



**SOCIAL DEVELOPMENT DEPARTMENT**  
**The World Bank**

# **Decentralization and Local Governance**

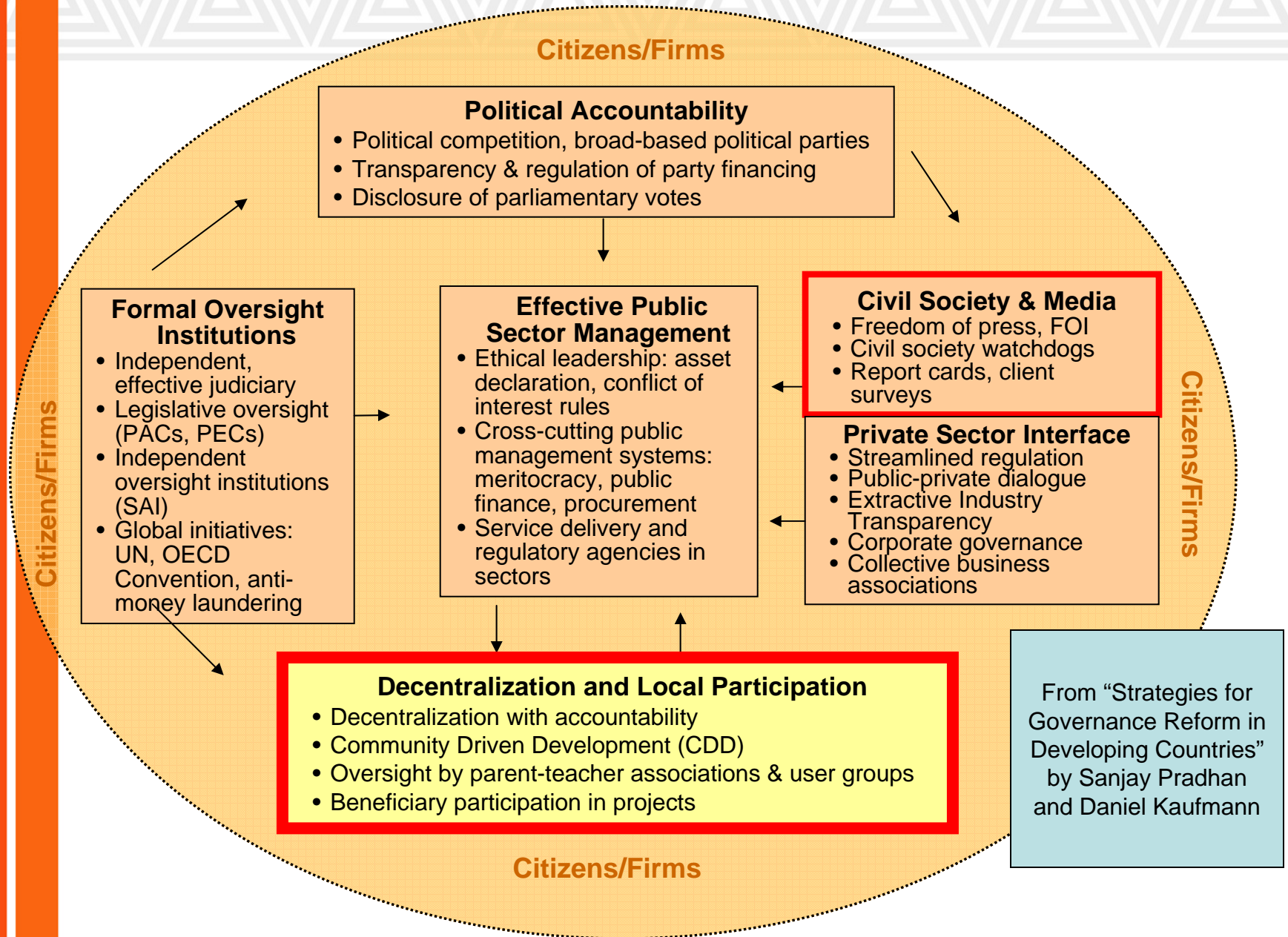
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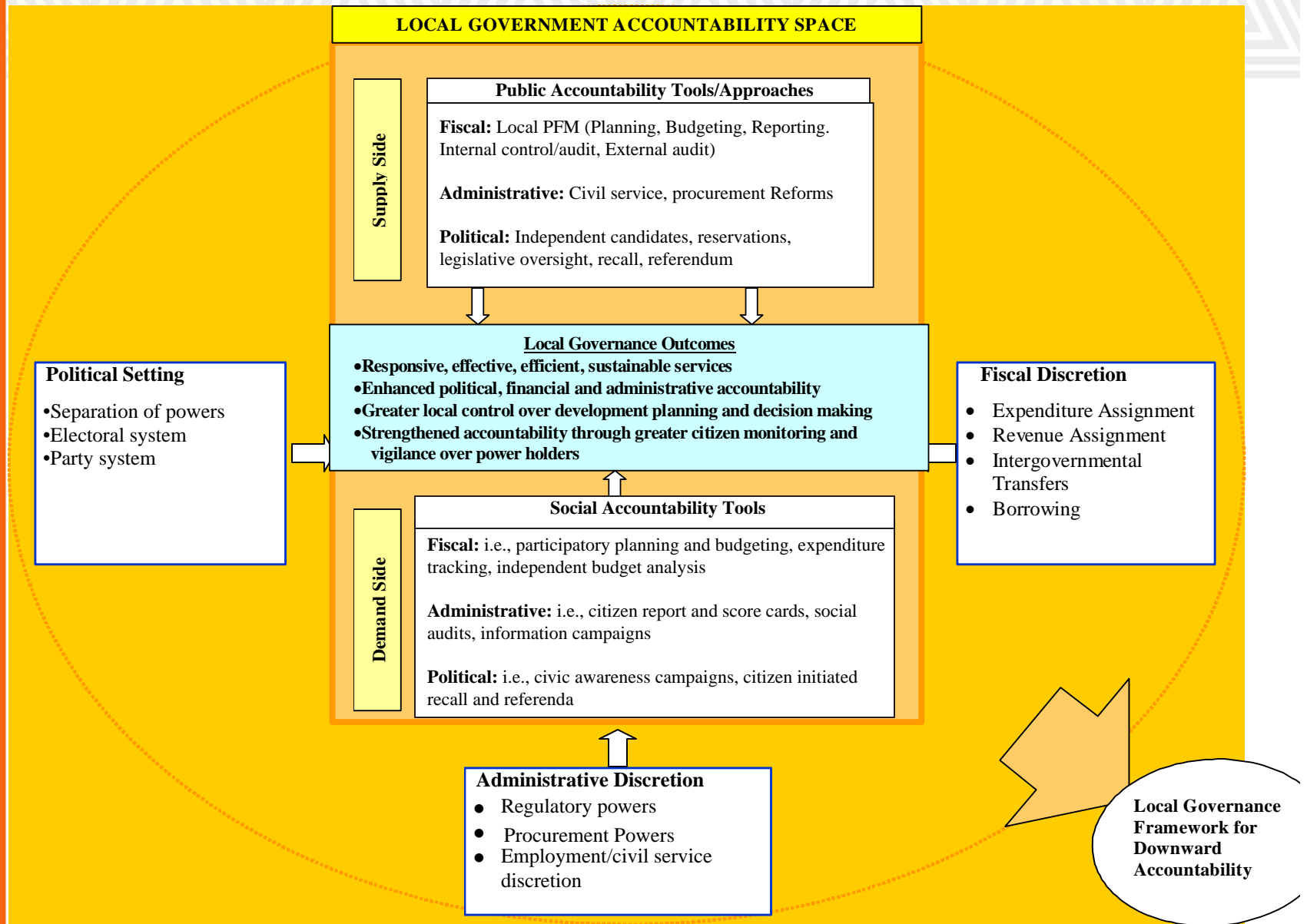
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# Good Governance Has Many Entry Points



# Local Discretion From Discretion to Accountability





## Overall message

- We need to take a step back from analyzing implementation of decentralization reforms to understand the disjoint between theory and practice of decentralization.
- It is very important to understand the motivations of decentralization that affect the structure of reforms.
- A political economy analysis preceding the articulation and implementation of the reforms is necessary.

## Local Political Setting

- Existence and functioning of institutional checks and balances at local levels
  - Role of legislature (local council)
  - Administrative local courts
  - Civil society
- Existence and quality of electoral system for local leaders
  - Majority (plurality) vs. proportional representation
- Nature of party systems and party structures
  - Number of parties competing in local elections (multi party vs. one party systems)
  - Rules governing the financing of parties
  - Rules governing participation of disadvantaged groups
  - Availability of parties based on ethnicity or religion



## Local Political Accountability

- Supply Side Public Accountability Approaches
  - Safeguards in the electoral system
  - Improving local council oversight
- Demand Side Social Accountability Approaches
  - Generic legislation that empowers citizens to demand local accountability
  - Specific bodies and processes for citizen oversight
  - Citizen oversight through CDD

# Local Council Oversight

Main roles and responsibilities :

- **Service delivery:** (recruiting teachers, providing textbooks, overseeing construction of schools and clinics)
- **Planning:** preparing and overseeing the implementation of annual investment plans (Burkina Faso, Philippines) local development plans, (Guinea, BF), overseeing performance contracts (Rwanda)
- **PFM:** LCs can introduce new taxes, change the rate up to the maximum tax rate set by law (Guinea, Rwanda), prepare and approve annual budgets (Philippines, Somaliland)



## Local Council Oversight- Common Challenges

1. Legal Loopholes/Ambiguities
2. Gaps between de jure and de facto
3. Dual structures of accountability/Employment
4. Capacity Challenges
5. Low Salaries/Low Incentives

# Common challenges

## 1. Legal Loopholes/Ambiguities

- Angola/Phillippines: ambiguities in sanctioning authority of local councils over the executive
- Guinea, Burkina Faso and Rwanda- incompatibilities in law about whether the executive can occupy dual employment, whether local councilors can issue complaints against executive
- Central- control over procurement (very limited in reality, even allowed by law)
- Philippines: no enabling law has been passed to enact provision on sectoral representation in the *Sanggunian*

# Common challenges

## 2. Gaps between de jure and de facto

- Local councils operate in an open political environment, often affected by national and local dynamics.
- local councilors are appointed by bureaucrats, rather than being elected (Ghana/Russia/Rwanda)
- Citizens generally cannot recall a councillor before elections (Kenya, Tanzania) , recall process is heavily politicized, used to get rid of opposition (Ethiopia)
- Committees/ other support mechanisms that are created legally do not exist/function properly in practice. (districts do not have more than one standing committee-Uganda )

## Common challenges

### 3. Conflict of Interest/Position of Local councilors

- In Ethiopia, the most cabinet members in all *woredas* are also members of the council and are thus unable to objectively oversee the cabinet.
- Russia- local councils are packed with senior employees of medical and educational institutions. They tend to satisfy the political preferences of regional authorities because their jobs are subject to short-term contracts, which could be revoked
- Heads of private enterprises, also councilors, remain loyal to higher authorities because their tax privileges and licenses

# Common challenges

## 4. Capacity Challenges

- lack of basic infrastructure,, electricity and information management systems in local governments.
- low level of education compared to the executive agents, language challenges (Burkina-Faso-more than half of councilors is illiterate in French)
- lack of capacity for particularly for budgeting and procurement processes
- Budget constraints--district do not have more than one standing committee and 75% district councils are unable to meet even once a year in Uganda

## Common challenges

### 5. Salary structures

- Although executive positions are generally considered to be full time, in many settings, councilor positions are low paying and part time compared to appointed officials.
- Burkina Faso: councilors are unpaid.

# Mechanisms to support local council oversight (1)-Public Accountability

- Setting minimum academic standards for councilors- (Rwanda)
- Creation of standing and ad-hoc committees- (Burkina and Rwanda)
- Independent Judiciary/ functioning court system (Gram Nyayalaya in Kerala/India)
- Ombudsman- (Burkina Faso and Rwanda)

## Mechanisms to support local council oversight (2)-Social Accountability

- Informal mediation mechanisms. (eg. Council of Wiseman in Guinea)
- Citizen-based committees to support Local Councils in overseeing the executive (eg. gram sabhas in Kerala-assembly of voters)
- Public “barazas”, for councilors to discuss development and security issues and other concerns in the community. (Kenya)
- Public Access to Official Documents- (eg. Public Accountability Day in Rwanda)

## Local Administrative Discretion

- Ability to make, change and enforce laws and regulations
  - Power to initiate regulatory legislation affecting local jurisdiction (local economic development, land use planning and development, zoning regulations, public safety, impact fees, user charges)
  - Power to sanction and punish non-compliance (monetary fine, revocation of license)
- Control over procurement processes and administration of services
  - Procuring goods and services through contracts (service delivery contracts, management contracts, leases, concessions)
- Control over civil service and employment policies
  - Recruitment
  - Performance management and pay policy autonomy
  - Career management control



## Local Administrative Accountability

- Supply Side Public Accountability Approaches
  - Accountability structures in the bureaucracy
  - Independent bodies
  - Administrative courts
- Demand Side Social Accountability Approaches
  - Information provision as a basis for citizen monitoring
  - Monitoring procurement and implementation of local government contracts
  - Monitoring local service provision

## Local Financial/Fiscal Discretion

- Expenditure Assignment: Role of Local Governments in Service Delivery
  - Decision-making autonomy over service delivery responsibility
- Revenue Assignment: Financing Local Service Delivery
  - Revenue autonomy
- Intergovernmental Transfers: Financing the Fiscal Gap
  - Transparency
  - Predictability
  - Formula based
- Local Government Borrowing: Financing Infrastructure
  - Limitations on borrowing



## Local Financial/Fiscal Accountability

- Supply Side Public Accountability Approaches
  - Public Financial Management Tools
- Demand Side Social Accountability Approaches
  - Citizen Participation in budgeting and expenditure processes
  - Public hearings on budget information
  - Participatory public expenditure tracking
  - Social audits
  - Civic monitoring of intergovernmental transfers

Domains	Political			Administrative			Fiscal		
Component s/Rating	Discretion	Pub. Ac.	Soc. Ac.	Discretion	Pub. Ac.	Soc. Ac.	Discretion	Pub. Ac.	Soc. Ac.
<b>High</b>	KER PH UG RW	ET RW	KER		RW BF ET KER PH GN	KER UG		ET KER TZ UG	
<b>Medium</b>	GN	KER PUN PH UG	PH RW UG	PH ET KER PUN RW UG	PUN UG TZ	PH RW	ET UG KER RW PH	RW PH PUN	PH KER UG
<b>Low</b>	ANG ET PUN TZ BF	ANG BF GN TZ	ANG BF PH GN ET PUN TZ	ANG GN PH GN ET PUN TZ	ANG	GN ANG ET TZ BF	ANG BF PUN TZ GN	ANG GN	ANG RW ET BF GN PUN RW TZ

ANG=Angola; BF=Burkina Faso; ET= Ethiopia ; GN=Guinea; KER=Kerala (India), PH=Philippines; PUN=Punjab (Pakistan); RW=Rwanda; TZ=Tanzania; UG=Uganda



## Gaps in the Literature

- How partisanship of local elections affect decentralization outcomes in terms of service delivery, accountability and representation?
- How rules of electoral competition affect decentralization outcome?
- How do different political contexts within which decentralization occurs affect decentralization outcomes?



## Application of Framework to Punjab, Pakistan

- Decentralization reforms instituted in 2001 are the third time over sixty years of its independence.
- These reforms were comparatively more comprehensive than the previous reforms.
- All authoritarian regimes in Pakistan have established some kind of decentralization reforms.

# Structure of Decentralization reforms

- Pakistan is a federation divided into the four major provinces.
- Local governments form third tier of the governance structure and are further divided into three tiers, namely district, *tehsil* (or *tehsil* municipal administration, TMA) and union council from the highest to the lowest tier.
- As many as ten departments, including various development authorities, function under the umbrella of the three-tier new local government.
  - These departments include Agriculture, Community development, Education, Finance and planning, Health, Information technology, Law, Literacy, Revenue Works and services.

# Political Discretion in Punjab

## ■ Separation of Powers

- Strong mayor model where district mayor, the head of the legislative branch of the local government, is also the head of the local executive.
- Local court system in Pakistan also remains deficient and is fraught with inefficiencies, inconsistencies and lack of credibility.
  - the establishment of *Musalihat Anjumans*

## ■ Existence and quality of local elections

- Indirect elections of the district mayor from the electoral college of union councilors
- Union councilors are elected using majoritarian electoral rule

## ■ Nature of party systems

- non-partisan local elections
- Reserved seats for women, minorities and peasant in district, *tehsil* and union council.

# Political Accountability

## ■ Public Accountability

- Recall
- Term limits
- Local council is largely more powerful than the local executive
  - Standing and ad-hoc committees
  - Public safety committee
  - Insaaf (Justice) committee

## ■ Social Accountability

- Direct contact of constituents with the elected officials

# Administrative discretion

- Ability to regulate
  - extends to the areas including land use planning, land zoning, acquisition, assignment and use, local tourism, cultural activities, cleaning and most local businesses.
  - Local government shares regulatory authority with provincial and federal legislature in education, health, environmental protection, and social protection, maintenance of law and order and crisis management which leads to confusion regarding jurisdiction of local governments
  - No authority to sanction non-compliance
- Procurement
  - Significant discretion over all these type of procurement mechanisms except full or partial ownership
- Civil Service and employment
  - Federal and provincial governments remain a formal employer of a large number of personnel at the local level through Civil Service of Pakistan (CSP).
  - Most regulatory authority in terms of budget payroll, performance management and recruitment of local staff also remains under the purview of the provincial governments.

# Administrative accountability

## ■ Public Accountability

- District ombudsman
- Punjab Procurement Regulatory Authority

## ■ Social Accountability

- Community citizens board
- Absence of proper documentation
- Citizen oversight bodies (School management committees, water user groups)

# Fiscal discretion

- Expenditure assignment
  - very little discretion in very few areas.
- Own source revenue generation
  - provincial assembly can nullify any decision taken by the district government on tax rate and base by simple majority
  - Limited capacity to collect taxes
  - Absence of proper documentation and documentation training
- Inter-governmental transfers
  - From National Finance Commission to Provincial Finance Awards
  - The vertical distribution that determines the retained and allocable amounts is largely at the discretion of the province.
  - Recurrent expenditure of the local government constitutes above eighty five percent of the amount allocated to the local government.
  - There are a number of parallel transfers that are operated outside of PFC which are larger than the local government's allocation through the PFC.

# Fiscal accountability

- Public accountability
  - Parliamentary accounts committee called *zila* accounts committee (ZAC).
- Social accountability
  - Inaccessible information



# Intersection of politics and decentralization structure

## ■ Political context

- Patronage politics
- Authoritarian center
- Entrenched network of politicians

## ■ Decentralization structure

- Non-party elections
- Indirect elections of district nazim

## ■ Effects

- Capture of the office of district nazim by local elites which leads to many different effects, for example distortions in the use of recall elections, domination of social accountability structures
- Skewed distribution of services
- Flow of fiscal funds (rent-distribution)



## Conclusion

- The negative effects of decentralization do not occur because decentralization is ineffective as a system in the kind of political context that occurs in Pakistan.
- Rather the distortions created by the power structure can be corrected through the system itself.