyane and Daemane assert that councils depend on national government transfers to finance their activities (cf. Section 5.3.3). The subnational financial management system reflected multiple challenges that result in weak financial management systems and dependency of subnational government on national government.

The chapter was concluded by discussing the National Decentralisation

Policy with reference to subnational government financial reforms (cf. Section 5.4). In acknowledging the fiscal decentralisation challenges, the policy establishes the platform for financial reforms by developing a comprehensive fiscal decentralisation legislation through reviewing all existing public financial management frameworks to support devolution as a mode of decentralisation. In this regard, the study may contribute to the national objective of developing a comprehensive fiscal decentralisation legislation to be incorporated in the decentralisation process as this is currently not in place. In this way, the study may make an important contribution to the country's policy mandate.

8.2.6 Research Objective Five

To describe the suitable research design and methodology for the study.

Chapter six addressed the fifth objective of the study, the suitable research design and methodology for the study. The study utilised mixed methods research as the method considered appropriate for addressing the research question. Authors such as Pardede, Almalki and Johnsondefine mixed method research as the research method that integrates qualitative and quantitative approaches in one study (cf. Section 6.3). Mixed methods research has three designs and the researcher used the convergent mixed method design. This is a design in which qualitative and quantitative methods are simultaneously engaged. The convergent mixed method research design is used for complementarity and triangulation reasons. The convergent mixed methods research design seeks to achieve conformity, cross-validation and verification of the result hence balances the weaknesses of the individual methods. The research engaged the convergent mixed method design to ensure a broad and comprehensive understanding of fiscal decentralisation with possible minimum costs within a reasonable period (cf. Section 6.3.1.1).

8.2.7 Research Objective Six

To analyse and interpret the collected data.

In chapter six, the collected data was analysed and interpreted. The data collected through questionnaires and interviews from councillors, finance staff and management teams of the councils about fiscal decentralisation and subnational government financial management systems was analysed and interpreted. The questions in the questionnaire and interview schedule were informed by the reviewed literature and the two instruments contained similar questions. The questionnaires were distributed among members of the management teams and finance staff of district, municipal, community and urban councils as technical employees and members of the finance committee as councillors at Berea, Thaba-Tseka and Mohale's Hoek districts. Interviews were held with district council management teams and chairpersons of finance committees of participating councils. The data was strengthened by considering documented data through assessment of official documents.

The last section of the chapter discussed the themes that were identified from the data sets (cf. Section 7.4). The identified themes include functional assignment, revenue management, intergovernmental transfer system, subnational government financial management system, public financial management reforms, public policy formulation and country context. The discussion on themes incorporated the findings of the literature review to create opportunity to establish possible productive alternatives that can contribute to the development of a comprehensive fiscal decentralisation legislation.

The discussion on functional assignment confined to the adoption of concurrent functional approach and approved the engagement of subsidiary principles in assigning functional responsibilities. However, the country is experiencing various functional assignment challenges such as overlaps and a lack of a detailed legislative framework to clearly demarcate responsibilities for various actors. Subnational governments do not have budget powers as revenue management, instead, councils depend on national government to finance their mandate. The dependence on national government funding results in inadequate revenue and poor service delivery. The Local Government Act of 1997 identifies sources of revenue for councils; however, the data on expenditure management pointed out that councils do not have necessary expenditure management autonomy. This is based on the fact that councils are not allowed to utilise local revenue. The Public Financial Management Act of 2011 spells out that all revenue collected from local areas should be remitted to national government to form part of national income. It was noted that the transfer system is mandatory for Lesotho decentralisation given the observed financial gaps resulting from various reasons including the demographic character of the country that affects revenue generation opportunities. However, the discussion pointed to the need to establish a comprehensive transfer system that can positively assist the operations of the subnational government structures without jeopardising their autonomy (cf. Section 7.4.3).

Although the assessment of the subnational government financial management system reflected the considerable positive effort such as the presence of planning processes, multiple challenges were cited (cf. Section 7.4.4). The subnational government financial management system experiences structural challenges such as the absence of coordinating structures for a dual system at district, an absence of internal audit functions at councils and dependence on national government to authorise financial management activities such as audit exercises. The consideration of the public financial management reforms under the themes of the study justified the significance of the reforms. It was noted that the implementation of the National Decentralisation Policy of 2014 through subnational government financial reforms is a constructive solution to address fiscal decentralisation challenges and ensures achievement of decentralisation objectives. The significance of country context and implementation capacity for the reform process were stressed as the two that are considered to have a determining factor in the development and implementation outcome of the fiscal decentralisation legislation (cf. Section 7.4.7).

8.2.8 Research Objective Seven

> To explore and proffer fiscal decentralisation methodology for Lesotho that can ensure economic development.

Chapter eight of the thesis addresses the seventh objective of the study. The chapter provides an overview of the thesis by summarising how the objectives were addressed. The recommendations on the findings of the research are articulated. The chapter is concluded by presenting the proposed fiscal decentralisation methodology for Lesotho.

8.3 RECOMMENDATIONS

This section of the chapter presents recommendations based on the research findings. The discussion highlight the challenges and suggest strategies for addressing them.

8.3.1 Assignment of Functional Responsibilities

The reviewed literature and feedback from the respondents pointed out that although the adopted general approach of functional assignment is the most suitable for Lesotho, it currently stifled the implementation of decentralisation due to various challenges. The challenges include an absence of clear demarcation of functional responsibilities that causes functional overlaps between subnational government and national government as an example. The overlaps were also acknowledged between chiefs and councillors accompanied with lack of community support to councillors when they have to perform functions that were historically attached to chieftainship. It is important to have clear demarcation lines of responsibilities and reconcile a legislative framework to avoid encroachment and overstepping, and promote autonomy and independence. This would also ensure that the responsible sphere of government is accountable for its responsibilities. It is also recommended that when assigning functions to subnational government, the customary practices such as land management (for instance, reassignment of the control of grazing lands from chiefs to councillors) should be considered to avoid changes that can result in community retaliation or lack of support to assigned institutions.

The data sets also revealed that the country is practising a dual system at the district without clear coordination structure to support it (cf. Section 4.5.1). If the country decides to maintain the dual system at district level, it is necessary to develop coordination structures to ensure integrated planning and development. In addition to coordinating the functions of the District Administrator’s office with those of District Council Secretary, the structures should coordinate the functions of councils with those of deconcentrated national government offices at council level. The relations between functional and financial assignments are discussed below as it was also identified that councils fail to deliver devolved functions because national government devolved functions while retaining resources.

8.3.2 Revenue Management

The Lesotho decentralisation program was found to lack budget powers such as revenue and expenditure management (cf. Section 7.3.1.1). The discussion on revenue management revealed multiple challenges that result in the absence of revenue at councils, for instance, dependence on national government to authorise bylaws for identifying and regulating revenue sources resulted in a total absence of resource sources as the bylaws were never approved (cf. Section 5.3.2). It was highlighted that there is a low morale at local councils to collect revenue due to the existence of multiple revenue collectors at subnational areas and remittance of collected revenue due to conflicting legislative provisions. This results in limited/constrained income sources for subnational government and total dependence on national government financing. It is important for subnational government to have revenue management powers in order to maintain financial independence for securing their autonomy and being able to finance their mandate. It is recommended that Lesotho makes a decision regarding the degree of revenue devolution in order to build independent, autonomous and responsible subnational structures that can finance their mandate. This should be done through a legal framework that also needs to be aligned with other national government legislation to avoid confusion and conflicting provisions.

8.3.3 Intergovernmental Transfer System

The Local Government Act of 1997 identifies national government transfers as a source of funding for councils. The reviewed literature and feedback from respondents revealed that subnational governments have transfers as their primary source of income as the country does not have an established funding model (cf. sections 5.3.3 & 7.4.3). The explanation went further to show that even financial support from development partners for the councils is treated as transfer funding, as it goes through the national transfer channels (cf. Section 5.3.3). It was also discovered that in the current transfer system, subnational governments totally depend on national transfers for financing their mandate and this creates challenges such as inadequate revenue, late release of warrants and constant decline in budget allocation (cf. Section 5.3.3). Based on the fact that the respondents view transfers as a suitable source of funding for Lesotho subnational government (cf. Section 7.4.3), it is recommended that the country develops a well-designed intergovernmental transfer system that regulates fiscal relations between, and among government spheres to facilitate funding and does not disincentive local revenue collection. It is also important to allow subnational governments to be budget heads at the Minister of Finance to reduce the red tape of going through the Ministry of Local Government and Chieftainship and promote council participation in national budget processes.

8.3.4 Public Financial Management System

Even though subnational government structures are considered to have an effective planning process, the research respondents lure for coordination structures. The data sets, both the literature and feedback from respondents, pointed out that the planning and budget at district are dispersed among different structures such as councils, de-concentrated national departments and non-governmental organisations without coordinating structures resulting in duplication of efforts and inefficiencies in service delivery (cf. sections 5.3.4 & 7.3.2). It was discovered that irrespective of the legal provision for external audit and financial reporting, subnational governments do not have internal audit functions and the law fails to stipulate how councils should account to local communities (cf. Section 5.3.4). It is advisable to consider the establishment of coordinating structures to promote integrated planning and budgeting at the district to ensure maximum utilisation of scare resources. It is also important to create internal audit functions at subnational government structures and strengthen the reporting system to improve accountability.

8.3.5 Public Financial Management Reforms

Feedback from the interviews indicated that the national government is not creating an enabling environment for the adoption of fiscal decentralisation (cf. Section 7.3.2). The identified concerns about undertaking subnational financial management reforms included the absence of political will, inadequate financial support and equipment. It was explained that although councils have well developed infrastructure in terms of buildings for office space, there is no adequate non-fixed assets such as vehicles and equipment to support implementation of fiscal decentralisation (cf. Section 7.3.2). It is imperative to secure capacity elements such as political will, adequate financial resources and physical resources that have a determining impact on the process of decentralisation before engaging in financial management reforms.

8.4 FISCAL DECENTRALISATION METHODOLOGY FOR LESOTHO

This section of the chapter presents the fiscal decentralisation methodology for the Lesotho decentralisation process. The methodology would enable the country to achieve decentralisation objectives and enhance economic development. The fiscal decentralisation methodology is presented through a framework that describes elements of fiscal decentralisation, their interpretation within the decentralisation process, how they can be assessed as well as recommendations for a fiscal decentralisation statute.

Table 8.1: Proposed Fiscal Decentralisation Methodology for Lesotho

Number	Elements of fiscal decentralisation	Interpretation of fiscal decentralisation elements within decentralisation process	Assessing the success of the elements	Recommendations for fiscal decentralisation statute
1	Assignment of functional responsibilities	Assignment of functional responsibilities should be formally established through a legal framework, presenting clear functional responsibilities and drawing clear demarcation lines to promote accountability (cf. section 2.3.1).	A legal framework allocating functional responsibilities to government spheres.	Lesotho government should decide on the degree of functional assignment between government spheres. The country should maintain the concurrent functional assignment arrangement and ensure inclusion of all stakeholders in allocating functions to create support and a conducive environment for the implementation phase. The country should also conduct a review of legislation to incorporate the functions of chiefs in the current structure of

Number	Elements of fiscal decentralisation	Interpretation of fiscal decentralisation elements within decentralisation process	Assessing the success of the elements	Recommendations for fiscal decentralisation statute
				local governance to promote responsiveness and accountability at subnational government.
2	Subnational government financing	Subnational government must have adequate financial resources to finance their mandate (cf. Section 2.3.2).	Availability of income and revenue sources at subnational government.	In consideration of functional assignment, the country should decide on the degree of revenue devolution to avoid mismatch between spending needs and financial supply. Based on the degree of revenue devolution, the subnational government revenue management framework should be developed to secure income generation sources for councils. It is recommended that a taxation framework for

Number	Elements of fiscal decentralisation	Interpretation of fiscal decentralisation elements within decentralisation process	Assessing the success of the elements	Recommendations for fiscal decentralisation statute
				the management of local revenue, be developed. An intergovernmental transfer system should be developed. The framework would present a suitable transfer system design for the country, based on revenue generation capacity and spending needs of councils to ensure incentive-compatibility and secure some degree of equity among districts. Borrowing is also recommended as a source of income. Therefore, a fiscal responsibility framework needs to be developed to

Number	Elements of fiscal decentralisation	Interpretation of fiscal decentralisation elements within decentralisation process	Assessing the success of the elements	Recommendations for fiscal decentralisation statute
				determine a borrowing threshold and administrative conditions to safeguard against fiscal malpractices such as accumulating unnecessary deficits.
3	Subnational Government financial management system	Fiscal decentralisation is defined through the rules and regulations within which limited resources are managed and the planning process to ensure that financial resources are well utilised and prioritised (cf. Section 5.3.4).	Effective and efficient use of public funds and the delivery of quality services.	In line with national government public financial management system, there should be a subnational government public financial management system framework. The framework should describe systems, procedures and processes for planning and budgeting, resource allocation, financial transaction recording, financial reporting and risk mitigation strategies.

Number	Elements of fiscal decentralisation	Interpretation of fiscal decentralisation elements within decentralisation process	Assessing the success of the elements	Recommendations for fiscal decentralisation statute
4	Intergovernmental fiscal relations	The fiscal relations and arrangement between national and subnational governments is a central element for the success of a decentralisation process (cf. Section 2.1).	National integrated planning and budgeting processes and good governance.	Lesotho has to establish intergovernmental fiscal relations framework for coordination of national and subnational governments to promote integrated strategic planning and cooperative governance. The framework should articulate coordination structures to ensure inclusion of all local stakeholders (subnational government, national government de-concentrated departments and non-governmental organisations) in district planning

Number	Elements of fiscal decentralisation	Interpretation of fiscal decentralisation elements within decentralisation process	Assessing the success of the elements	Recommendations for fiscal decentralisation statute
				processes. The intergovernmental fiscal relations framework should also provide guidance on the incorporation of the districts in the national government budget process. District councils should be independent budget heads at the Ministry of Finance to ensure inclusion of the subnational government agenda in the national budget forum. The national government is responsible for creating an enabling environment for implementation of decentralisation and

Number	Elements of fiscal decentralisation	Interpretation of fiscal decentralisation elements within decentralisation process	Assessing the success of the elements	Recommendations for fiscal decentralisation statute
				assuming a supervisory role in the decentralisation processes. The intergovernmental fiscal relations framework should guide the relations between national and subnational government by establishing reporting and supervisory procedures and protocols.

Source: Mohapi (2022)

8.5 CHAPTER SUMMARY

The chapter concludes the thesis by addressing the seventh objective of the research. The researcher summarised the chapters of the research in line with the research objectives to present an overview of the study. The discussion included the recommendations made on the basis of research findings emanating from both the literature and the empirical component of the study. The chapter was concluded by presenting the fiscal decentralisation methodology for Lesotho. It is anticipated that the research, through the reviewed literature and empirical findings, has established the baseline for the development of a domesticated fiscal decentralisation statute. The study recommendations provided the proposed fiscal decentralisation methodology which aims to assist the country in its attempt to develop a comprehensive fiscal decentralisation statute to achieve the country's decentralisation objectives.

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APPENDIX 1: PROOF OF ETHICAL CLEARANCE OBTAINED FOR THE STUDY

UNISA university of south africa

DEPARTMENT: PUBLIC ADMINISTRATION AND MANAGEMENT
RESEARCH ETHICS REVIEW COMMITTEE

Date: 03 August 2021

PAM/2021/016 (Mohapi) Name of applicant: Ms TJ Mohapi Student#: 48257060

Dear Ms Mohapi

Decision: Ethics Clearance Approval

Details of researcher:
Ms TJ Mohapi, student#:48257060, email: 48257060@mylife.unisa.ac.za, tel: 00226-589523

Supervisor: VT Sambo, staff#: 90284135, email: esambovt@@unisa.ac.za,

Co-Supervisor: GM Ferreira, staff#: 1954520, email: ferregm@unisa.ac.za

Research project 'Fiscal Decentralisation: Domesticating a methodology for Lesotho'
Qualification PhD – Public Administration

Thank you for the application for **research ethics clearance** submitted to the Department: Public Administration and Management: Research Ethics Review Committee, for the above mentioned study. Ethics approval is granted. The decision will be tabled at the next College RERC meeting for notification/ratification.

For full approval: The application was **reviewed** in compliance with the *Unisa Policy on Research Ethics* and the *Standard Operating Procedure on Research Ethics Risk Assessment*.

The proposed research may now commence with the proviso that:

1) The researcher will ensure that the research project adheres to the values and principles expressed in the Unisa Policy on Research Ethics.
2) Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to this Ethics Review Committee.

University of South Africa
Preller Street, Muckleneuk Ridge, City of Tshwane
PO Box 392 UNISA 0003 South Africa
Telephone: +27 12 429 3111 Facsimile: +27 12 429 4150
www.unisa.ac.za

3) The researcher will conduct the study according to the methods and procedures set out in the approved application.

4) Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.

5) The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study, among others, the **Protection of Personal Information Act** 4/2013; **Children's Act** 38/2005 and **National Health Act** 61/2003.

6) Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.

7) Field work activities **may not** continue after the expiry date of this ethics clearance, which is 03 August 2024. Submission of a completed research ethics progress report will constitute an application for renewal of the ethics clearance certificate for approval by the Research Ethics Committee.

Kind regards

Mr ND Baloyi

Deputy Chairperson: Research Ethics
Review Committee
Department of Public Administration and
Management
Research Ethics Review Committee
Office tel. : 012 429-6181;

Email : ebaloynd@unisa.ac.za

Prof RT Mpofu

Executive Dean (Acting):
College of Economic and Management
Sciences
Office tel. : 012 429-4808;
Email : mpofurt@unisa.ac.za

APPENDIX 2: REQUEST TO CONDUCT RESEARCH AT THE MINISTRY OF
LOCAL GOVERNMENT AND CHIEFTAINSHIP

Noted: 03/05/2021
DHR/DOD - fyn
Lakhonahen

Noted and permission granted
03/05/2021

UNISA university of south africa

29TH April 2021

Principal Secretary
Ministry of Local Government and Chieftainship
Maseru 100

Dear Madam

My name is Tiehi Mohapi and I am currently enrolled for a Doctoral Degree in the Public Administration and Management Department (Student number: 48257060) at the University of South Africa.

The topic for my research study is Fiscal Decentralisation: Domesticating a Methodology for Lesotho and entails contextualising and domesticating fiscal decentralisation as concept of decentralisation. The purpose of the study is to develop the best fiscal decentralisation methodology for Lesotho.

I would like to request permission to conduct research within the Ministry of Local Government at the Local Authorities.

The research study will involve the following;

- Surveys (questionnaire) and interviews whereby the management(officers and councillors) and finance officers at local authorities would be interviewed and asked to complete questionnaires respectively, to understand and establish the fiscal decentralisation status at the local government. By agreeing to grand permission for this survey to be disseminate and interviews conducted, you agree that the information you provide may be used for research purposes, including dissemination through peer-reviewed, publications and conference proceedings.

It is anticipated that the information we gain from the survey and interviews will help us to develop the best fiscal decentralisation methodology for the country.

We do not foresee that you and/or the Ministry will experience any negative consequences by completing the survey and participating in interviews. The researcher undertake to keep any information provided herein confidential, not to let out of our possession and to report on the findings from the perspective of the participating group and not from the perspective of an individual.

We would like to request the following information from the organisation:

- Audit reports of the latest two years audited.
- Occupational position of the participants
- The name of the council where the participant is placed.

The research will be reviewed and approved by the UNISA College of Economic and Management Sciences Research Ethics Review Committee. The primary researcher, Tiehi Mohapi, can be contacted during office hours at 00266-58949523 or m.mohapi@ymail.com. The study leader, Dr Vaola Sambo, can be contacted during office hours at 0027-12 429 4355 or esambovt@unisa.ac.za.

Kind regards

Tiehi Mohapi

APPENDIX 3: PERMISSION TO CONDUCT THE RESEARCH

LESOTHO

Ministry Local Government
and Chieftainship
P.O. Box 686
Maseru 100

14th May 2021

Ms Tiehi Mohapi
University of South Africa

Dear Madam

RE: PERMISSION TO CONDUCT STUDY ABOUT FISCAL DECENTRALISATION:DOMESTICATING A METHODOLOGY FOR LESOTHO WITHIN THE MINISTRY PF LOCAL GOVERNMENT AND CHIEFTAINSHIP

We acknowledge receiving your letter requesting permission to conduct the study mentioned above within the Ministry of Local Government and Chieftainship.

This communication is granting you permission to conduct the study within the Ministry. The audit reports and occupational positions would be accessed at the data collection centres. We recognise the importance of the study as development of fiscal decentralisation statute is still a pending assignment for the Ministry. In this regard the Ministry would like to requests the copy of the study findings. You are also requested to fulfil the following:

- Submit a detailed schedule of your activities stating your visitation period to the councils for logistical arrangements.
- Ensure that your activities shall not disrupt daily operations of the council.
- You can access council names and positions of participants.
- Please avail a copy of your study for the Ministry upon completion.

You are advised to contact office of Director Decentralisation for any further clarifications on technical decentralisation matters and office of Director Human Resources for any further inquiries.

Yours in service

Mr LekhooaRajake
Director Human Resources
Ministry of Local Government and Chieftainship

Tel: 00266-2232 7575
Email: lrajake@yahoo.co.uk

APPENDIX 4: APPROVAL FOR DATA COLLECTION

LESOTHO

Ministry of Local Government
and Chieftainship
P. O. Box 686

05th June 2021

Ms Tiehi Mohapi
University of South Africa

Dear Madam

RE: PERMISSION TO CONDUCT STUDY ABOUT FISCAL DECENTRALISATION: DOMESTICATING A METHODOLOGY FOR LESOTHO WITHIN THE MINISTRY OF LOCAL GOVERNMENT AND CHIEFTAINSHIP

The above subject matter bears reference.

The communication serves to approve your request to visit the councils for data collection as per your attached visiting schedule. You are also advised to observe COVID 19 protocols during your visits.

Yours in service

Mr Lekhooa Rajake
Director Human Resources
Ministry of Local Government
Tel: 00266- 2232 7575
Email: lrajake@yahoo.co.uk

COUNCIL VISITING SCHEDULE

DISTRICTS	COUNCIL NAME	DATES /September
Maseru	District Council	07/09/2021
		08/09/2021
	Maseru City Council	09/09/2021
	Mohlakeng Community Council	10/09/2021
Berea	District Council	28/09/2021
		29/09/2021
	Urban Council	30/09/2021
	Kanana Community Council	01/10/2021
Thaba-Tseka	District Council	05/10/2021
		06/10/2021
	Urban Council	07/10/2021
	Tenesolo Community Council	08/10/2021
Mohale's Hoek	District Council	21/09/2021
		22/09/2021
	Urban Council	23/09/2021
	Mashaleng Community Council	24/09/2021

APPENDIX 5: QUESTIONNAIRE FOR COUNCIL EMPLOYEES

Dear prospective participant,

You are invited to participate in a study conducted by Tiehi Mohapi under the supervision of Dr Vaola Sambo, a senior lecturer in the Department of Public Administration and Management towards a PhD-Public Administration at the University of South Africa.

The questionnaire you have received has been designed to study the best fiscal decentralisation methodology for Lesotho. You were selected to participate in this survey because of your work position as the member of management team of the council or finance officer or the councillor at the council taking part in the study and your experience in intergovernmental fiscal relations. You will not be eligible to complete the questionnaire if you are not a member or an employee of the council. By completing this questionnaire, you agree that the information you provide may be used for research purposes, including dissemination through peer-reviewed publications and conference proceedings.

It is anticipated that the information we gain from this study will help us to develop the comprehensive fiscal decentralisation methodology for Lesotho. You are, however, under no obligation to complete the questionnaire and you can withdraw from the study prior to submitting the questionnaire. The questionnaire is developed to be anonymous, meaning that we will have no way of connecting the information that you provide to you personally. If you choose to participate in this study it will take up no more than thirty minutesof your time. You will not benefit from your participation as an individual, however, it is envisioned that the findings of this study will contribute to the development of a domesticated fiscal decentralisation methodology for Lesotho and ensure the success of the decentralisation process as the primary economic development strategy for the country. We do not foresee that you will experience any negative consequences by completing the questionnaire except the inconvenience of the time you have to allocate to complete the questionnaire. The researcher undertakes to keep any information provided herein confidential, not to let it out of our possession and to report on the findings from the perspective of the participating group and not from the perspective of an individual.

The records will be kept for five years for audit purposes where after it will be permanently destroyed hard copies will be shredded and electronic versions will be permanently deleted from the hard drive of the computer.You will not be reimbursed or receive any incentives for your participation in the survey.

The research was reviewed and approved by the Research Ethics Review Committee of the College of Economic and Management Science, Unisa. The primary researcher, Tiehi Mohapi, can be contacted during office hours at 00266 5894 9523 or m.mohapi@ymail.com. The study leader, Dr. Vaola Sambo, can be contacted during office hours at 0027 12 429 4355 or esambovt@unisa.ac.za. Should you have any questions regarding the ethical aspects of the study, you can contact the chairperson of the Research Ethics Review Committee of the College of Economic and Management Science, Unisa, at 0027 11 471 2130 orSocEthics@unisa.ac.za. Alternatively, you can report any serious unethical behaviour at the University's Toll Free Hotline 0800 86 96 93.

You are making a decision whether or not to participate by continuing to the next page. You are free to withdraw from the study at any time prior to completing and submitting the questionnaire.

UNIVERSITY OF SOUTH AFRICA
COLLEGE OF ECONOMIC AND MANAGEMENT SCIENCES

QUALIFICATION

Doctor of Philosophy-Public Administration
YEAR: 2021

SURVEY QUESTIONNAIRE FOR RESEARCH TITLED:

FISCAL DECENTRALISATION: DOMESTICATING A METHODOLOGY FOR LESOTHO

PERSONAL DETAILS

SURNAME: MOHAPI
NAMES: TIEHI JULEAH

CONTACT DETAILS

CELL NUMBER: 00266 5894 9523
E-MAIL ADDRESS: m.mohapi@ymail.com

SUPERVISOR

DR V. SAMBO

CO-SUPERVISOR

PROF GM FERREIRA

I am a PHD candidate at the University of South Africa (UNISA), College of Economic and Management Science, and as a part of my studies, I am collecting data through various methods which include a questionnaire. The design and methods of my study are detailed in the table below. My research is conducted under the supervision of Dr. Sambo of the Department of Public Administration at UNISA.

Approach	Mixed methods
Design	Convergent mixed method research
Method: Data Collection	close-ended questionnaire
Method: Data Analysis	Descriptive Statistical analysis

The objectives of my study are as follows:

8. To explore fiscal decentralisation and its underlying theories,
9. To explain the functioning of the Local Government system in Lesotho (To contextualise Lesotho Decentralisation process),
10. To review fiscal management policies in Lesotho, and
11. To develop a fiscal decentralisation methodology for Lesotho that can ensure economic development.

The study is a response to a policy mandate for the development of the best fiscal decentralisation methodology for Lesotho. With regard to ethical issues guiding the study, the researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher education institutions in South Africa, This means that:

- Respondents are not required to disclose their identity,
- The information collected from the respondents will be used for purposes of this research only,
- The respondents in this study are not in any way going to be appraised, demoted or promoted on the basis of their participation in this research and
- Respondents have the right to participate and withdraw their participation in the study at any time.

SECTION A- BIOGRAPHICAL INFORMATION

1. What is your work position?

2. How long have you been in your position?

0 to 3 years	
4 to 6 years	
7 years and above	

SECTION B: Instructions to the participant:

This research aims to understand the status of fiscal decentralisation at Lesotho subnational government. The researcher estimates that it will take up to 30 minutes of your time to complete the questionnaire.There is no right or wrong answer, your honest opinion is appreciated. Please "circle" or "x" mark the most appropriate response and provide your views/understanding in the provided space.

1. CONCEPTUALISING FISCAL DECENTRALISATION Fiscal decentralisation is the allocation of budget powers in terms of revenue and expenditure as well as inter-governmental transfers between government spheres, whereby subnational governments are given authority through a legal framework to manage their fiscal system and ensure the availability of resources to finance their mandate.	**Agree**	**Partly Agree**	**Disagree**	**Totally disagree**
1.1 National government allocates budget powers such as revenue management to subnational governments (Revenue management: local authorities can collect local revenue).	1	2	3	4
1.2 National government allocates budget powers such as expenditure management to subnational governments (expenditure management means subnational government has authority to spend locally generated revenue).	1	2	3	4
1.3 National government supports local service delivery through inter-	1	2	3	4

governmental transfers.				
1.4 The subnational government financial management system is governed by multiple financial regulations.	1	2	3	4
2. LOCAL REVENUE MANAGEMENT Subnational governments such as local governance bodies charged with the development of their communities have a responsibility to manage local revenue for financing local projects.				
2.1 Subnational governments have authority to determine sources of revenue within their territory.	1	2	3	4
2.2 Subnational governments have authority to set tax and fees rates within their territory.	1	2	3	4
2.3 Subnational governments have administrative capacity to collect revenue.	1	2	3	4
2.4 Each council has a bank account to deposit its revenue collection as per the requirements of the Local Government Act 6 of 1997.	1	2	3	4
2.5 Subnational governments have regulations to manage tax administration.	1	2	3	4
2.6 Subnational governments have taxation enforcement processes/systems to ensure compliance.	1	2	3	4
3 SUBNATIONAL EXPENDITURE MANAGEMENT In order for subnational governments to perform their responsibility of serving local communities, they need to allocate and use resources responsively, efficiently and effectively.				
3.1 Districts identify local needs and create a development agenda through the District Development Coordination Committee.	1	2	3	4
3.2 The district budget policy reflects local economic and social preferences.	1	2	3	4
3.3 The locally generated revenue is used to finance local development projects.	1	2	3	4
3.4 There are predetermined budget allocation strategies among councils in	1	2	3	4

the district.				
4 INTER-GOVERNMENTAL TRANSFERS Intergovernmental transfer refers to a multidimensional component of fiscal decentralisation whereby finances are transferred from one government to another for addressing fiscal gaps.				
4.1 Subnational governments receive transfers to address an asymmetry between their expenditure needs and revenue supply.	1	2	3	4
4.2 Subnational governments receive grant transfers from national government.	1	2	3	4
4.3 Councils receive a share of revenue collected in their territory by the national government.	1	2	3	4
4.4 Subnational governments have authority to determine how the transfer funds are used.	1	2	3	4
4.5 There is regulatory framework for governing the transfers system.	1	2	3	4
4.6 The geographical character of the country makes the transfer system the best funding strategy.	1	2	3	4
5 AUTONOMY OF SUBNATIONAL GOVERNMENTS The autonomy of subnational governments is determined by their ability to independently develop and finance their developmental plans.				
5.1 Subnational governments can independently finance their mandates.	1	2	3	4
5.2 Locally generated revenue covers a larger fraction of the council budget than the fraction of national transfers.	1	2	3	4
5.3 Your council depends on transfers from national government to sustain the operational requirements of providing public services.	1	2	3	4
5.4 Subnational governments implement their developmental plans without interference by national government.	1	2	3	4
5.5 Subnational governments have power to develop and enforce regulatory policies within their jurisdiction.	1	2	3	4

6	**ASSIGNMENT OF FUNCTIONAL RESPONSIBILITIES** The assignment of functional responsibilities between government spheres is based on the subsidiary principle to maximize efficiency and accountability. (Subsidiary principle says functional responsibilities are organized in a way that they are performed by the smallest, least centralized and capable authority).				
6.1	Subnational governments are the best basic and closer structures to know and deliver unique needs of local communities.	1	2	3	4
6.2	The concurrent functional assignment approach adopted by the country ensures efficient and effective public service delivery.	1	2	3	4
6.3	The functional assignment for subnational governments as presented in the Local Government Act 6 of 1997, is clear and detailed showing a clear demarcation of responsibility between spheres of government.	1	2	3	4
6.4	There is a clear demarcation of functional responsibilities between different councils in the district.	1	2	3	4
6.5	Subnational governments have spending responsibilities that are relatively equivalent to their financial resources.	1	2	3	4
6.6	Subnational governments have supervisory responsibilities over all public institutions within their territory.	1	2	3	4
6.7	Subnational governments are responsible for performance of all public institutions within their territory.	1	2	3	4
7	**SUBNATIONAL GOVERNMENT FINANCIAL RESOURCES** Subnational governments are independent financial actors with the responsibility to finance their expenditure with their own revenue.				
7.1	Subnational governments need a broad revenue base to generate enough revenue to finance their mandate.	1	2	3	4
7.2	There are multiple revenue collectors impacting negatively on subnational governments initiatives to collect revenue at the districts.	1	2	3	4
7.3	Subnational government as public spending entities receive a share of	1	2	3	4

the national budget as part of their income.				
7.4 There is a budget allocation formula that determines the national budget allocation for subnational government structures.	1	2	3	4
7.5 Subnational governments have a sustainable and predictable income.				
7.6 Subnational governments are independent financial entities that can borrow funds to finance their activities.	1	2	3	4
7.7 The country has a funding model for supporting local service delivery.	1	2	3	4
7.8 Subnational governments fail to deliver local demand due to limited financial resources.	1	2	3	4
8 SUBNATIONAL GOVERNMENT PUBLIC FINANCIAL MANAGEMENT SYSTEM Public financial management is explained through the annual planning and budgeting cycle.				
8.1 Subnational governments engage in the integrated planning process within their territory for district development. (Integrated planning is the process in which multiple institutions in the district come together to identify strategic challenges and prioritise programs and projects for local development).	1	2	3	4
8.2 Subnational governments as spending units prepare their annual budgets through a consultative and interactive process with the Ministry of Finance.	1	2	3	4
8.3 Subnational governments' budget is executed with an effective procurement process that guarantees value for money.	1	2	3	4
8.4 There is a proper reporting system at your council.	1	2	3	4
8.5 There is an internal audit function to manage risk and guide the operations of the council.	1	2	3	4
8.6 Subnational governments are subjected to external oversight through parliament committees and external audit as per Public Financial Management and Accountability Act 12 of 2011.	1	2	3	4

9 FISCAL DECENTRALISATION REFORMS The fiscal decentralisation reforms require a strong accountability framework with an effective financial management to ensure compliance to fiscal rules and regulations and promote fiscal responsibility and discipline.				
9.1 The financial operations at your council comply with financial rules and regulations.	1	2	3	4
9.2 There is an institutional performance management system to monitor progress towards achievement of the council plans.	1	2	3	4
9.3 Your council prepares and publishes monthly and quarterly performance reports.	1	2	3	4
9.4 Your council has a reporting system for providing feedback to local communities.	1	2	3	4
10 COORDINATION OF NATIONAL AND SUBNATIONAL GOVERNMENTS The coordination of efforts at subnational government requires national guidance, support and legal obligation to articulate roles and responsibilities of different bodies to avoid duplication of efforts, lack of coherence in implementation and conflicts.				
10.1 There are policies that coordinate operations (development plan) subnational governments with national government.	1	2	3	4
10.2 There is a clear separation of functional assignment/responsibilities between national and subnational government candidates (councillors and parliamentarians) within the constituencies.	1	2	3	4
10.3 There is a clear separation of functional responsibilities between political appointees (councillors) and traditional leaders (chiefs) within local government structures.	1	2	3	4
10.4 There are clear functional responsibilities between local authorities at the district.	1	2	3	4
10.5 There are clear coordination of subnational and national government offices (office of District Council Secretary and District Administrator) at the district.	1	2	3	4

11 NATIONAL GOVERNMENT SUPPORT The successful implementation of public financial management reforms requires a strong support and commitment of national government.				
11.1 Subnational governments have capacity (resources) to implement fiscal decentralisation.	1	2	3	4
11.2 Subnational governments have capacity (technical knowledge) to implement fiscal decentralisation.	1	2	3	4
11.3 National government creates an enabling environment for adoption of fiscal decentralisation (enabling environment in terms of institutional structures such as rules and regulations).	1	2	3	4
11.4 National government plays a supervisory role to strengthen the local financial management system.	1	2	3	4
11.5 There is political will for a fiscal decentralisation program.	1	2	3	4

THANK YOU FOR YOUR TIME

APPENDIX 6: INTERVIEWS SCHEDULE FOR COUNCIL EMPLOYEES

Dear prospective participant,

You are invited to participate in a study conducted by Tiehi Mohapi under the supervision of Dr Vaola Sambo, a senior lecturer in the Department of Public Administration and Management towards a PhD-Public Administration at the University of South Africa.

The interview has been designed to study the best fiscal decentralisation methodology for Lesotho. You were selected to participate in this study because of your work position as the member of management team of the council or the chairperson of the finance committee of council taking part in the study and your experience in intergovernmental fiscal relations. You will not be eligible to participate if you are not part of the management team or chairperson of the council. By participating, you agree that the information you provide may be used for research purposes, including dissemination through peer-reviewed publications and conference proceedings.

It is anticipated that the information we gain from this study will help us to develop the comprehensive fiscal decentralisation methodology for Lesotho. You are, however, under no obligation to participate and you can withdraw from the study before the completion of the interview. If you choose to participate in this study it will take up no more than sixty minutes of your time. You will not benefit from your participation as an individual, however, it is envisioned that the findings of this study will contribute to the development of domesticated fiscal decentralisation methodology for Lesotho and ensure the success of the decentralisation process as the primary economic development strategy for the country. We foresee that you will be exposed to COVID 19 possible areas by taking part in the interview, therefore we enforce adherence to the COVID 19 protocols during the interview to minimise the risk. The researcher undertake to keep any information provided herein confidential, not to let it out of our possession and to report on the findings from the perspective of the participating group and not from the perspective of an individual.

The records will be kept for five years for audit purposes where after it will be permanently destroyed hard copies will be shredded and electronic versions will be permanently deleted from the hard drive of the computer. You will not be reimbursed or receive any incentives for your participation in the survey.

The research was reviewed and approved by the Research Ethics Review Committee of the College of Economic and Management Science, Unisa. The primary researcher, Tiehi Mohapi, can be contacted during office hours at 00266 5894 9523 or m.mohapi@ymail.com. The study leader, DrVaola Sambo, can be contacted during office hours at 0027 12 429 4355 or esambovt@unisa.ac.za. Should you have any questions regarding the ethical aspects of the study, you can contact the chairperson of the Research Ethics Review Committee of the College of Economic and Management Science, Unisa, at 0027 11 471 2130 orSocEthics@unisa.ac.za. Alternatively, you can report any serious unethical behaviour at the University's Toll Free Hotline 0800 86 96 93.

You are making a decision whether or not to participate by continuing to the next page. You are free to withdraw from the study at any time before the completion of the interview.

UNIVERSITY OF SOUTH AFRICA
COLLEGE OF ECONOMIC AND MANAGEMENT SCIENCES

QUALIFICATION

Doctor of Philosophy-Public Administration
YEAR: 2021

INTERVIEWS SCHEDULE FOR RESEARCH TITLED:

FISCAL DECENTRALISATION: DOMESTICATING A METHODOLOGY FOR LESOTHO

PERSONAL DETAILS

SURNAME: MOHAPI
NAMES: TIEHI JULEAH

CONTACT DETAILS

CELL NUMBER: 00266 5894 9523
E-MAIL ADDRESS: m.mohapi@ymail.com

SUPERVISOR

DR. V. SAMBO

CO-SUPERVISOR

PROF GM FERREIRA

I am a PHD candidate at the University of South Africa (UNISA), College of Economic and Management Science, and as a part of my studies, I am collecting data through various methods which include interviews. The design and methods of my study are detailed in the table below. My research is conducted under the supervision of Dr. Sambo of the Department of Public Administration at UNISA.

Approach	Mixed methods
Design	Convergent mixed method research
Method: Data Collection	Interviews
Method: Data Analysis	thematic analysis

The objectives of my study are as follows:

12. To explore fiscal decentralisation and its underlying theories,
13. To explain the functioning of the Local Government system in Lesotho (To contextualise Lesotho Decentralisation process),
14. To review fiscal management policies in Lesotho, and
15. To develop a fiscal decentralisation methodology for Lesotho that can ensure economic development.

The study is a response to a policy mandate for the development of the best fiscal decentralisation methodology for Lesotho. With regard to ethical issues guiding the study, the researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher education institutions in South Africa. This means that:

- Respondents are not required to disclose their identity,
- The information collected from the respondents will be used for purposes of this research only,
- The respondents in this study are not in any way going to be appraised, demoted or promoted on the basis of their participation in this research and
- Respondents have the right to participate and withdraw their participation in the study at any time.

SECTION A- BIOGRAPHICAL INFORMATION

2 What is your work position?

3 How long have you been in your position?

0 to 3 years	
4 to 6 years	
7 years and above	

SECTION B- INTERVIEW QUESTIONS

1. Conceptualising Fiscal Decentralisation

Fiscal decentralisation is the allocation of budget powers in terms of revenue and expenditure as well as inter-governmental transfers between government spheres, whereby subnational governments are given authority through a legal framework to manage their fiscal system and ensure the availability of resources to finance their mandate.

1.1 Do subnational governments have independent budget powers in terms of revenue and expenditure?
1.2 Do subnational governments receive intergovernmental transfers to finance their activities?
1.3 In your opinion what constitutes fiscal decentralisation in Lesotho decentralisation system?

2. Local revenue management

Subnational governments such as local governance bodies charged with the development of their communities have the responsibility to manage local revenue for financing local projects.

2.1 Do subnational governments have authority to determine sources and rates of revenue within their territory?
2.2 Do subnational governments have administrative capacity to collect revenue?
2.3 Local Government Act 6 of 1997 prescribes that all councils must have bank

accounts to deposit collected revenue, is this practiced?
2.4 Do subnational governments have tax administration policies?
2.5 What are the challenges of revenue management at local level? If any, how can they be addressed?

3. Subnational Expenditure Management

In order for subnational governments to perform their responsibility of serving local communities, they need to allocate and use resources responsively, efficiently and effectively.

3.1 Do district councils use District Development Coordination Committees to establish their development agenda?
3.2 Does the district budget policy reflect economic and social preferences of local communities?
3.3 Do councils have predetermined budget allocation strategies/formula?
3.4 What should be done to strengthen the efficiency of expenditure management at subnational government?

4. Intergovernmental transfers

Intergovernmental transfer refers to a multidimensional component of fiscal decentralisation whereby finances are transferred from one government to another for addressing fiscal gaps.

4.1 Do subnational governments receive transfers as grants and revenue sharing from the national government?
4.2 Do subnational governments receive different transfer funds from national government through identified formula? Please explain your answer.
4.3 Do subnational governments have the authority to determine how the transferred funds are used?
4.4 Is there a regulatory framework for governing the transfers system?
4.5 Are transfers the best funding model for the country? Please explain your answer.
4.6 Please explain the current intergovernmental transfer system.

5. Autonomy of Subnational Governments

The autonomy of subnational government is determined by their ability to independently develop and finance their developmental plans.

5.1	Do subnational governments have the capacity to finance their mandate?
5.2	What percentage of the council revenue is locally generated?
5.3	Do subnational governments have authority to develop and enforce regulatory policies within their territory?
5.4	In your experience, do subnational governments have the capacity to generate enough revenue to finance their mandate? Please justify.

6. Assignment of functional responsibilities

The assignment of functional and financial responsibilities between government spheres is based on the subsidiary principle to maximize efficiency and accountability. (Subsidiary principle says functional and financial responsibilities are organized in a way that they are performed by the smallest, least centralized and capable authority).

6.1	Are you of the opinion that the location of councils makes them the best structure to deliver services to local communities? Please motivate your answer.
6.2	In your opinion, is the concurrent functional assignment approach adopted by the country effective and efficient?
6.3	Is there a clear demarcation of functional responsibilities and coordination between national and subnational governments?
6.4	Are the functional responsibilities of subnational governments relatively equivalent to their financial responsibilities?
6.5	Are subnational governments responsible for the supervision and performance of public institutions within their territory?
6.6	In your opinion what should be done to improve the assignment of functions at subnational government?

7. Subnational government financial resources

Subnational governments are independent financial actors with the responsibility to finance their expenditure with their own revenue.

7.1	Do you think broadening the revenue base of subnational government can improve their revenue generation?
7.2	Is there a predetermined budget allocation formula for sharing the national budget?
7.3	Do subnational governments as financial entities have authority to take loans for financing their activities?
7.4	Is there a funding model for supporting subnational government operations? Please explain your answer.
7.5	Is there a shortage of finances at subnational government level? If so, does this affect the delivery of services? Please explain your answer.
7.6	What are the sources of your council income?

8. Subnational government public financial management system

Public financial management is explained through the annual planning and budgeting cycle.

8.1	Do subnational governments and public institutions in the district practice integrated planning? (Integrated planning is the process in which multiple institutions in the district come together to identify strategic challenges and prioritise programs and projects for local development).
8.2	Do subnational governments as pending units prepare their budget through a consultative and interactive process with the Ministry of Finance?
8.3	Is there an internal audit function at your council? If yes, is the function effective in your view? Please elaborate.
8.4	Are subnational financial statement and reports subject to external oversight examination such as by the Public Accounts Committee of the parliament?
8.5	What are the critical factors that influence the subnational government planning and budgeting process?
8.6	What do you think should be done to strengthen and improve the subnational planning and budgeting process?

8.7	What in your opinion is the critical financial management challenge at your council?
8.8	What do you suggest should be done to improve the subnational financial system?

9. Fiscal decentralisation reforms

The fiscal decentralisation reforms require a strong accountability framework with financial reporting, auditing and compliance to fiscal rules and regulations to promote fiscal responsibility and discipline.

9.1	Do financial operations at your council comply with financial rules and regulations? please justify your answer
9.2	Is there an institutional performance management system for monitoring your council progress towards achieving its plans?
9.3	Does your council prepare and publish monthly and quarterly performance reports?
9.4	What do you suggest should be done to promote accountability at subnational government level?

10. Coordination of national and subnational governments

The coordination of efforts at subnational government requires national guidance, support and legal obligation to articulate roles and responsibilities of different bodies to avoid duplication of efforts, lack of coherence in implementation and conflicts.

10.1	Does the country have intergovernmental relations policies for smooth operations?
10.2	Is there clear separation of functional assignment/responsibilities between national and subnational government candidates (councillors and parliamentarians within the constitution?
10.3	Is there a clear separation of functional assignment/responsibilities between political appointees (councillors) and traditional leaders (chiefs) within subnational government structures?
10.4	Is there a clear demarcation of functionalresponsibilities among councils at the district?
10.5	Based on your experience, what do you suggest should be done to improve coordination of public institutions and public leaders within districts?

11. National government support

The successful implementation of public financial management reforms requires a strong support and commitment of national government.

11.1	Based on your experience, do you think subnational governments have capacity to implement fiscal decentralisation? (Capacity: resources and technical knowledge).
11.2	Does the national government create an enabling environment for the adoption of fiscal decentralisation? (Environment: Institutional structures such as rules and regulations). Please motivate your answer.
11.3	Does the national government play the supervisory role of strengthening the local financial management system?
11.4	In your opinion, is there political will for the adoption and implementation of fiscal decentralisation?
11.5	In your opinion what should be done to support an effective implementation of fiscal decentralisation?

THANK YOU FOR YOUR TIME.

APPENDIX 7: CERTIFICATION OF EDITING

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Faculty of Humanities

06/August/ 2022

Dear Tiehi

Re: Certification of Language Editing

This is to certify that Tiehi Mohapi's PhD's thesis entitled **FISCAL DECENTRALISATION: DOMESTICATING A METHODOLOGY FOR LESOTHO**has been language edited by Prof. 'Maboleba Kolobe, a professional editor in the Department of English, Faculty of Humanities, National University of Lesotho.

Thank you.

'Maboleba Kolobe (PhD)
(Associate Professor of English Language and Linguistics)