



Making Decentralization Work in Developing Countries: Transforming Local Government Entities into High-Performing Local Government Organizations

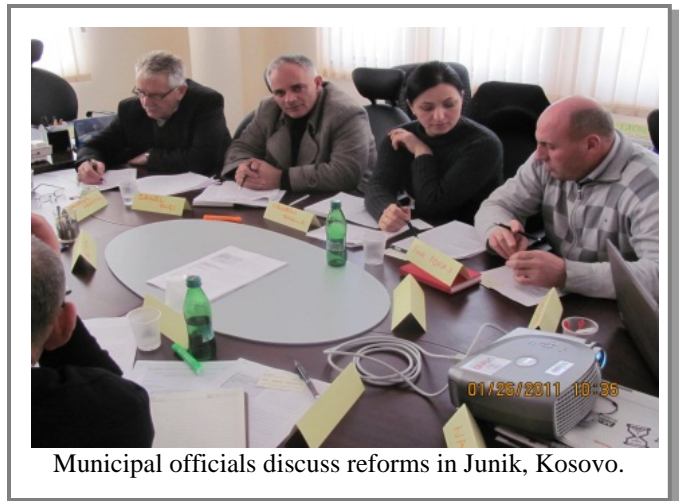
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The ruling paradigm in the global development community suggests that weak public sector performance in many developing countries is caused by lack of capacity and inadequacy of resources. This assumption informs the choice of development activities supported by international development partners and international financial institutions, most notably, first, capacity building interventions and, second, the provision of external development assistance.

An alternative view of the development challenge, however, is that interventions which build capacity and/or provide more financial resources may be a necessary—but not a sufficient—condition for public sector development. In this view, “real” public sector development is achieved not (just) by supplementing the financial or human resources of the public sector above a certain threshold, but rather by transforming how the public sector operates, from a hierarchical, top-down and reactive manner to an approach that is proactive, flexible, and responsive to the needs of the people.

Decentralization is a public sector reform that is being pursued in many countries in order to achieve a more responsive and inclusive public sector. For the potential benefits of decentralization to be attained, first-generation fiscal federalism simply assumed that local governments would operate efficiently and would deliver the mix of public services demanded by local residents (e.g., Tiebout 1956). It is clear, however, that introducing a more decentralized governance structure in a country by itself will not achieve the potential benefits of decentralization and that in practice, institutions matter. The fundamental nature of the public sector does not automatically change when a public sector is “decentralized” by severing the bottom tier of the state bureaucracy from the top layers if, at the same time, the “big man” at the top of the central government pyramid is merely supplemented by smaller “big men” at the top of each local government pyramid.



Municipal officials discuss reforms in Junik, Kosovo.

Instead, in order for local governments to become efficient and responsive providers of local infrastructure and public services, local government organizations have to be transformed from entities that are local administrators of centrally-mandated public functions—which in large part requires compliance with central government rules and responsiveness to instructions from the top—into high-performing local government organizations (HPLGOs) which are capable of proactively identifying and responding to local needs. As such, the focus of the HPLGO approach is to focus on changing the way things are done by local governments by maximizing what the organization can accomplish using the resources available to it. However, the skill sets needed for managing and operating within these two different organizational models is completely different: whereas the traditional bureaucratic model actively discourages local bureaucrats and officials from taking initiative outside the bounds of narrowly-defined central regulations and procedures, achieving high-performing local government organizations requires leadership initiative, inclusive governance and modern human resource management approaches.

What are High-Performing Local Government Organizations (HPLGOs)?

Performance measurement, management control and information management are critical factors in order for a local government organization to strategically focus its attention and resources on its policy objectives in an efficient manner. Unfortunately, researchers have not been able to conclusively isolate the specific characteristics of successful organizations or the specific management actions that lead to superior organizational performance. What is clear, however, is that the transformation of local government entities into High-Performing Local Government Organizations is fundamentally about overcoming hierarchy to do things differently in order to get better results. The successful transformation of local government

entities goes beyond more traditional organizational development approaches by integrating concepts and techniques of change management: its focus is on achieving an optimal interaction between organizational structure, culture, processes and procedures on one hand and individual skills, knowledge, attitudes, and motivation on the other. The institutional targets of high-performing organizations HPO reforms include not only the mayor or local chief executive, the local council (or assembly), or the executive management team, but in fact requires the involvement of local government staff from the mayor down to every clerk and street sweeper.

The concept of HPOs is neither a new invention nor a magic bullet. In fact, there is an extensive public administration literature on the topic and in one form or another, the concept guides change management and institutional development in most successful local governments in industrialized countries around the world.¹ While the concept is widely practiced in developed economies, until now the concept has seldom been transposed effectively in the context of local governance in developing countries.

There are different ways to break down HPO reforms, and different authors have emphasized different aspects of the process. In most countries, however, achieving more effective local government organizations (and as a corollary, hopefully, better results at the local level) requires changing four key interactions between actors at the local level. These reforms include (1) achieving effective cooperation between the mayor and council; (2) achieving effective coordination and communication between different local departments; (3)

¹ The concept further guides many companies and private sector organizations. For instance, see *Built to Last: Successful Habits of Visionary Companies* (Jim Collins and Jerry Porras, 1994) and *Good to Great: Why Some Companies Make the Leap and Others Don't* (Jim Collins, 2001),

encouraging collaborative governance and greater interaction between local officials with the private sector and the community; and (4) maximizing the potential of the local work force. All of these things are difficult to do in the context of—and possibly even antithetical to—the traditional, top-down bureaucratic approach of managing local government entities.

Changing the political culture: effective cooperation between the mayor and local council

The hallmark of democratic local governance is the presence of a locally elected council and/or a locally elected executive or mayor. It is not unusual, especially in countries that lack a long tradition of local elections, for politics at the local level to be dominated by an all-powerful mayor with no meaningful role for the elected local council. In countries where local politics is dominated by strong political personalities or by national political forces, there are few systemic incentives for local government organizations to introduce processes or procedures that promote inclusiveness, responsiveness or accountability. Instead, local government organizations tend to work in a more responsive and accountable manner when the political space at the local level is organized in a way that requires local leaders to focus on the priorities of their constituents and the effective delivery of local services—making sure garbage is picked up, that the street lights work, that the local administration is free from corruption, and so on.

Achieving a high-performing local government organization often requires changing the political culture in order to achieve an effective political process in which cooperation takes place between the mayor and the local council. For the dynamics of a high-performing organization to take place, local leaders should be able to set aside personal agendas and national politics and seek consensus on the local priorities they have in common and what they can achieve—not on the points where priorities diverge and on what

they cannot achieve.² Effective cooperation between the mayor and council based on a more collaborative model of political leadership at the local level lends credibility to municipal leadership decisions, and signals to the local community that the priority of the local political leadership is to work to address the community's priorities in a collaborative manner, rather than scoring political points for national political masters.

An additional advantage of a more collaborative local political culture is that political collaboration opens the door for meaningful checks and balances between the local executive and the council, which encourages local executives to earn political capital by delivering public services to all local residents, rather than by focusing on providing favors exclusively to those who voted for him or her.

Changing the management approach: effective coordination and communication between different local departments

Traditional hierarchical bureaucratic structures—whether at the central or at the local level—tend to work in fragmented silos or stove-pipes, with each department or unit working alongside one another in a top-down fashion. This means that the only place where inter-departmental coordination is possible in a traditional organizational structure is at the very top. However, local public services are by definition spatial in nature and tend to involve interrelated, cross-sectoral service delivery challenges: a neighborhood that faces a high degree of poverty may not only have problems with poor housing, flooding and absence of sewer systems, but is also likely to have problems with solid waste management, poor health outcomes, and poor school attendance. Cross-sectoral coordination

² One approach that is currently being used quite successfully in some places to change the dynamics between two elected bodies at the local level is to depersonalize the local political space by casting the local dynamics in terms of the relationship between the office of the mayor on one hand, and local assembly (as an institution) on the other hand.

would allow municipalities to more effectively target the causes of the problem (e.g., the absence of sanitary housing options for the urban poor) rather than merely addressing the symptoms (e.g., the resulting poor health outcomes). Tackling these diverse issues requires cross-departmental coordination which does not come naturally to a fragmented, top-down bureaucracy.

Ensuring more effective cross-departmental coordination within a local government organization requires abandoning the traditional top-down approach to managerial control that is at the heart of the bureaucratic model. Instead, achieving greater responsiveness in the delivery of public services requires that some degree of operational autonomy should be passed from local department chiefs and unit heads down the managerial chain of command, while effective horizontal communication and coordination should be promoted between officials across different local departments. Under this approach, senior managers become facilitators of their subordinates, while at the same time holding lower-level managers accountable for measurable results using basic performance metrics. In turn, the role of the local political leadership and of the local chief executive becomes less to pursue top-down managerial control, but more to define the vision, purpose and values that define the organization and to regularly monitor progress.

Changing the organization’s relationship with the outside: encourage collaborative governance and greater interaction with the private sector and the community

High-performing local government organizations do not only decentralize managerial decision-making power within the organization, but also pursue a more open relationship with stakeholders outside the organization. Within such as collaborative governance approach, local government managers not only see themselves as managing the staff within their respective departments or

units, but rather, they pursue specific local public sector outcomes by forming alliance outside the local government itself and by accepting citizens and the private sector as partners, not as adversaries.

For instance, firefighting departments in the United States have found that public outreach efforts (for instance, handing out smoke detectors to households or encouraging households to ensure that smoke detectors are in working order) has had a considerable positive impact on reducing deaths, injury and property damage from fires, compared to from focusing on reactive firefighting efforts alone. Likewise, many local governments rely on partnerships with the private sector or NGOs in managing green space or ensuring attainment with environment standards (e.g., O’Leary, Gazley, McGuire, and Blomgren Bingham, 2007). Under other collaborative initiatives, such as service improvement action planning (SIAPs), local officials actively involve civil society organizations in determining an appropriate/affordable level of service and monitoring the delivery of local services after improvements have been made.

Within the public administration literature, the concept of collaborative governance (sometimes referred to as public network management), has been receiving increasing attention over the past ten years.³ Despite an increasingly extensive literature on collaborative governance and widespread acceptance of the practice as a tenant of high-performing local government organizations in industrialized countries, the concept has not been actively pursued as part of institutional development at the local government level in developing country contexts.

³ Robert Agranoff and Michael McGuire. 2003. Collaborative Public Management: New Strategies for Local Governments. Washington, DC: Georgetown University Press.



The impact of higher performance on the local willingness to pay taxes

When local government bodies are neither efficient nor responsive, it should come as little surprise that local households and businesses express little or no willingness of to pay local taxes. Nor will local officials in such countries have a major incentive to agitate or confront local taxpayers. In such places, suboptimal local revenue performance is often blamed on inadequate local revenue administration or on a lack of local political will. In reality, however, limited levels of own source revenue collections are more likely to reflect an optimal level of local revenue collections (where marginal benefit equals marginal revenue burden), given the absence of mechanisms to make sure that local revenue collections are spent in a responsive, efficient and accountable manner.

One of the dynamics of high-performing, collaborative local government organizations is the impact of higher performance on local revenue collections. By becoming better advocates for the needs of their residents and by being more efficient service delivery organizations, and by treating local taxpayers in improving public service delivery, the willingness of local residents to pay taxes increases as a result of the organization's improved service delivery orientation. All else equal (including equal tax bases, tax handles and tax enforcement powers), HPLGOs that are more responsive to the needs of their communities should therefore collect greater revenues.

Changing the culture of human resource management: maximize the potential of the local work force

Perhaps the most overlooked area of public sector development—particularly at the local level—is human resource management. In most local governments, wages and salaries account for a large majority (typically 50-70 percent) of municipal recurring expenditures. As such, the combined effect of staff absenteeism and the lack of staff motivation is most likely the single-largest source of public sector performance in developing countries around the world.

Although adequate compensation and financial incentives can play an important role in staff performance, two factors are likely even more important for promoting staff performance: first, are local government employees held

accountable for their failure to show up for work or for their performance, and second, are staff motivated and provided with non-monetary incentives to perform well?

In order for a local government entity to become efficient, high-performing local government organization, these two questions should guide a fundamental change in the culture of human resource management that maximizes the potential of the local work force by empowering employees at all levels to contribute to doing things more efficiently. The performance of the organization can often be improved by leaders seeking out employees' knowledge of how things work on the ground and by recognizing that employees see their jobs as something more than a set of routine tasks. Although in many places this will require a major transformation in organizational culture, simply acknowledging the efforts and contributions that every worker makes to the success of the organization—from the department manager down to the accounts clerk and the street sweeper—can have a tremendous motivating impact on staff performance.

High-performing local government organizations: not just a theoretical concept

In many developing countries that are pursuing decentralization reforms today, it is hard to characterize local governments as entities that are efficient and responsive to the needs of their constituents. Some countries, however, are taking active steps to transform their local governments into high-performing organizations. For instance, municipalities in Kosovo are seeking to transform themselves into high-performing local government organizations with support from the USAID-funded Democratic Effective Municipalities Initiative (DEMI).

Currently, 14 DEMI partner municipalities are implementing the HPLGO model to strengthen municipal operations in creative and innovative ways. Municipal Organization Improvement



Teams (MOITs), made up of municipal directors and senior civil servants, help bring about these changes in each municipality. Since human resources are one of municipalities' most valuable assets, empowering all employees to think outside the box and take leadership roles in projects they feel strongly about is one of the most productive changes a municipality can make. As such, the key to implementing achieving HPLGOs lies in changing the way employees see the role they play in their community, their relationships with citizens, and how they approach the challenges they face. Deconstructing ingrained practices requires a long term commitment, however, as introducing lasting changes to attitudes and systems within an organization is a "marathon and not a sprint."

A precondition for local success: the need for a high-performing central public sector

Achieving high-performing local government organizations does not only require interventions at the local level. For a variety of reasons, central government leaders are often satisfied with an institutional framework in which strong local accountability mechanisms are absent and in which local governments lack a sufficient degree of discretion (political, administrative, and fiscal) in order to effectively respond to needs expressed from below.

Shaping an intergovernmental system in which local governments can be high-performing organizations requires that local governments are given the necessary political, administrative and fiscal space which will allow them to operate in a responsive and efficient manner. For instance, the design of subnational political institutions and electoral processes can contribute to a local political framework that is less antagonistic and less driven by party clientelism. Similarly, in order for local government to responsibly manage local human and financial resources, central government officials must be willing to yield control over local human resource management to their local counterparts, while line ministries have to give up some direct control over sectoral service delivery at the local level. At the same time, central financial authorities should be willing and able to provide local governments with financial resources through predictable, timely, and complete intergovernmental fiscal transfers.

Early results from the DEMI experience are starting to show promising initial results. Before the concept of HPLGOs was introduced, poor communication between the administration and assembly members was a common problem: they met infrequently and there were constant clashes between political parties. Further, municipal leaders had no long-term vision for their organization and therefore managers and staff often worked on an ad hoc basis. In many of municipalities pursuing reforms, municipal administrators and assembly members now meet at least once a month, and members from different political parties engage in positive and constructive conversations. In many municipalities, the MOITs have supported the municipal leadership in adopting a municipal vision statement and are guiding the implementation of organizational (staff) improvement plans, which do not merely pursue compliance with instructions from above, but often reduce the number of municipal directorates and align staff with priorities identified on the ground. Other efforts being spearheaded by the MOITs include (among others) the introduction of more participatory service, delivery improvement, action-planning processes, and the preparation of long-term local economic development plans.

Until now, much of the literature on high-performing organizations and collaboration has focused on high-income, industrialized economies with strong democratic traditions. The early results from municipal reform in Kosovo, however, are a first indication that these same principles can be successfully adapted to fit countries that have a less advanced economy and that have more limited experience with democratic local governance. In fact, it is in these places—where public administration is typically run in a rigid, top-down manner—that the benefits from introducing high-performing local government organizations will be the greatest.