

**FISCAL DECENTRALIZATION AND RURAL DEVELOPMENT IN SALAXLAY
DISTRICT, SOMALILAND**

BY

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**A DISSERTATION SUBMITTED TO THE COLLEGE OF HUMANITIES AND
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DECLARATION

I declare that this dissertation is my original work which I carried out under the supervision of Dr. Charles Kiiza and has not been submitted for any other award of a degree nor published at any institution of higher learning.

Signature

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Date

APPROVAL

This dissertation is to be submitted for dissertation hearing. As the supervisor of this work, I do approve it.

Signature:

Name: Dr. Charles Kiiza

Date:

DEDICATION

First of all, I would like to dedicate this piece of work to the Almighty Allah who has enabled me to carry out this research successfully and to my beloved parents without forgetting my dear siblings. May the Almighty Allah bless you all.

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LIST OF ACRONYMS

IMF	International Monetary Fund
NGOs	Non-governmental Organisations
OECD	Organisation for Economic Co-operation and Development
SDRDA	Salaxlay District Rural Development Agency
UN	United Nations
US	United States
WB	World Bank

ABSTRACT

The study sought to examine fiscal decentralization and rural development in Salaxlay District, Somaliland. The study objectives were; to assess whether or not fiscal decentralization promotes service delivery in Salaxlay District, Somaliland, to examine whether or not fiscal decentralization promotes the welfare of the people in Salaxlay District, Somaliland and to examine whether or not fiscal decentralization promotes capacity building in Salaxlay District, Somaliland. This study used cross-sectional research design to assess the respondents' views towards fiscal decentralization and rural development in Salaxlay District. Both qualitative and quantitative approaches were used in this study in order to get a clear and in-depth insight into the subject matter. District development officers, community leaders and peasants who differed in interest, but share other characteristics such as socioeconomic status, educational background etc composed the respondents of the study. The total population of Salaxlay District is 9,235 inhabitants (Ministry of National Planning, 2016). The researcher randomly selected 4 villages out of 10 villages in Salaxlay District. Data was collected from primary and secondary sources using questionnaires and interviews, and well-answered questionnaire were organized into for meaningful interpretation by sorting and editing. The data was presented in tabular form, pie charts and bar graphs with frequencies and percentages. The study found out that 4.3% of the respondents strongly disagreed, 5.9% of the respondents disagreed, 8.1% of the respondents were neutral, 21.4% agreed and the remaining 60.3% of the respondents strongly agreed that fiscal decentralization can improve the efficiency of public service delivery through preference and allocative efficiency. This implies that the majority of the respondents were aware of the vital benefits associated with fiscal decentralization with regard to efficiency of public service delivery. There is positive significant relationship with a Pearson correlation coefficient of 0.611 and its significance which stood at 0.000. This indicates a positive significant relationship between fiscal decentralization and service delivery. This implies that fiscal decentralization embraces a variety of concepts which must be carefully analyzed in any particular country before determining if projects or programs should support reorganization of financial, administrative, or service delivery systems. The study recommends that there needs to be more discussion and agreement on the degree of balanced distribution of fiscal resources among different regions. Furthermore, what is important is for the national government to provide a steady stream of transfers that local governments can rely on for budget purposes.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter covers the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, and significance of the study, and the operational definition of terms and concepts as applied to suit the context of the study.

1.1 Background of the Study

In the recent past, the Government of Somalia ensured decentralization policy intended as facilitating and boosting rural development and Salaxlay District was one of the target rural areas to benefit from this policy (Khaleghian, 2003). However, with the collapse of the government of Somalia in 1991, the decentralization programme also failed. After the collapse of the Somali government, Somaliland emerged as an independent state, though till today it has not been recognized globally. However, with the new government in place, Somaliland further reactivated the decentralization policy which was intended to facilitate rural development in districts. This further contributed to the decline in rural development since this affected the process of shifting some responsibilities for expenditures and/or revenues to lower levels of government hence poor rural development. In another context, the last decade has seen a renewed interest in the concept of fiscal decentralization or fiscal federalism in Somalia (Akin, Hutchinson & Strumpf, 2001). This is because fiscal decentralization provides promise for those nations wishing to encourage their subnational governments to assume additional responsibilities. However, special attention must be given to implementation issues, especially methods of dealing with fiscal inequities since this can also improve and develop rural communities hence leading to improved social welfare of the people.

1.1.1 Historical perspective

In the last quarter of the 19th Century, countries the world over have attempted to implement decentralization by transferring responsibilities of the state to lower tiers of government. Significantly, most of these lower government administrative units have been established to

provide for administrative, fiscal and political aspects under decentralization strategy (World Bank Policy Research Paper, May 2015).

In Africa, the issue of decentralization has been hotly debated in Somalia for the past decade. Following the collapse of the military dictatorship in 1991, few Somalis openly advocate for the return to a centralized authoritarian state that monopolizes power in Mogadishu. For many Somalis, some form of decentralization is necessary (Akin, Hutchinson & Strumpf, 2001).

However, the most suitable model of decentralization for Somalia remains a matter of contention. The Provisional Constitution of Somalia is clear on the issue, prescribing federalism as the most appropriate system of governance for the country. It stipulates, "Somalia is a federal, sovereign, and democratic republic founded on inclusive representation of the people and a multiparty system and social justice".

Federal member states, according to the Provisional Constitution, must be formed of two or more of the 18 administrative regions "as they existed before 1991". With slow progress on the implementation of federalism, however, the debate continues (Akin, Hutchinson & Strumpf, 2001). Somalia's political class appears to lack consensus and a comprehensive understanding of the concepts of 'federalism' and 'decentralization'. Federalism is commonly understood to represent the only alternative to unitarism. Interestingly, many Somalis, following past experience, broadly associate the unitary state system with authoritarianism. There is little acknowledgement of alternative models of decentralization, including those within a unitary framework.

In Somaliland, rural development structures gradually moved from clan-based local authorities to more legitimate and representative structures after 1991, and resulted in a rural development law at the end of 2001 and while elections of councilors and mayors were held in 16 districts in 2002 (Asfaw, Frohberg, James & Juting, 2004). Of these elected district councils, 14 were reportedly changed their executive committee, the Mayor, Deputy Mayor and Executive Secretary more than once over the last 5 years. Progress in decentralizing administrative functions has been slow and little achievement has been made with regards to fiscal decentralization. Sources of local revenue include land registration and annual property fees, store licensing fees, livestock taxes and customs taxes at ports (Oates, 2001).

1.1.2 Theoretical perspective

The study was based on theories of local development especially the Local development theory. The theory was developed by Romer P in 1987. The local development theory is a relatively young theory in social sciences based on the identification and use of the resources and endogenous potentialities of a community, neighbourhood, city, municipality or equivalent (Rondinelli & Nellis, 2000). The local development theory considers the indigenous potentialities of territories. Economic and non-economic factors influence local development processes. Among the non-economic factors, social, cultural, historical, institutional, and geographical aspects can be decisive in the process of local economic development.

In the year 2000 a multidisciplinary team of social scientists from several European countries argued, in a joint article published in *Sociologia Ruralis* (2000), that rural development basically was practiced without theory (Ploeg et al, 2000) . Since then, rural development processes in Europe have gained considerable momentum and resulted in a dazzling array of new practices characterized by new dynamics and unanticipated impacts. Nevertheless, in 2006 the OECD again referred to the need for “a new research agenda in rural development” (2006: 19), implying that the nature, dynamics and heterogeneity of rural development processes, as they unfold in practice, were inadequately expressed in new theoretical frameworks. At the same time, rural development policies have continued to develop at supra-national, national, regional and local levels and, in the social sciences there have been some major shifts (away from earlier and, in retrospect, too limited and inflexible, models) that allow for a better understanding of a rapidly changing world. The theory can usefully be drawn upon to study rural change and the best ways to achieve desired objectives. Additionally, the specialist expertise of natural and biological scientists, engineers, as well as education and health professionals are clearly essential in dealing with the challenges of rural development.

Local Development Theory emphasizes the need to promote desirable change which requires good co-ordination between the various actors involved in rural development (farmers, rural residents, government organisations, NGOs and other civil society organisations, donors, rural development professionals, researchers, private firms and businesses etc) (Ploeg et al, 2000).

1.1.3 Conceptual perspective

According to Banting (2002), decentralization is the process of redistributing or dispersing functions, powers, people or things away from a central location or authority. While centralization, especially in the governmental sphere, is widely studied and practiced, there is no common definition or understanding of decentralization. The meaning of decentralization may vary in part because of the different ways it is applied.

Mahal (2000) defines fiscal decentralization as a form of decentralization where local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues –either raised locally or transferred from the central government– as well as the authority to make decisions about expenditures. Fiscal decentralization can take many forms, including self-financing or cost recovery through user charges, co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labor contributions; expansion of local revenues through property or sales taxes, or indirect charges; intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees. In many developing countries local governments or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority.

Fiscal decentralization is also defined by Robert chambers (2008) as the public finance dimension of intergovernmental relations. It specifically addresses the reform of the system of expenditure functions and revenue source transfers from the central to sub-national governments. It is a key element of any decentralization programme. Without appropriate fiscal empowerment, the autonomy of sub-national governments cannot be substantiated and, in this way, the full potential of decentralization cannot be realized.

According Oate (2001), rural development is the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas. Rural

development has traditionally centered on the exploitation of land-intensive natural resources such as agriculture and forestry. However, changes in global production networks and increased urbanization have changed the character of rural areas. Increasingly tourism, niche manufacturers, and recreation have replaced resource extraction and agriculture as dominant economic drivers. The need for rural communities to approach development from a wider perspective has created more focus on a broad range of development goals rather than merely creating incentive for agricultural or resource based businesses.

According to Khaleghian (2003) rural development is a process that aims at improving the standard of living of the people living in the rural areas. Rural development may be defined as overall development of rural areas to improve the quality of life of rural people. It is an integrated process, which includes social, economical, political and spiritual development of the poorer sections of the society

According to Akin, Hutchinson & Strumpf (2001), rural development can be defined as, helping rural people set the priorities in their own communities through effective and democratic bodies, by providing the local capacity; investment in basic infrastructure and social services, justice, equity and security, dealing with the injustices of the past and ensuring safety and security of the rural population, especially that of women.

According to Robert chambers (2008), rural development is a strategy to enable a specific group of people, poor rural women and men, to gain for themselves, and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants and the landless.

1.1.4 Contextual perspective

Just like in most developing countries, in Somaliland, fiscal decentralization has been embraced in order to improve on the rural development in terms of improved literacy and levels of employment, etc (Banting, 2002). This is because it has been termed as any act in which a central government formally cedes powers to actors and institutions at lower levels in a political-administrative and territorial hierarchy.

In Salaxlay District, fiscal decentralization is concerned with distributing services in rural areas such as education, health services and infrastructural development to people in the lower administrative units. This has significantly improved on the social wellbeing of the people in the District. The top authorities of Salaxlay District have embraced fiscal decentralization as a tool to deliver services to the people quickly especially in rural areas hence boosting rural development (Oates, 2001).

Through decentralizing revenue raising and/or expenditure of moneys to a lower level of government while maintaining financial responsibility, Salaxlay District has managed to develop its rural areas hence improving on the welfare of the people (Oates, 2001). This has been achieved through user fees, user participation through monetary or labor contributions, expansion of local property or sales taxes, intergovernmental transfers of central government tax monies to local governments through transfer payments or grants, and authorization of municipal borrowing with national government loan guarantees. It was in this regard that the researcher attempted to examine the impact of fiscal decentralization on rural development in urban areas particularly in Salaxlay District.

1.2 Statement of the problem

Fiscal decentralization simply concerns the degree of fiscal autonomy and responsibility given to the local government who sets and collects what taxes, which makes what expenditures, and how any "vertical imbalance" or "horizontal imbalance" is corrected (Mahal, 2000). Although fiscal decentralization plays a vital role in ensuring rural development, Salaxlay District still lags behind in terms of rural development. For instance, the District lacks modern and tarmacked roads, well-constructed bridges, good health care centers and proper education facilities. This problem has significantly affected the overall development of the district in terms of service delivery, welfare of the people and capacity building (Ministry of National Planning, 2016). The failure of the local government authorities could be a result of limited financial resources, poor utilization of allocated resources and poor inter-governmental transfers hence leading to poor delivery of social services in rural areas within Salaxlay District. It was, therefore, in this regard that the researcher sought to examine the relationship between fiscal decentralization and rural development in Salaxlay District in Hargeisa, Somaliland.

1.3 Purpose of the study

The purpose of the study was to examine fiscal decentralization and rural development in Salaxlay District, Somaliland.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study was to examine how fiscal decentralization influences rural development in Salaxlay District, Somaliland.

1.4 Specific Objectives

- i. To assess whether or not fiscal decentralization promotes service delivery in Salaxlay District, Somaliland.
- ii. To examine whether or not fiscal decentralization promotes the welfare of the people in Salaxlay District, Somaliland.
- iii. To examine whether or not fiscal decentralization promotes capacity building in Salaxlay District, Somaliland.

1.5 Research questions

- i. Does fiscal decentralization promote service delivery in Salaxlay District, Somaliland?
- ii. Does fiscal decentralization promote the welfare of the people in Salaxlay District, Somaliland?
- iii. Does fiscal decentralization promote capacity building in Salaxlay District, Somaliland?

1.6 Scope of the Study

1.6.1 Geographical Scope

The study was carried out in Salaxlay District. The District which is situated in the northeastern baligubadle district of Somaliland is located approximately 70 km south of the regional capital of Hargeisa and 15 km north of the Somaliland- Ethiopia border. It is in the south of Hargeisa; the Capital City of Somaliland. The researcher selected Salaxlay District as the case study because it

was one of the remotest districts in the country with sub-standard rural development, hence, fiscal decentralization played a vital role in addressing this issue.

1.6.2 Content Scope

The study focused on whether or not fiscal decentralization promotes service delivery in Salaxlay District, Somaliland, whether or not fiscal decentralization promotes the welfare of the people in Salaxlay District, Somaliland and whether or not fiscal decentralization promotes capacity building in Salaxlay District, Somaliland.

1.6.3 Time Scope

The study focused on the period of 2005-2016. The time period was purposely selected since it was during this time period that the policy of fiscal decentralization was enacted and implemented in Salaxlay District, Somaliland.

1.7 Significance of the Study

The following are the anticipated beneficiaries of the results of the study and ways through which they will benefit:

The research findings will enlighten the Ministry of Local Government on fiscal decentralization and rural development. This will enable them to review the existing fiscal decentralization policy as regards its implementation in various districts in Somaliland. This will contribute substantial awareness on benefits of fiscal decentralization towards rural development

The research findings will also provide information that will be used to sensitize and create awareness to the local people about the fiscal decentralization policy such that they can come to understand that they also have a great role to play in the implementation process of the policy so that they can achieve higher development through collaboration with different stakeholders.

The study will also serve as a future data base for further researches that will be carried out as researchers make reference of its findings

The study will be significant to the researcher in fulfilling one of the requirements for an award of a Master's degree in Public Administration.

1.8 Operational Definition of key terms

Rural development can be defined as, helping rural people set the priorities in their own communities through effective and democratic bodies and enhancing the local capacity with investment in basic infrastructure and social services, justice, equity and security and dealing with the injustices of the past and ensuring safety and security of the rural population especially that of women.

Fiscal decentralization refers to the public finance dimension of intergovernmental relations.

Decentralization is the process of redistributing or dispersing functions, powers, people or things away from a central location or authority.

Fiscal refers to public revenues (taxation), public spending, debt, and finance.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presented the literature from different scholars and authors in accordance to the objectives of the study. This is sub-divided into three sections, that is; theoretical review, conceptual framework and review of related literature.

2.1 Theoretical Review

The study was based on the Local development theory. The theory was developed by Romer P in 1987. The local development theory is a relatively young theory in social sciences based on the identification and use of the resources and endogenous potentialities of a community, neighbourhood, city, municipality or equivalent (Rondinelli & Nellis, 2000). The local development theory considers the endogenous potentialities of territories. Economic and non-economic factors influence local development processes. Among the non-economic factors, social, cultural, historical, institutional, and geographical aspects can be decisive in the process of local economic development.

In the year 2000 a multidisciplinary team of social scientists from several European countries argued, in a joint article published in *Sociologia Ruralis* (2000), that rural development basically was practiced without theory (Ploeg et al, 2000) . Since then, rural development processes in Europe have gained considerable momentum and resulted in a dazzling array of new practices characterized by new dynamics and unanticipated impacts. Nevertheless, in 2006 the OECD again referred to the need for “a new research agenda in rural development” (2006: 19), implying that the nature, dynamics and heterogeneity of rural development processes, as they unfold in practice, were inadequately expressed in new theoretical frameworks. At the same time, rural development policies have continued to develop at supra-national, national, regional and local levels and, in the social sciences there have been some major shifts (away from earlier and, in retrospect, too limited and inflexible, models) that allow for a better understanding of a rapidly changing world. The theory can usefully be drawn together to study rural change and the best ways to achieve desired objectives. Additionally, the specialist expertise of natural and biological scientists, engineers, as

well as education and health professionals are clearly essential in dealing with the challenges of rural development.

Local Development Theory emphasizes the need to promote desirable change which requires good co-ordination between the various actors involved in rural development (farmers, rural residents, government organisations, NGOs and other civil society organisations, donors, rural development professionals, researchers, private firms and businesses etc) (Ploeg et al, 2000).

2.2 Conceptual Framework

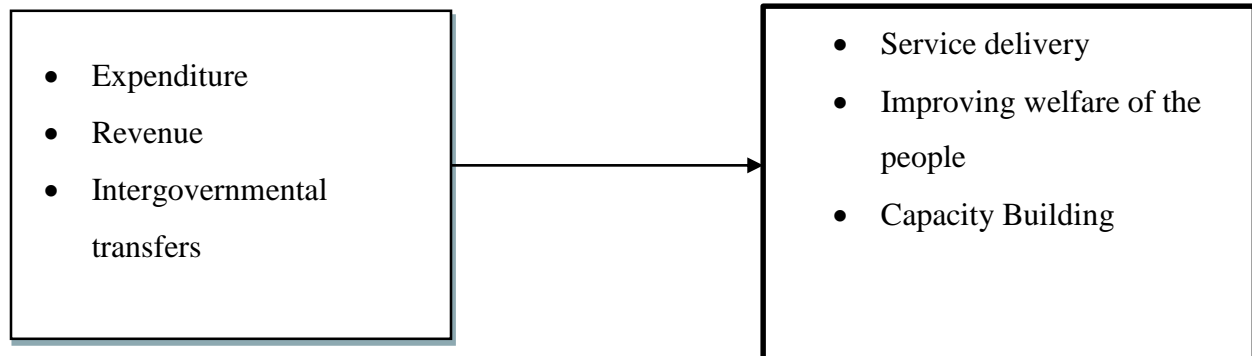
The conceptual framework diagrammatically shows the relationship between the different variables in the study. The independent variable was perceived as fiscal decentralization and dependent variable was rural development

Independent variable

Dependent Variable

Fiscal Decentralization

Rural development



Source: (Amin, 2005)

The conceptual framework shows that the independent variable in this study is fiscal decentralization which is conceptualized as expenditure, revenue and intergovernmental transfers whereas the dependent variable is rural development which includes; service delivery, improving welfare of the people and capacity building.

2.3 Related Studies

2.3.3 Concept of decentralization

Decentralization refers to the process of redistributing or dispersing functions, powers, people or things away from a central location or authority (Akin et al., 2001). The meaning of decentralization may vary in part because of the different ways it is applied. Concepts of decentralization have been applied to group dynamics and management science in private businesses and organizations, political science, law and public administration, economics and technology.

Decentralization is defined as the potential link between decentralization, improved governance and increased efficiency of service delivery (Asfaw et al., 2004). The term "decentralization" embraces a variety of concepts which must be carefully analyzed in any particular country before determining if projects or programs should support reorganization of financial, administrative, or service delivery systems. Decentralization the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and/or the private sector is a complex multifaceted concept. Different types of decentralization should be distinguished because they have different characteristics, policy implications, and conditions for success.

Decentralization has not only an administrative value, but also a civic dimension, since it increases the opportunities for citizens to take interest in public affairs; it makes them get accustomed to enjoying freedom (Bennet, 2013). And from the accumulation of these freedoms, is born the most efficient counterweight against the claims of the central government, even if it were supported by an impersonal, collective will.

Banting & Corbett (2002) stipulated that decentralization policies are part of vigorous initiatives to support rural development. In its most basic definition, decentralization is the transfer of part of the powers of the central government to regional or local authorities. Centralization is in response to the need for national unity, whereas decentralization is in response to demands for diversity. Both forms of administration coexist in different political systems. There seems to be a consensus since the 1980s that too much centralization or absolute local autonomy are both harmful and that

it is necessary to put in place a better system of collaboration between the national, regional and local centers of decision-making.

Hommes (2015) sees decentralization as “essentially a political problem” representing, in Latin America for example, a stark departure from centuries of centralism. The success of decentralization may depend upon the existence at the local level of civic cultural tradition informal civic institutions, such as solidarity, cooperatives, etc. With a lack of local governmental experience and riddled with patronage, local governments in Latin America tend to be captive of the elites and political barons. Thus, for Hommes, an irony of fiscal decentralization may be the need for more central government controls to protect against this danger.

2.3.3.1 Forms of Decentralization

Fiscal decentralization means decentralizing revenue raising and/or expenditure of moneys to a lower level of government while maintaining financial responsibility. While this process usually is called fiscal federalism it may be relevant to unitary, federal and confederal governments. Fiscal federalism also concerns the "vertical imbalances" where the central government gives too much or too little money to the lower levels. It actually can be a way of increasing central government control of lower levels of government, if it is not linked to other kinds of responsibilities and authority (Bennet, 2013).

Financial responsibility is a core component of decentralization (Bird & Richard, 2013). If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues –either raised locally or transferred from the central government– as well as the authority to make decisions about expenditures. Fiscal decentralization can take many forms, including; self-financing or cost recovery through user charges, co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labor contributions; expansion of local revenues through property or sales taxes, or indirect charges; intergovernmental transfers that shift general revenues from taxes collected by the central government to local governments for general or specific uses; and authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees. In many developing countries local governments

or administrative units possess the legal authority to impose taxes, but the tax base is so weak and the dependence on central government subsidies so ingrained that no attempt is made to exercise that authority (Dolores et al., 2005).

Political decentralization aims to give citizens or their elected representatives more power in public decision-making (Dolores et al., 2005). It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. Advocates of political decentralization assume that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities.

Administrative decentralization seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government (Khaleghian, 2003). It is the transfer of responsibility for the planning, financing and management of certain public functions from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities.

The three major forms of administrative decentralization: deconcentration, delegation, and devolution each have different characteristics.

Deconcentration--which is often considered to be the weakest form of decentralization and is used most frequently in unitary states redistributes decision making authority and financial and management responsibilities among different levels of the central government (Gramlich & Edward, 2013). It can merely shift responsibilities from central government officials in the capital city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries.

Hommel, Rudolf (2015) noted that delegation is a more extensive form of decentralization. Through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when

they create public enterprises or corporations, housing authorities, transportation authorities, forms of decentralization from a government's perspective are privatization and special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints on regular civil service personnel and may be able to charge users directly for services.

A third type of administrative decentralization is devolution. When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of local government with corporate status (Indian Tax Institute, Indian Tax Database, 2011). Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization.

The most complete deregulation because they shift responsibility for functions from the public to the private sector (Oates, 2001). Privatization and deregulation are usually, but not always, accompanied by economic liberalization and market development policies. They allow functions that had been primarily or exclusively the responsibility of government to be carried out by businesses, community groups, cooperatives, private voluntary associations, and other non-government organizations.

Privatization can range in scope from leaving the provision of goods and services entirely to the free operation of the market to "public-private partnerships" in which government and the private sector cooperate to provide services or infrastructure (International Monetary Fund, 2011). Privatization can include: allowing private enterprises to perform functions that had previously been monopolized by government; contracting out the provision or management of public services or facilities to commercial enterprises indeed, there is a wide range of possible ways in which function can be organized and many examples of within public sector and public-private institutional forms, particularly in infrastructure; financing public sector programs through the

capital market (with adequate regulation or measures to prevent situations where the central government bears the risk for this borrowing) and allowing private organizations to participate; and transferring responsibility for providing services from the public to the private sector through the divestiture of state-owned enterprises.

Deregulation reduces the legal constraints on private participation in service provision or allows competition among private suppliers for services that in the past had been provided by the government or by regulated monopolies. In recent years, privatization and deregulation have become more attractive alternatives to governments in developing countries. Local governments are also privatizing by contracting out service provision or administration (Khaleghian, 2003).

2.3.3.2 Fiscal Decentralization

Fiscal decentralization is defined by Robert chambers (2008) as the public finance dimension of intergovernmental relations. It specifically addresses the reform of the system of expenditure functions and revenue source transfers from the central to sub-national governments. It is a key element of any decentralization programme. Without appropriate fiscal empowerment, the autonomy of sub-national governments cannot be substantiated and, in this way, the full potential of decentralization cannot be realized.

Fiscal decentralization involves shifting some responsibilities for expenditures and/or revenues to lower levels of government (McLure & Charles, 2015). One important factor in determining the type of fiscal decentralization is the extent to which subnational entities are given autonomy to determine the allocation of their expenditures. The other important factor is their ability to raise revenue. This highlights how country specifics, principles and best practices will ultimately be the best determinant of expenditure assignments. It is important to clarify where local governments can determine the allocation of expenditures themselves versus those where the center mandates expenditures and local levels simply execute those expenditures. When statistics on subnational finance are available (most notably in the IMF's Government Finance Statistics) these two types of expenditures are usually aggregated and one figure is provided on "percentage of subnational expenditures." Thus, analysts must be very careful when using this as an indicator of local autonomy, as autonomy will not be enhanced unless the funds are not tied by the center (Musgrave & Richard, 2012).

While the international political movement towards fiscal decentralization is strong, there have been some recent cautionary notes that need to be considered (Hommes, 2014; Tanzi, 2015, Prud'homme, 2015). Tanzi summarizes this critique by raising a number of situations or conditions, especially in developing countries, where fiscal decentralization may lead to less than an optimal result: Taxpayers may have insufficient information or no political power to pressure local policymakers to make resource-efficient decisions. Local politicians may be more corrupt than national politicians or at least find themselves in more corrupting situations.

The quality of national bureaucracies is likely to be better than local bureaucracies. Technological change and increased mobility may reduce the number of services that are truly local in nature (Rondinelli & Nellis, 2000). Local governments often lack good public expenditure management systems to assist them in their tax and budget choices. Fiscal decentralization may exacerbate a central government's ability to deal with structural fiscal imbalances.

Musgrave & Richard (2012) suggest that fiscal inequities may actually increase with decentralization. In addition, localities might engage in destructive competition to attract industry. He also argues that the rationale for decentralization of revenues is not the same as expenditures: and "in many cases the problem is not so much whether a certain service should be provided by a central, regional, or local government, but rather how to organize the joint production of the service by the various levels". Finally, to the extent that local governments are viewed as agents of the central government, fiscal decentralization may limit the ability of the principal (the central government) to influence policy at the local level.

2.3.4 The Concept of Development

Development means "improvement in a country's economic and social conditions". More specially, it refers to capability of proper management of an area's natural and human resources in order to create wealth and improve people's lives. It can refer to the use of land like environmental protection, landscaping, buildings, renovations, housing, urban preparation, and land transportation (Tiebout & Charles, 2011). In science and technology, it can refer to engineering and computer science, geometry, biology, developing drug medications, energy sources, maturity, photographic, software and such. Development also refers to social science from developmental studies to youth development; internal and regional, from developmental banks to funds and aids;

business and professionals, like fundraising, training, organization, development of new product to self-development. The word development is so broad that even famous personalities like Albert Einstein, Mahatma Gandhi, and US President Barack Obama used it as part of their speech and make a development quotation. However, there will be no development if there is no action taken (Rondinelli & Nellis, 2000).

2.3.4.1 Forms of Development

Urban Development

The term urban development can be a noun or a verb, and be applied to one subdivision of a city or to an entire municipal area. “Development” itself is a term that means different things to different people. But different divisions of the World Bank have different notions of what the term means, not to mention the millions around the world whose lives are affected by this work. Ideally, different perspectives that of health and safety, inclusion and equity, accessible services are part of how we approach urban development, and what we think “successful” urban development looks like on the ground (Banting & Corbett, 2002).

Urban development is an expensive process. It requires joint efforts between organizations, institutions and individuals (Khaleghian, 2003). It requires major funding by governments, corporations and individuals. The development of urban areas through renovation and expansion require major transformations of existing neighborhoods, industries, transportation systems, sewage and waste management systems, technologies and cultures.

Urban developers must find a balance not only in preserving the natural environment and the development of a large city, but also in maintaining the culture and atmosphere of the original city. For example in the aftermath of hurricane Katrina urban developers in New Orleans are considering how to build a city safe from natural disasters, but also retain the vibrancy and culture of the famous city (Tanzi & Vito, 2015).

While urban development is a necessity as global populations grow, there are many criticisms of the system. Many consider the external influences of the government and urban planner's to be detrimental to the development or renovation of urban areas (Musgrave & Richard, 2012). Critics of these external influences argue that the inhabitants of cities should have more influence in the

renovation and development of their neighborhoods. Because urban planning is focused on future development, many argue that the field ignores current problems.

Rural Development

Rural development is the process of improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas (World Bank, 2015). Rural development has traditionally centered on the exploitation of land-intensive natural resources such as agriculture and forestry. However, changes in global production networks and increased urbanization have changed the character of rural areas. Increasingly tourism, niche manufacturers, and recreation have replaced resource extraction and agriculture as dominant economic drivers. The need for rural communities to approach development from a wider perspective has created more focus on a broad range of development goals rather than merely creating incentive for agricultural or resource based businesses. Education, entrepreneurship, physical infrastructure, and social infrastructure all play an important role in developing rural regions.

Rural development can be defined as, helping rural people set the priorities in their own communities through effective and democratic bodies, by providing the local capacity; investment in basic infrastructure and social services, justice, equity and security, dealing with the injustices of the past and ensuring safety and security of the rural population, especially that of women (Mahal, Srivastava & Sanan, 2000).

The term Rural Development refers to a distinct approach to interventions by the state in the economies of underdeveloped countries, and one which is at once broader and more specific than 'agricultural development'. It is broader because it entails much more than the development of agricultural production - for it is in fact a distinct approach to the development of the economy as a whole (Oates, 2001). It is more specific in the sense that it focuses (in its rhetoric, and in principle) particularly on poverty and inequality. Although there is a substantial overlap between the field of conventional agricultural economics and the concerns of "Rural Development", the kinds of study required to understand the factors affecting "Rural Development" are not contained within the discipline of agricultural economics. Not only does "Rural Development" include attention to other aspects of rural economies as well as agriculture, but the analysis of distributional

issues demands an inter-disciplinary approach in which the broader social and political factors interacting with economic processes are subjected to examination.

Rural development is also characterized by its emphasis on locally produced economic development strategies (Akin, Hutchinson & Strumpf, 2001). In contrast to urban regions, which have many similarities, rural areas are highly distinctive from one another. For this reason there are a large variety of rural development approaches used globally. Rural development is a comprehensive term. It essentially focuses on action for the development of areas that are lagging behind in the overall development of the village economy.

The meaning of rural development has been the subject of much debate and little agreement. The definition of rural development varies from one point of view to the other (Banting & Corbett, 2002). Or it may be defined in sociological concept in which the rural poor represents a reservoir of untapped talent a target group that should be given the opportunity to enjoy the benefits of development through improved education, health and nutrition. Rural development can also be defined as the provision of social infrastructures could provide the catalyst that would transform the rural areas.

Rural development can be distinguished from agricultural development which it entails and transcends. In essence Rural Development may imply a broad based re-organization and mobilization of rural masses in order to enhance their capacity to cope effectively with the daily task of their lives and with changes consequent upon this. According to Dolores Jiménez et al., (2005), Rural Development must be clearly designed to increase production. It recognizes that improved food supplies and nutrition, together with basic services, such as health and education, not only directly improve the physical well-being and quality of life of the rural poor, but can also indirectly enhance their productivity and their ability to contribute to the national economy.

Rural development has traditionally centered on the exploitation of land-intensive natural resources such as agriculture and forestry. However, changes in global production networks and increased urbanization have changed the character of rural areas. Increasingly tourism, niche manufacturers, and recreation have replaced resource extraction and agriculture as dominant economic drivers. The need for rural communities to approach development from a wider

perspective has created more focus on a broad range of development goals rather than merely creating incentive for agricultural or resource based businesses (Hommes, Rudolf, 2015).

There is no universally accepted definition of rural development. The term is used in different ways in vastly divergent contexts (International Monetary Fund, 2011). As a concept, it connotes overall development of rural areas with a view to improve the quality of life rural people live. As a phenomenon, it is the result of various physical, technological, economic, socio-cultural and institutional factors. As a discipline, it is multi-disciplinary in nature representing an intersection of agricultural, social, behavioural and management of sciences.

In short, rural development is a process that aims at improving the standard of living of the people living in the rural areas (Khaleghian, 2003). It is an integrated process, which includes social, economical, political and spiritual development of the poorer sections of the society.

According to McLure & Charles (2015), rural development is a strategy to enable a specific group of people, poor rural women and men, to gain for themselves, and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants and the landless. Thus, the term rural development may be used to imply any one of the above-mentioned connotations. To avoid ineffective floundering among the myriad definitions, we shall define rural development as A Process leading to sustainable improvement in the quality of life of rural people, specially the poor

'Rural Development has emerged as a distinctive field of policy and practice and of research in the last decade, and particularly over the eight or nine years since the inception of the "new strategy" for development planning by the World Bank and UN agencies (Musgrave & Richard, 2012). This strategy came to be formulated as a result of the general disenchantment with previous approaches to development planning at national and sectoral levels, and it is defined by its concern with equity objectives of various kinds.

The expression rural development may also be used, however, to refer to processes of change in rural societies, not all of which involve action by governments (Peterson & George, 2000). In this

case, the activity of "Rural Development" a form of state intervention, must be considered simply as one of the forces concerned - although it is one which has become of increasing importance.

2.3.4.2 Rural Development in Salaxlay District

The Department of Rural Development in Somaliland is a department under the Ministry of Rural Development in the Government of Somaliland. The Department facilitates the provision of several services such as training and research facilities, human resource development, institutes of Salaxlay, and at the same time provides functional assistance to the Salaxlay District Rural Development Agency (SDRDA) and oversees the execution of projects and schemes (Oates, 2001).

In Salaxlay District, the Department of Rural Development also executes the schemes for wage employment and self-employment generation and, for providing small irrigation and housing facilities to the rural poor, provide economic aid to the poor in rural areas, basic minimum services. The department also develops roads in the rural areas (International Monetary Fund, 2011).

Salaxlay District Rural Development Agency (SDRDA) is visualized as specialized and a professional agency capable of managing the anti-poverty programmes of the Ministry of Rural Development on the one hand and to effectively relate these to the overall effort of poverty eradication in the District (Bennet, 2013). In other words, while the SDRDA continues to watch over and ensure effective utilization of the funds intended for anti-poverty programmes, it develops a far greater understanding of the processes necessary for poverty alleviation/eradication. It also develops the capacity to build synergies among different agencies involved for the most effective results. It therefore develops distinctive capabilities rather than perform tasks that are legitimately in the domain of the PRIs or the line departments.

Rural development in Salaxlay District remains to be a strategy to enable a specific group of people, poor rural women and men, to gain for themselves, and their children more of what they want and need (Prud'homme, Remy, 2015). It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development in the District. The group includes small scale farmers, tenants and the landless. Thus, the term rural

development may be used to imply any one of the above-mentioned connotations (Rondinelli & Nellis, 2000).

2.4 Research Gap

The local development theory does not provide feasible strategies to achieve rural development. As the foregoing review reveals, expenditure as a factor that influences fiscal decentralization in Salaxlay District has not been extensively tackled. A number of studies such as that of Akin et al, (2001); Bennet, R.J. (2013) have been done covering the subject of fiscal decentralization however, none of them has covered the aspect of promoting rural development through revenue and intergovernmental transfers, hence, providing a content gap that this study covered. Specifically, in rural development, intergovernmental transfers, expenditure and revenue on fiscal decentralization in Salaxlay District have also not received the necessary attention they deserve as the foregoing review has revealed. The gaps in the literature review were filled during field data collection, which was guided by the purpose and the objectives of the current study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter covers the research design, target population, sample size, sampling procedure, data collection methods, research instruments, validity and reliability, data collection procedure, data analysis, ethical consideration, and limitation of the study.

3.2. Research Design

This study used cross-sectional research design to assess the respondents' views towards fiscal decentralization and rural development in Salaxlay District. Cross-sectional research design looks at a variable at a particular point in time and focuses on the relationship between variables at a specific point in time. Both qualitative and quantitative approaches were used in this study in order to get a clear and in-depth insight into the subject matter. District development officers, community leaders and peasants who differed in interest, but share other characteristics such as socioeconomic status, educational background etc composed the respondents of the study.

3.3 Study Population

Target population refers to the cumulative elements of study from an environment in which information is gathered from. The total population of Salaxlay District is 9,235 inhabitants (Ministry of National Planning, 2016). The researcher randomly selected 4 villages out of 10 villages in Salaxlay District to ensure that all villages have an equal chance to be selected. The villages included; Qoolcadey village with 1,500 inhabitants, Toon Village with 2,000 inhabitants, Inaguuxaa Village with 1,000 inhabitants and 500 inhabitants from Higladda Village. Therefore, the target population was 5000 inhabitants. The researcher selected Salaxlay District as the case study because it was one of the remotest districts in the country with sub-standard rural development, hence, fiscal decentralization played a vital role in addressing this issue.

3.4 Sample Size

The study used Sloven's formula to determine the sample size of the actual respondents. Sloven's

formula states: $n = \frac{N}{1+N(\alpha)^2}$

Where; **n** = sample size; **N** = target population; and **α** = 0.05 level of significance

$$n = \frac{5000}{1 + 5000(0.05)^2}$$

$$n = \frac{5000}{1 + 5000(0.0025)}$$

$$n = 370$$

n = 370 respondents

Table 1: Research Population and Sample Size

Village	Target Population	Sample Size
Qoolcadey village	1500	110
Toon Village	2000	120
Inaguuxaa Village	1000	90
Higladda Village	500	50
Total	5000	370

3.5 Sampling Techniques and Procedure

3.5.1 Purposive Sampling

The researcher used purposive sampling to select district development officials because they were believed to have vital information regarding fiscal decentralization and rural development owing to their work in Salaxlay District. Community leaders also were purposively selected because they were knowledgeable about rural development in the district. This technique was appropriate because the

sample selected comprises of informed persons who would provide data that was comprehensive enough to gain better insight into the problem.

3.5.2 Random Sampling

Random sampling was used in selecting respondents from the target population. Peasants in Salaxlay District were randomly selected so as to provide equal chances of representation by the respondents. In that way, every member would have an equal chance to be selected.

3.6. Data Sources

The study used both primary and secondary sources of data.

3.6.1 Primary data

Primary data was collected using questionnaires and interview guide.

3.6.2 Secondary data

Secondary data was obtained from policy and published documents such as books, journals and governmental and organizational documents. Other information was obtained from the electronic sources such as the internet.

3.7 Data Collection Instruments

The researcher collected data using; questionnaires, interview guide and documentary review.

3.7.1 Questionnaires

Closed ended questions were used with detailed guiding instructions as regards the manner in which respondents were required to fill them independently with minimal supervision (Amin, 2005). This was because most respondents were able to read and write and in instances where the respondents were illiterate, a research assistant trained by the researcher helped to translate questionnaires into the local language and fill them according to the responses provided by the respondents. The researcher gave questionnaires to 300 respondents from the 4 randomly selected villages to gather quantitative data and these included peasants and district development officers in Salaxlay District. Therefore, the researcher gave questionnaires to 75 inhabitants in each village.

3.7.2 Interviews Guide

This was one-on-one interviews conducted with selected key informants like district development officers and community leaders. This was because the respondents were extensively knowledgeable in the issue areas of the current study. This method was preferred as it gave an opportunity to probe the respondents around fiscal decentralization and rural development in Salaxlay District. Some of the questions that were asked in the questionnaire were also asked during the interview guide in order to acquire more information around fiscal decentralization and rural development in the District. The interview guide facilitated the collection of qualitative data. The researcher interviewed the remaining 70 respondents in the four selected villages in the District. This was 15 community leaders from each village and the remaining 10 were the district development officials.

3.7.3 Documentary Review

The researcher also used documentary review as a tool to gather information relevant to the study. This involved the use of library sources such as books, journals and governmental and organizational documents to compliment views from interviews and questionnaires. The researcher used this instrument to supplement information from other data collection instruments.

3.8 Validity and reliability of the instrument

3.8.1 Validity

Validity refers to the degree to which results obtained from analysis of the data actually represents the phenomenon under study. (Mugeda, 2009). In calculating validity, the researcher ensured that questions were relevant in order to ensure that data collected give meaningful and reliable results represented by variables in the study. The researcher used the following formula to establish validity of the research instruments as seen below.

$$\text{Content Validity Index (CVI)} = \text{CVI} = \frac{\text{Number of questions declared valid}}{\text{Total no. of questions in the questionnaire}}$$

$$CVI = \frac{17}{19} * 100\%$$

$$CVI = 0.895 * 100 = 89.5\%$$

The value to be obtained here ought to be greater than 70% for validity to be confirmed. Out of the 19 questions, 17 were declared valid thereby leaving the CVI at 89.5%. Since this value is above 70%, the instrument was therefore declared valid.

3.8.2 Reliability

To ensure the reliability of the instruments, the researcher used the test-retest method. The questionnaire was given to 10 people and after two weeks, the same questionnaire was given to the same people and the Cronbach Alpha was computed using SPSS. The minimum Cronbach Alpha coefficient of 0.853 was used to declare an instrument reliable (>0.75).

Reliability Statistics	
Cronbach's Alpha	N of Items
.853	19

The table above indicates that the questionnaire had 19 questions and the reliability statistics measured using SPSS is equal to 0.853 and therefore the instrument can be said to be reliable or having internal consistency.

3.9 Data collection procedure

An introductory letter was obtained from Kampala International University. After approval, the researcher made a list of qualified respondents. District Development Officers and Community Leaders were purposively sampled and Peasants were randomly sampled. The researcher then explained the purpose of the study to the respondents and requested them to sign the informed consent form. The researcher recruited and trained research assistants to collect accurate data timeously.

The respondents were requested to answer in full and not to leave any part of the questionnaires unanswered. The researcher and assistants collected the questionnaires within two weeks from the date of distribution. All returned questionnaires were checked if they were all filled.

3.10 Data Presentation

The data obtained from the questionnaires were double checked to make sure that the information provided was complete, consistent, reliable, and accurate. Data processing involved scrutiny of the responses provided by different respondents. Data was sorted, edited, and interpreted. The researcher then coded and tabulated the data obtained. On the other hand, data from the interview guide and documentary review were analyzed and organized based on the fiscal decentralization and rural development. The data then was used to reinforce information got from questionnaires to draw the conclusion and recommendations.

3.11 Data analysis

Quantitative data analysis

The quantitative data involved information from the questionnaires only. Data from the field was too raw for proper interpretation. It was therefore vital to put it into order and structure it, so as to drive meaning and information from it. The raw data obtained from questionnaires was cleaned, sorted, coded and entered into Statistical Package for Social Scientists (SPSS) software package to generate descriptive statistics.

Qualitative data analysis

Qualitative data was collected from interview discussions with District Development Officers and from questionnaires. Qualitative data analysis involved such processes as coding (open, axial, and selective), categorizing and making sense of the essential meanings of the phenomena. This stage of analysis basically was needed in order to ensure a thorough description of the phenomena.

Content analysis was used to edit the data and re-organized it into meaningful shorter sentences. The data was analyzed and organized based on patterns, repetitions and commonalities into themes based on the study variables. The data then was used to reinforce information got from questionnaires to draw conclusion and recommendations.

3.12 Ethical Considerations

To ensure ethical considerations in undertaking the study and the safety and psychological well-being of the respondents involved in the study, the researcher got an introductory letter from the Directorate of Higher Degree and Research. On the other hand to ensure the safety of the respondents and/or community involved in the study, the researcher got their consent before they filled in the questionnaires. The study also ensured the privacy and confidentiality of the information provided by the respondents which was solely used for academic purposes.

3.13 Limitations of the study

Some respondents were too busy with their daily schedules and failed to spare time to fill the questionnaires in time. In such circumstances, the researcher gave ample time to the concerned respondents to fill the questionnaires.

Non-response to certain questions and providing false information was another limitation to the study. This was due to the fear by some respondents that the researcher exposed confidentiality to the public. However, the researcher used probing questions so that the respondents were able to release information needed by the researcher.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.0 Introduction

This chapter deals with the presentation and analysis of the major findings from the research instruments that were used for collecting the data with specific emphasis on the relationship between fiscal decentralization and rural development in Salaxlay District, Somaliland. The characteristics of the respondents included aspects of gender, age, marital status and level of education. The results are presented and analyzed according to the tables below.

4.1 Demographic Characteristics of the Respondents

4.1.1 Gender of the Respondents

The researcher wanted to know the gender or sex distribution of the respondents and this is shown in the following table.

Table 4.1. 1: Gender of Respondents

Gender	Frequency	Percentage
Male	258	69.7
Female	112	30.3
Total	370	100.0

Source: Primary Data (2017)

Table 4.1.1 above represents the gender of the respondents and it was realized that (69.7%) were male while 30.3% were female respondents. This implies that the majority were men due to societal beliefs that men are more hardworking than their female counterparts and thus are more capable of handling issues regarding fiscal decentralization and rural development.

4.1.2 Marital Status

The study further went on to establish the marital status of the respondents and the findings were as represented in the table below.

Table 4.1. 2: Marital Status

Marital Status	Frequency	Percentage
Married	287	77.6
Single	83	22.4
Total	370	100.0

Source: Primary Data (2017)

The Table 4.1.2 above represents the marital status of the respondents. It was revealed that 77.6% of the respondents were married and the remaining 22.4% of the respondents were single. This implies that the majority of the respondents were married and thus were likely to have more responsibilities such as generating household incomes and thus were forced to engage in matters of fiscal decentralization and rural development.

4.1.3 Education level of the Respondents

The researcher also sought about the educational levels of the respondents and the findings were as represented in the table below. The researcher was interested in finding out the education status of all respondents involved in the study. This was partly essential in order to enrich the findings of the study since education level had a significant relationship with the level of the knowledge about the study variables.

Table 4.1. 3: Educational level of the Respondents

Educational level	Frequency	Percentage
Primary	61	16.5
Secondary	54	14.6
Tertiary	213	57.6
University	42	11.4
Total	370	100.0

Source: Primary Data (2017)

According to the table 4.1.3, majority of respondents were at tertiary level at (57.6%) who were followed by those with primary level (16.5%). Those with secondary level had (14.6%) followed by those who were university graduates (11.4%). This implies that the majority of the respondents

were relatively educated, hence, fairly understood the concepts of fiscal decentralization and rural development.

4.1.4 Age of the Respondents

The study went on to establish the different age groups of the respondents and the findings were as presented in the table below.

Table 4.1. 4: Age of the Respondents

Age	Frequency	Percentage
Below 20 years	16	4.3
Between 20-39 years	148	40.0
Between 40-59 years	198	53.5
60 years and Above	8	2.2
Total	370	100

Source: Primary Data (2017)

With regard to age, it was found out that 4.3% of the respondents were below 20 years, 40% of the respondents were between 20-39 years, 53.5% of the respondents were between 40-59 years and the remaining 2.2% of the respondents were 60 years and above. This implies that most of the respondents were middle aged adults who were believed to have a fair understanding of what fiscal decentralization and rural development are about.

4.2 Findings on whether or not fiscal decentralization promotes service delivery

To achieve this objective, the respondents were asked whether or not fiscal decentralization promoted service delivery. The findings are presented as follows:

Table 4.2. 1: Fiscal decentralization can improve the efficiency of public service delivery through preference and allocative efficiency

Response	Frequency	Percent
Strongly Disagree	16	4.3
Disagree	22	5.9
Neutral	30	8.1
Agree	79	21.4
Strongly Agree	223	60.3
Total	370	100.0

Source: Primary Data (2017)

The table 4.2.1 above indicates that 4.3% of the respondents strongly disagreed, 5.9% of the respondents disagreed, 8.1% of the respondents were neutral, 21.4% agreed and the remaining 60.3% of the respondents strongly agreed that fiscal decentralization can improve the efficiency of public service delivery through preference and allocative efficiency. This implies that the majority of the respondents were aware of the vital benefits associated with fiscal decentralization with regard to efficiency of public service delivery.

Interview responses revealed that:

When the district development officers were asked whether fiscal decentralization can improve the efficiency of public service delivery through preference and allocative efficiency, they replied that *“the local government possesses better access to local preferences and, consequently, have an informational advantage over the central government in deciding which provision of goods and services would best satisfy citizens’ needs”*. This implies that majority of the respondents were aware of the vital benefits associated with fiscal decentralization with regard to efficiency of public service delivery

Table 4.2. 2: Fiscal decentralization can ameliorate efficiencies by fostering stronger accountability

Response	Frequency	Percent
Strongly Disagree	11	3.0
Disagree	14	3.8
Neutral	30	8.1
Agree	56	15.1
Strongly Agree	259	70.0
Total	370	100.0

Source: Primary Data (2017)

According to the findings presented in the table 4.2.2 above, it was evident that 3.0% of the respondents strongly disagreed, 3.8% disagreed, 8.1% were neutral, 15.1% agreed and the remaining 70.0% strongly agreed that fiscal decentralization can ameliorate efficiencies by fostering stronger accountability. This further indicates that majority of the respondents agreed that fiscal decentralization helps to ensure proper accountability and hence contributes towards rural development.

Interview responses revealed that;

When community leaders were asked whether fiscal decentralization can ameliorate efficiencies by fostering stronger accountability, they replied that “*Geographical closeness of public institutions to the local population (final beneficiaries) fosters accountability and can improve public service outcomes, particularly in social sectors such as education and health*”. This implies that proper accountability is vital in fiscal decentralization.

Table 4.2. 3: Fiscal decentralization encourages competition across local governments to improve public services

Response	Frequency	Percent
Strongly Disagree	14	3.8
Disagree	11	3.0
Neutral	43	11.6
Agree	103	27.8
Strongly Agree	199	53.8
Total	370	100.0

Source: Primary Data (2017)

The study findings presented in the table 4.2.3 above indicate that 3.8% of the respondents strongly disagreed, 3% of the respondents disagreed, 11.6% of the respondents were neutral, 27.8% of the respondents agreed and the remaining 53.8% of the respondents strongly agreed that fiscal decentralization encourages competition across local governments to improve public services. This implies that majority of the respondents were aware that fiscal decentralization creates a favorable competition that leads to better service delivery.

Interview responses revealed that;

When District Development Officers were asked whether fiscal decentralization encourages competition across local governments to improve public services, they replied that “*Fiscal decentralization may lead to a decrease in lobbying by interest groups, distorting policy choices and increasing waste of public funds*”. This implies that fiscal decentralization is vital for the local government because it improves on the quality of social service delivered to the people.

Table 4.2. 4: Fiscal decentralization may lead to a decrease in lobbying by interest groups, distorting policy choices and increasing waste of public funds

Response	Frequency	Percent
Strongly Disagree	9	2.4
Disagree	8	2.2
Neutral	43	11.6
Agree	89	24.1
Strongly Agree	221	59.7
Total	370	100.0

Source: Primary Data (2017)

It was also found out that 2.4% of the respondents strongly disagreed, 2.2% of the respondents disagreed, 11.6% of the respondents were neutral, 24.1% of the respondents agreed and the remaining 59.7% of the respondents strongly agreed that fiscal decentralization may lead to a decrease in lobbying by interest groups, distorting policy choices and increasing waste of public funds. This implies that most of the respondents were aware that fiscal decentralization sometimes is associated with distortion and wastage of public resources despite its associated benefits with regard to rural development.

Interview responses revealed that;

When community leaders were asked whether fiscal decentralization may lead to a decrease in lobbying by interest groups, distorting policy choices and increasing waste of public funds, they replied that *“fiscal decentration often leads to wastage of government resources hence needs to be reviewed”*. This implies that most of the respondents were aware that sometimes fiscal decentralization is associated with issues concerning wastage of public resources.

Table 4.2. 5: Fiscal decentralization can hinder public service delivery if accountability is loose

Response	Frequency	Percent
Strongly Disagree	10	2.7
Disagree	9	2.4
Neutral	43	11.6
Agree	67	18.1
Strongly Agree	241	65.1
Total	370	100.0

Source: Primary Data (2017)

The study findings presented in the table 4.2.5 above indicate that 2.7 % of the respondents strongly disagreed, 2.4% of the respondents disagreed, 11.6% were neutral, 18.1% of the respondents agreed and the remaining 65.1% of the respondents strongly agreed that fiscal decentralization can hinder public service delivery if accountability is loose. This implies that majority of the respondents were aware that delivery of public services can be poor in case of lack of proper accountability.

Interview responses revealed that;

When District Development Officers were asked whether fiscal decentralization can hinder public service delivery if accountability is loose, they replied that “*fiscal injustices may actually increase with decentralization*”. This implies that despite the fact that Salaxlay District implemented fiscal decentralization, the district experiences a lot of fiscal inequalities which also further affect rural development.

4.3 Findings on whether or not fiscal decentralization promotes the welfare of the people in Salaxlay District, Somaliland

To achieve this objective, the respondents were asked whether or not fiscal decentralization promotes the welfare of the people in Salaxlay District, Somaliland. The findings are presented as follows:

Table 4.3. 1: Through local financial self-sufficiency and marketization, social security and support services are delivered to people

Response	Frequency	Percent
Strongly Disagree	9	2.4
Disagree	8	2.2
Neutral	43	11.6
Agree	89	24.1
Strongly Agree	221	59.7
Total	370	100.0

Source: Primary Data (2017)

The study findings presented in the table 4.3.1 above indicate that 2.4% of the respondents strongly disagreed, 2.2% of the respondents disagreed, 11.6% of the respondents were neutral, 24.1% of the respondents agreed and the remaining 59.7% of the respondents strongly agreed that through local financial self-sufficiency and marketization, social security and support services are delivered to people. This implies that most of the respondents were aware that fiscal decentralization promotes delivery of social services hence improving on the welfare of the people.

Interview responses realed that;

When District Development Officers were asked whether through local financial self-sufficiency and marketization, social security and support services are delivered to people, they replied that *“through decentralizing revenue raising and/or expenditure of moneys to a lower level of government while maintaining financial responsibility”*. This implies that Salaxlay District had managed to develop its rural areas hence improving on the welfare of the people

Table 4.3. 2: Sometimes with financial contributions from the authorities, is the primary means of relief for people not able to support themselves within the district

Response	Frequency	Percent
Strongly Disagree	3	0.8
Disagree	7	1.9
Neutral	18	4.9
Agree	42	11.4
Strongly Agree	300	81.1
Total	370	100.0

Source: Primary Data (2017)

The table 4.3.2 above indicates that 0.8% of the respondents strongly disagreed, 1.9% of the respondents disagreed, 4.9% of the respondents were neutral, 11.4% of the respondents agreed and the remaining 81.1% of the respondents strongly agreed that sometimes with financial contributions from the authorities, is the primary means of relief for people not able to support themselves within the district. This implies that most of the respondents were aware that financial contributions offered to the people play a vital role in improving on their livelihoods.

Interview responses revealed that;

When community leaders were asked whether sometimes with financial contributions from the authorities, is the primary means of relief for people not able to support themselves within the district, they replied that “*financial contributions offered to the poor and disadvantaged people within the district help to improve on their standards of living*”. This implies that fiscal decentralization plays a vital role in improving on the welfare of the people within the district.

Table 4.3. 3: Social welfare, assistance for the ill or otherwise disabled and for the old is provided within the district

Response	Frequency	Percent
Strongly Disagree	14	3.8
Disagree	11	3.0
Neutral	43	11.6
Agree	103	27.8
Strongly Agree	199	53.8
Total	370	100.0

Source: Primary Data (2017)

The study results presented in the table 4.3.3 above indicates that 3.8% of the respondents strongly disagreed, 3% of the respondents disagreed, 11.6% of the respondents were neutral, 27.8% of the respondents agreed and the remaining 53.8% of the respondents strongly agreed that social welfare, assistance for the ill or otherwise disabled and for the old is provided within the district. This implies that majority of the respondents were aware that provision of assistance to the ill or disabled helps is also very important since it also helps to ensure equitable rural development within the community.

Interview responses revealed that;

When community leaders were asked whether social welfare, assistance for the ill or otherwise disabled and for the old is provided within the district, they replied that “provision of *social assistance to such vulnerable groups of people helps to improve on their welfare*”. This also implies that fiscal decentralization is very instrumental in rural development.

Table 4.3. 4: Pensions for the elderly, the poor with State-run schools, hospitals and subsidized medical care are delivered within the district

Response	Frequency	Percent
Strongly Disagree	11	3.0
Disagree	14	3.8
Neutral	30	8.1
Agree	56	15.1
Strongly Agree	259	70.0
Total	370	100.0

Source: Primary Data (2017)

Table 4.3.4 above indicates that 3.0% of the respondents strongly disagreed, 3.8% disagreed, 8.1% were neutral, 15.1% agreed and the remaining 70.0% strongly agreed that pensions for the elderly, the poor with State-run schools, hospitals and subsidized medical care are delivered within the district. This indicates that majority of the respondents were aware that provision of pensions for the elderly and subsidized medical care within the district helps to promote rural development.

Interview responses revealed that;

When District Development Officers were asked whether pensions for the elderly, the poor with State-run schools, hospitals and subsidized medical care are delivered within the district, they replied that *“provision of pensions to the poor helps to improve on their socio-economic status”*. This implies that fiscal decentralization is instrumental in promoting the welfare of the people.

Table 4.3. 5: Financial support is accorded to all vulnerable groups of people such as orphans and women within the community

Response	Frequency	Percent
Strongly Disagree	2	0.5
Disagree	4	1.1
Neutral	1	0.3
Agree	96	25.9
Strongly Agree	267	72.2
Total	370	100.0

Source: Primary Data (2017)

The table 4.3.5 above indicates that 0.5% of the respondents strongly disagreed, 1.1% disagreed, 0.3% were neutral, 25.9% agreed and the remaining 72.2% strongly agreed that financial support is accorded to all vulnerable groups of people such as orphans and women within the community. This implies that majority of the respondents were of the view that provision of financial support to the vulnerable people helps to improve on their welfare.

Interview responses revealed that;

When community leaders were asked whether financial support is accorded to all vulnerable groups of people such as orphans and women within the community, they revealed that; “*most vulnerable groups of people are aided though financial support*”. This implies that fiscal decentralization plays an important role in improving on the welfare of the people.

4.4 Findings on whether or not fiscal decentralization promotes capacity building in Salaxlay District, Somaliland

To achieve this objective, the respondents were asked whether or not fiscal decentralization promotes capacity building in Salaxlay District, Somaliland. The findings are presented as follows:

Table 4.4. 1: Capacity building within local governments has come to the fore as a pressing issue that must be addressed as a transfer of administrative functions

Response	Frequency	Percent
Strongly Disagree	16	4.3
Disagree	22	5.9
Neutral	30	8.1
Agree	79	21.4
Strongly Agree	223	60.3
Total	370	100.0

Source: Primary Data (2017)

It was also evident that 4.3% of the respondents strongly disagreed, 5.9% of the respondents disagreed, 8.1% of the respondents were neutral, 21.4% agreed and the remaining 60.3% of the respondents strongly agreed that capacity building within local governments has come to the fore as a pressing issue that must be addressed as a transfer of administrative functions. This implies that most of the respondents were aware that through shifting or transferring of administrative responsibilities, capacity building can be ensured within local governments.

Interview responses revealed that;

When community leaders were asked whether capacity building within local governments has come to the fore as a pressing issue that must be addressed as a transfer of administrative functions, they revealed that *“the process of transferring administrative responsibilities helps to promote capacity building”*. This implies that through shifting or transferring of administrative responsibilities, capacity building can be ensured within local governments

Table 4.4. 2: Administrative capacity building in local governments is for systematic decentralization and capacity building at the local level to advance side by side

Response	Frequency	Percent
Strongly Disagree	3	0.8
Disagree	19	5.1
Neutral	1	0.3
Agree	189	51.1
Strongly Agree	158	42.7
Total	370	100.0

Source: Primary Data (2017)

It was revealed that 0.8% of the respondents strongly disagreed, 5.1% of the respondents disagreed, 0.3% of the respondents were neutral, 51.1% of the respondents agreed and the remaining 42.7% of the respondents strongly agreed that administrative capacity building in local governments is for systematic decentralization and capacity building at the local level to advance side by side. This implies that most of the respondents were aware that there is always need for capacity building at the lower levels in order to ensure rural development.

Interview responses revealed that;

When the District Development Officers were asked whether administrative capacity building in local governments is for systematic decentralization and capacity building at the local level to advance side by side, they replied that *“capacity building still remains to be a vital element of fiscal decentralization that can facilitate rural development”*.

Table 4.4. 3: In actual reform processes, the local capacity for proper administration and decision-making sometimes remains undeveloped

Response	Frequency	Percent
Strongly Disagree	9	2.4
Disagree	8	2.2
Neutral	43	11.6
Agree	89	24.1
Strongly Agree	221	59.7
Total	370	100.0

Source: Primary Data (2017)

The study findings presented in the table 4.4.3 above indicate that 2.4% of the respondents strongly disagreed, 2.2% of the respondents disagreed, 11.6% of the respondents were neutral, 24.1% of the respondents agreed and the remaining 59.7% of the respondents strongly agreed that in actual reform processes, the local capacity for proper administration and decision-making sometimes remains undeveloped. This further indicates that it is sometimes difficult to build capacity at lower levels of the local government due to poor governance structure.

Interview responses revealed that;

When the community leaders were asked whether in actual reform processes, the local capacity for proper administration and decision-making sometimes remains undeveloped, they revealed that *“it is sometimes difficult to build capacity at lower levels of the local government due to poor governance structure.* This implies that such issues need to be taken care of to ensure rural development.

Table 4.4. 4: Among other important areas, administrative and capacity building in local governments is a key issue

Response	Frequency	Percent
Strongly Disagree	1	0.3
Disagree	19	5.1
Neutral	3	0.8
Agree	158	42.7
Strongly Agree	189	51.1
Total	370	100.0

Source: Primary data (2017)

The table 4.4.4 above indicates that 0.3% of the respondents strongly disagreed, 5.1% of the respondents disagreed, 0.8% of the respondents were neutral, 42.7% of the respondents agreed and the remaining 51.1% of the respondents strongly agreed that among other important areas, administrative and capacity building in local governments is a key issue. This implies that most of the respondents were aware that capacity building is very important within the local government.

Interview responses revealed that;

When community leaders were asked whether among other important areas, administrative and capacity building in local governments is a key issue, they replied that “*capacity building is a very important element of fiscal decentralization that can promote rural development*”. This implies that administrative capacity building within local governments is very essential in rural development.

Table 4.4. 5: Policy support for decentralization can take the form of capacity building in local government

Response	Frequency	Percent
Strongly Disagree	4	1.1
Disagree	16	4.3
Neutral	14	3.8
Agree	136	36.8
Strongly Agree	200	54.1
Total	370	100.0

Source: Primary data (2017)

It was revealed that 1.1% of the respondents strongly disagreed, 4.3% of the respondents disagreed, 3.8% of the respondents were neutral, 36.8% of the respondents agreed and the remaining 54.1% of the respondents strongly agreed that policy support for decentralization can take the form of capacity building in local government. This implies that capacity building is a vital element of rural development that needs to be addressed.

Interview responses revealed that;

When District Development Officers were asked whether policy support for decentralization can take the form of capacity building in local government, they revealed that *“It can merely shift responsibilities from central government officials in the capital city to those working in regions, provinces or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries”*. This implies most of the respondents were aware that fiscal decentralization helped to ensure balanced rural development since it shift responsibilities from central government officials in the capital city to those working in regions.

4.5 Relationship between fiscal decentralization and rural development

Table 4.5. 1: Pearson’s Linear Correlation Coefficient results for fiscal decentralization and service delivery in Salaxlay District, Somaliland

Correlations			
		Fiscal decentralization	Service delivery
Fiscal decentralization	Pearson Correlation	1	.611**
	Sig. (2-tailed)		.000
	N	300	300
Service delivery	Pearson Correlation	.611**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			
* Sig. (2-tailed) - Significant correlation between two variables			

Source: Primary Data (2017)

The Pearson product-moment correlation coefficient is a measure of the strength of the linear relationship between two variables. After entering the data into SPSS, it was analyzed and came up with bivariate Pearson Correlation. Findings in the table above shown above suggest that positive significant relationship with a Pearson correlation coefficient of 0.611 and its significance stood at 0.000. This shows that it rejects hypothesis and thus indicating a positive significant relationship between fiscal decentralization and service delivery. With regards to the hypothesis it was accepted since reliable evidence point to the fact that the there was a positive significant relationship between the two variables. This further illustrates that fiscal decentralization are a good indicator or booster for service delivery.

Table 4.5. 2: Pearson’s Linear Correlation Coefficient results for fiscal decentralization and welfare of the people in Salaxlay District, Somaliland

Correlations			
		Fiscal decentralization	Welfare of the people
Fiscal decentralization	Pearson Correlation	1	.577**
	Sig. (2-tailed)		.000
	N	300	300
Welfare of the people	Pearson Correlation	.577**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data (2017)

The Pearson product-moment correlation coefficient is a measure of the strength of the linear relationship between two variables. After entering the data into SPSS, it was analyzed and came up with bivariate Pearson Correlation. Findings indicated that the relationship between fiscal decentralization and welfare of the people was computed at a Pearson Correlation Coefficient of 0.577. The significance of the relationship was within the acceptable range as it stood at 0.00 and this signifies that the relationship between the two variables was strong, positive and significant. This confirms that fiscal decentralization provides for those nations wishing to encourage their subnational governments to assume additional responsibilities. However, special attention must be given to implementation issues, especially methods of dealing with fiscal inequities since this can also improve and develop rural communities hence leading to improved social welfare of the people.

Table 4.5. 3: Pearson’s Linear Correlation Coefficient results for fiscal decentralization and capacity building in Salaxlay District, Somaliland

Correlations			
		Fiscal decentralization	Capacity building
Fiscal decentralization	Pearson Correlation	1	.501**
	Sig. (2-tailed)		.000
	N	300	300
Capacity building	Pearson Correlation	.501**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data (2017)

The Pearson product-moment correlation coefficient is a measure of the strength of the linear relationship between two variables. After entering the data into SPSS, it was analyzed and came up with bivariate Pearson Correlation. From table 4.28, it can be seen that there was positive significant relationship between fiscal decentralization and capacity building. Findings suggest that this relationship stood at 0.501 on the Pearson correlation scale and its significance was at 0.000. This is interpreted as significant and positive relationship between the two variables. This rejects hypothesis and thus also signifies that positive significant relationship between fiscal decentralization and capacity building.

Multiple regression Analysis

A multiple regression analysis was also carried out to determine the extent to which the predictors i.e. service delivery, welfare of the peoples and capacity building influence fiscal decentralization as indicated in the table below.

Table 4.5. 4: Multiple Regression analysis

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.913	.334		2.737	.007
	Service delivery	.347	.098	.611	3.530	.001
	Welfare of the people	.210	.102	.577	2.056	.042
	Capacity building	.204	.095	.501	2.152	.034
a. Dependent Variable: Fiscal decentralization						

Source: Primary Data (2017)

After entering the data into SPSS, it was analyzed and came up with the following results. The model summary in table above indicates that the three independent variables had positive significant influence on the dependent variable of fiscal decentralization. These variables were service delivery, welfare of the people and capacity building. Service delivery exert most positive significant influence on the fiscal decentralization as its significance value stood at 0.611 and thus the most influential variable. This indicator was followed by welfare of the people at 0.577 and lastly capacity building was least influential variable with a beta coefficient of 0.501. This suggests that the three selected variables were highly and collectively influential on the fiscal decentralization

CHAPTER FIVE

DISCUSSION OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents discussion of findings, conclusions, recommendations and suggestions for further research in relation to the study objectives.

5.1 Discussion of the Findings

The study was set to find out the relationship between fiscal decentralization and rural development in Salaxlay District, Somaliland. Three specific objectives guided this study and they were; i) assessing whether or not fiscal decentralization promotes service delivery in Salaxlay District, Somaliland, ii) examining whether or not fiscal decentralization promotes the welfare of the people in Salaxlay District, Somaliland and iii) examining whether or not fiscal decentralization promotes capacity building in Salaxlay District, Somaliland.

5.1.1 Findings on whether or not fiscal decentralization promotes service delivery

It was found out that 4.3% of the respondents strongly disagreed, 5.9% of the respondents disagreed, 8.1% of the respondents were neutral, 21.4% agreed and the remaining 60.3% of the respondents strongly agreed that fiscal decentralization can improve the efficiency of public service delivery through preference and allocative efficiency. This implies that the majority of the respondents were aware of the vital benefits associated with fiscal decentralization with regard to efficiency of public service delivery. This is in line with Musgrave & Richard (2012) who suggested that fiscal inequities may actually increase with decentralization. In addition, localities might engage in destructive competition to attract industry.

The study findings further indicated that there exists a positive significant relationship between fiscal decentralization and service delivery. This is in line with Asfaw et al., (2004) who noted that fiscal decentralization is defined as the potential link between decentralization, improved governance and increased efficiency of service delivery. Furthermore, this concerns a variety of concepts which must be carefully analyzed in any particular country before determining if projects

or programs should support reorganization of financial, administrative, or service delivery systems.

5.1.2 Findings on whether or not fiscal decentralization promotes the welfare of the people in Salaxlay District, Somaliland

The study findings revealed that 2.4% of the respondents strongly disagreed, 2.2% of the respondents disagreed, 11.6% of the respondents were neutral, 24.1% of the respondents agreed and the remaining 59.7% of the respondents strongly agreed that through local financial self-sufficiency and marketization, social security and support services are delivered to people. This implies that most of the respondents were aware that fiscal decentralization promotes delivery of social services hence improving on the welfare of the people. This is in line with Oates, (2001) who noted that through decentralizing revenue raising and/or expenditure of moneys to a lower level of government while maintaining financial responsibility, Salaxlay District has managed to develop its rural areas hence improving on the welfare of the people.

Findings indicated that there exists a positive significant relationship between fiscal decentralization and welfare of the people. This is in agreement with Oates, (2001) who suggested that through distributing revenue raising and/or expenditure of moneys to a lower level of government while maintaining financial responsibility, Salaxlay District has managed to develop its rural areas hence improving on the welfare of the people.

5.1.3 Findings on whether or not fiscal decentralization promotes capacity building in Salaxlay District, Somaliland

It was also evident that 4.3% of the respondents strongly disagreed, 5.9% of the respondents disagreed, 8.1% of the respondents were neutral, 21.4% agreed and the remaining 60.3% of the respondents strongly agreed that capacity building within local governments has come to the fore as a pressing issue that must be addressed as a transfer of administrative functions. This implies that most of the respondents were aware that through shifting or transferring of administrative responsibilities, capacity building can be ensured within local governments. This is in agreement with McLure & Charles, (2015) who noted that fiscal decentralization involves shifting some responsibilities for expenditures and/or revenues to lower levels of government. One important

factor in determining the type of fiscal decentralization is the extent to which subnational entities are given autonomy to determine the allocation of their expenditures

The study findings revealed that there was a significant and positive relationship between the two variables. This signifies that positive significant relationship between fiscal decentralization and capacity building. This is in line with Asfaw et al., (2004) who mentioned that capacity building within local governments has come to the fore as a pressing issue that must be addressed as a transfer of administrative functions. This implies that most of the respondents were aware that through shifting or transferring of administrative responsibilities, capacity building can be ensured within local governments.

5.2 Conclusions

Local Development Theory assumes that there is need to promote desirable change which requires good co-ordination between the various actors involved in rural development (farmers, rural residents, government organisations, NGOs and other civil society organisations, donors, rural development professionals, researchers, private firms and businesses etc) (Ploeg et al, 2000). This implies that this theory is relevant for this study because it facilitates rural development.

The findings of this study revealed that rural development policies have continued to develop at supra-national, national, regional and local levels and, in the social sciences there have been some major shifts (away from earlier and, in retrospect, too limited and inflexible, models) that allow for a better understanding of a rapidly changing world. This implies that the theory of Local Development was appropriate to study rural change and the best ways to achieve desired objectives.

The major conclusions drawn from this study are presented in the subsequent sub-sections.

5.2.1 Whether or not fiscal decentralization promotes service delivery in Salaxlay District, Somaliland

There is positive significant relationship with a Pearson correlation coefficient of 0.611 and its significance which stood at 0.000. This indicates a positive significant relationship between fiscal decentralization and service delivery. This implies that fiscal decentralization embraces a variety

of concepts which must be carefully analyzed in any particular country before determining if projects or programs should support reorganization of financial, administrative, or service delivery systems. Decentralization the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and/or the private sector is a complex multifaceted concept. The study therefore concludes that fiscal decentralization provides promise for those nations wishing to encourage their subnational governments to assume additional responsibilities. However, special attention must be given to implementation issues, especially methods of dealing with fiscal inequities since this can also improve and develop rural communities hence leading to improved social welfare of the people.

5.2.2 Whether or not fiscal decentralization promotes the welfare of the people in Salaxlay District, Somaliland

There is a positive significant relationship between fiscal decentralization and welfare of the people with a Pearson Correlation Coefficient of 0.577. The significance of the relationship was within the acceptable range as it stood at 0.00 and this signifies that the relationship between the two variables was strong, positive and significant. This implies that special attention must be given to implementation issues, especially methods of dealing with fiscal inequities since this can also improve and develop rural communities hence leading to improved social welfare of the people. The study therefore concludes that there is need to dealing with fiscal inequities so as to improve on the social welfare of the people.

5.2.3 Whether or not fiscal decentralization promotes capacity building in Salaxlay District, Somaliland

There is a positive significant relationship between fiscal decentralization and capacity building. Findings suggest that this relationship stood at 0.501 on the Pearson correlation scale and its significance was at 0.000. This is interpreted as significant and positive relationship between the two variables. This implies that fiscal decentralization emphasizes a broad-based re-organization and mobilization of rural masses in order to enhance their capacity to cope effectively with the daily task of their lives and with changes consequent upon this. The study concludes that developing distinctive capabilities rather than perform tasks that are legitimately in the domain of the line departments within the district.

5.3 Recommendations

There needs to be more discussion and agreement on the degree of balanced distribution of fiscal resources among different regions. Furthermore, what is important is for the national government to provide a steady stream of transfers that local governments can rely on for budget purposes.

The study recommends that the revenue-sharing formula should be transparent. Furthermore, there is need to create some incentives for the development of own-source revenue at the regional and local level.

Local governments should control their own-source revenues sufficient to allow some discretion in matching the needs of citizens and the taxes paid.

The study also recommends that government of Somaliland in partnership with its agencies should ensure to build capacity at lower levels of the communities through better intergovernmental transfers

5.4 Suggestions for further research

The following are aspects were not tacked due to limited time. Further, there is need for research on them in order to explore them in detail.

More research needs to be done on the following;

- Administrative decentralization and service delivery in Somaliland
- Local revenue mobilization and service delivery in Somaliland
- Economic decentralization and service delivery in Somaliland

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APPENDICES

APPENDIX I: QUESTIONNAIRE

DEAR RESPONDENT

My name is **SAMATAR ALI MOGE, 1161-06266-04362** a student of Kampala International University pursuing a Masters of Public Administration. I am currently carrying out a study about **“Fiscal decentralization and rural development in Salaxlay District, Somaliland.”** as a requirement for the award of Masters of Public Administration and Management. I humbly request you to be one of the participants in this study and your cooperation will be of great importance to this study. Your answers will be kept with utmost confidentiality.

SECTION A: BACKGROUND INFORMATION

1. Gender

Male

Female

2. Marital Status

Married

Single

3. Highest Educational level

Primary

Secondary

Tertiary

University

4. Age.

Below 20

Between 20-39

Between 40-59

60 and above

Direction 1: Please write your rating on the space before each option which corresponds to your best choice in terms of level of motivation. Kindly use the scoring system below:

Score	Response Mode	Description	Interpretation
5	Strongly Agree	You agree with no doubt at all	Very satisfactory
4	Agree	You agree with some doubt	Satisfactory
3	Neutral	You are not sure about any	None
2	Disagree	You disagree with some doubt	Fair
1	Strongly Disagree	You disagree with no doubt at all	Poor

PART 2: WHETHER OR NOT FISCAL DECENTRALIZATION PROMOTES SERVICE DELIVERY

	Whether or not fiscal decentralization promotes service delivery	5	4	3	2	1
1	Fiscal decentralization can improve the efficiency of public service delivery through preference matching and allocative efficiency					
2	Fiscal decentralization can also ameliorate efficiencies by fostering stronger accountability					
3	Fiscal decentralization encourages competition across local governments to improve public services					
4	Fiscal decentralization may lead to a decrease in lobbying by interest groups, distorting policy choices and increasing waste of public funds.					
5	Fiscal decentralization can also hinder public service delivery if accountability is loose					

PART 3: EFFECTS OF FISCAL DECENTRALIZATION ON WELFARE OF THE PEOPLE

	Effects of fiscal decentralization on welfare of the people	5	4	3	2	1
1	Through local financial self-sufficiency and marketization, social security and support services are delivered to people					
2	Sometimes with financial contributions from the authorities, is the primary means of relief for people not able to support themselves within the district					
3	Social welfare, assistance for the ill or otherwise disabled and for the old is provided within the district					
4	Pensions for the elderly, the poor with State-run schools, hospitals and subsidized medical care are delivered within the district					
5	Financial support is accorded to all vulnerable groups of people such as orphans and women within the community					

PART 4: WHETHER OR NOT FISCAL DECENTRALIZATION PROMOTES CAPACITY BUILDING

	Whether or not fiscal decentralization promotes capacity building	5	4	3	2	1
1	Capacity building within local governments has come to the fore as a pressing issue that must be addressed as a transfer of administrative functions					
2	Administrative capacity building in local governments is for systematic decentralization and capacity building at the local level to advance side by side					
3	In actual reform processes, the local capacity for proper administration and decision-making sometimes remains undeveloped					

4	Among other important areas, administrative and capacity building in local governments is a key issue					
5	Policy support for decentralization can take the form of capacity building in local government					

Thanks for your responses

End

APPENDIX II

INTERVIEW GUIDE

1. Does your district apply fiscal decentralization?
2. If yes, what effects does it have on service delivery?
3. Do you think fiscal decentralization impacts the welfare of the people in your district?
4. Do you agree that fiscal decentralization influences capacity building in Salaxlay District, Somaliland?
5. Do you think fiscal decentralization has been effective in improving on rural development in your district?
6. If no, what are the barriers of fiscal decentralization towards rural development in your district?
7. Suggest possible recommendations that can be implemented to improve on rural development in your district?

APPENDIX III

TIME FRAME

ACTIVITY	Jan	Feb	March
Topic formulation			
Introduction writing			
Literature review writing			
Methodology			
Typing and correction			
Reviewing			
Final copy formulation			

APPENDIX IV

STUDY BUDGET

The study is estimated to cost a total of Ug sh. 195000/= as shown below.

ITEM	Quantity	AMOUNT (Somali Shs)
Communication	Air time	50,000 Somali Shs
Transport	To &fro	100,000 Somali Shs
Meals	Lunch (10)	150,000 Somali Shs
Printing	3copies	60,000 Somali Shs
Binding	3copies	30,000 Somali Shs
Papers	1 ream	150,000 Somali Shs
Total		540,000 Somali Shs

Thanks for your responses

End