

An Analytical Framework for Assessing Decentralized Local Governance and the Local Public Sector

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Abstract

There is a growing recognition within the global development community that the public sector in developing and transition countries must be made to function more effectively and efficiently in the pursuit of their own development and poverty reduction ambitions. This cannot be done without considering the critical role of the local public sector, since most (pro-poor) public services are delivered at the local level, whether by the deconcentrated departments of line ministries or by devolved local government authorities. While the development community seeks to better understand the complex interrelations that drive the performance of decentralized political, administrative and fiscal systems, there is a dearth of relevant comparative information and data when it comes to the details of these decentralized systems, especially in developing and transition economies. This paper proposes a comparative decentralization assessment framework which guides a rapid assessment of a country's local public sector, including its political-administrative structures, its system of intergovernmental relations and the financing and functioning of the country's decentralized local governments.

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1. Introduction

Over the past two decades, efforts to strengthen the role of local governments within the public sector have claimed a growing place in public sector reforms in developing and transition countries around the world. Yet, despite the best efforts of the international development community to attain the potential benefits of a more decentralized public sector, the promised benefits of decentralization often remain illusive. Skeptics of decentralization often note that the weak institutional capacity of local governments limits the provision of local government services. Furthermore, the proper design and implementation of decentralization and local government reforms are often hindered by a variety of technical and political and institutional obstacles (Boex 2010). As a result of these concerns, there is a growing sense of urgency that the local public sector must be made to function more effectively in support of the development ambitions of countries.

The question how to achieve a well-functioning local public sector or a decentralized system of local governance—including in the context of developing economies—is not a new one.¹ There is extensive literature on the topic, dealing with the decentralization and local governance from the perspectives of economics (particularly public finance), political science (democratic governance) and public administration. Based on the current state of knowledge on decentralization in developing economies, there have been proponents as well as skeptics within the global development community regarding the effectiveness of decentralization as a development intervention.

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¹ Unless noted otherwise, the terms *local* and *subnational* are used interchangeably. Although the discussions in this paper generally apply to different subnational levels of governance and administration (including the regional level), important differences exist between the role of local governments and regional / intermediary government levels



It is fair to suggest that the academic literature is inconclusive at this stage whether decentralization reforms systematically improve economic growth, public service delivery and accountability in developing economies. However, the conclusions by the empirical literature about the effectiveness of decentralization are hampered by a combination of major weaknesses in how decentralization has been measured as well as the inadequate design and implementation of the decentralization reforms pursued in many countries.

In addition to the ambivalent support for decentralization—among academics and policy researchers as well as development agencies and international financial institutions—as a way to enhance the efficiency of the public sector, it is worth noting that the perspective on the impact of decentralization on development has been shifting over time within the international development community. During the 1990s, in a development environment where the Washington Consensus reigned supreme, scores of formerly planned economies were forced to achieve macro-economic balance by reducing public expenditures and shedding thousands of public sector jobs through structural adjustment processes. During this era, major decentralization reforms were often pursued (implicitly or explicitly) with the purpose of reducing the size of the (central) public sector. Much less attention was paid during this period to the effectiveness of local governments in supporting local public service delivery. To the extent that local governments were supported by the donor community, this support was often motivated by good governance considerations rather than by consideration of public sector effectiveness and efficiency.

In more recent years, a consensus among development practitioners and decentralization experts has emerged that decentralization is about more than merely shifting power and resources away from the central level or strengthening the administrative capacity of local governments. Instead, decentralization is increasingly defined as the empowerment of people through the empowerment of their local governments. This definition recognizes that decentralization is a means rather than an end in itself: decentralization should be pursued in order to empower people over the public sector so as to achieve improvements in the delivery of public services. In this light, decentralization is about more than providing resources to the local government level and strengthening human resource capacity at the local level. Under the new definition, decentralization should be considered unsuccessful unless local officials translate their enhanced mandate and greater financial resources into more efficient, responsive, and accountable public services.

This ‘second generation’ of thinking in the fiscal federalism literature recognizes that a wider lens is needed in order to assess whether decentralization reforms are successfully empowering people over their public sector through decentralized local governments. The new definition implies that—apart from the scope of functions and the level of resources that is provided to the local government level—the central government level and the intergovernmental systems guiding central-local relations play an important role in the success of decentralization. In addition, the definition suggests that successful

decentralization requires mechanisms to be in place that allow local communities to participate in local decision-making processes and allow them to hold their local officials accountable for the delivery of local government services in accordance with local priorities.

The concept of decentralization as ‘empowerment of people over the public sector’ further recognizes that there should be a balance between discretion and accountability at the local government level (and in the design of intergovernmental systems at all levels), and that achieving effective local empowerment requires the political, administrative and fiscal dimensions of decentralization to work hand-in-hand. After all, we cannot expect communities to be empowered over their local governments if the local governments themselves are hampered by incomplete empowerment themselves. This new perspective has important implications for how we measure and assess progress on decentralization reforms and on the status of decentralized governance systems.

2. An analytical framework for assessing decentralized local governance

2.1 Towards a decentralization assessment framework

Although there is a broad-based push for aid effectiveness and evidence-based development interventions in the international development community, the realm of decentralization and subnational governance is under-served in recent international data-gathering efforts. Indeed, while we seek to better understand the complex interrelations that define decentralized governance systems, there is a dearth of relevant comparative data when it comes to the degree and nature of decentralization or intergovernmental relations, especially in developing and transition economies. This begs the question: what information is needed in order to measure or assess whether a country’s public sector is too centralized or too decentralized, or perhaps, whether a country’s public sector is not decentralized in a sound or effective manner? In other words, how do we assess the public sector in any given country with regard to decentralization, intergovernmental relations, and the role of the local public sector?

In order to answer these questions, this paper proposes a comparative decentralization assessment framework for rapidly assessing a country’s local public sector, including its political-administrative structures, its system of intergovernmental relations and the financing and functioning of the country’s decentralized local governments.² This assessment tool is comprehensive in its scope, taking into account the different technical dimensions of decentralization, as well as the institutional and political economy aspects of decentralization local governance and intergovernmental relations. After all, no decentralization reform (or any public sector reform involving multiple government levels, for that matter) would succeed without, first, putting forth a technically sound

² The assessment framework developed here will thus cover devolved as well as deconcentrated public sectors. Unless specifically indicated otherwise, the term ‘local government’ is used generally to indicate local public sector jurisdictions in both devolved as well as deconcentrated systems.

decentralization strategy, and second, a sufficient understanding of the political and institutional dynamic to ensure the adequate implementation of the reform.

Our assessment tool is not a rigid one. It is flexible capturing variations in countries' territorial-administrative structures and in their chosen degree of decentralization, ranging from deconcentrated public sectors—which lack elected local governments but deliver public services through deconcentrated local administrative departments—to highly decentralized, devolved system—where elected local governments successfully serve as the interlocutor between the public sector and the people in delivering major public services. Our assessment tool attempts to capture qualitative aspects of a country's decentralization efforts as well as commonly used quantitative aspects—such as the expenditure decentralization ratio or the revenue decentralization ratio.

The assessment instrument developed here provides guidance for a more qualitative evaluation of decentralized governance systems, ideally to be conducted by a team of two or three experts that have ample international experience in the various technical aspects of decentralization. Such comparative international experience should be supplemented by an in-depth understanding of the host country's systems, typically provided by one or more host country experts in the fields of governance, public administration, service delivery, and public finance management.

Before proceeding any further, two caveats should be noted. First, we wish to distance ourselves from any notion that the framework for assessing decentralized local governance outlined in this paper is either creative or original. The main elements of the proposed decentralization assessment framework are based on well-established tenants of the decentralization and federalism literature, going back many decades from Richard Musgrave (1959; 1972) to Mancur Olson, (1969) Dennis Rondinelli (1982) and Wallace Oates (1972). In addition, the proposed framework builds on various strands of more recent thinking and policy research in the areas of decentralization and local governance, including the World Bank's recent synopsis on local government accountability and discretion (Yilmaz, Beris and Serrano-Berthet, 2008 and 2010; World Bank, 2007 and, 2009); USAID's programming handbook on democratic decentralization (USAID, 2009); real-world assessments of decentralization reforms (such as Shotton and Boex, 2002 and Boex and Martinez-Vazquez, 2003); assessments of donor support to decentralization reforms and thinking in the development community on donor effectiveness (e.g., OECD, 2004; World Bank, 2008); and recent thinking on the political economy of decentralization (e.g., Eaton, Kaiser and Smoke 2010).

The second caveat is that although the proposed decentralization assessment framework attempts to capture all relevant dimensions of a well-functioning system of decentralized local governance, there is no single effective analytical framework that can ever capture all relevant details of the underlying local public sector that it seeks to assess. The decentralization assessment framework outlined here is a good starting point for providing a “big picture” overview of the current *status quo* of decentralization and local governance in a country. However, the proposed assessment framework merely aims to

provide a snapshot of the current situation, without necessarily seeking to provide a complete motion picture of how the country arrived at the current situation. As such, whenever possible, the framework abstracts away from numerous contextual characteristics of a country's public sector, such as a country's history, central-level politics, geography, culture, or the country's demographic, ethnic or religious composition.

2.2 Identifying the policy objectives of decentralization

For the purpose of developing the decentralization assessment framework, we will follow the working definition that decentralization is the empowerment of people through the empowerment of the local public sector.³ Yet—even with a definition in place—before we can proceed to assess the effectiveness of the degree and manner in which a public sector is decentralized, we need to understand why any given country is pursuing (or for that matter, not pursuing) a more decentralized public sector.

Different countries and different stakeholders within countries pursue decentralization for different reasons. Since the organization of the public sector and the subsequent systems of intergovernmental relations are shaped to a large extent by the policy objectives that the public sector pursues, the implicit or explicit reasons why a country pursues decentralization or intergovernmental reforms should provide a benchmark for evaluating the success of the reforms.

International experiences suggest that there are five broad reasons why countries pursue decentralization. First, countries pursue decentralization because there are strong theoretical reasons to suggest that (under certain conditions) decentralized governance improves economic efficiency and economic growth. Second, if central bureaucracies in a country function as distant, hierarchical rent-seeking organizations that are unaccountable and inefficient or ineffective at delivering public services, then decentralization could improve public service delivery and strengthen poverty reduction if decentralized local governments are generally more responsive and accountable than their central government counterparts. A third reason for pursuing decentralization is that the presence of elected decentralized governments could be seen as more democratic and therefore—separately from the empowerment achieved by having a more responsive public sector and better public service delivery—worthy of being pursued on its governance merits. Fourth, decentralization reforms could be promoted (or in fact, opposed) for political or institutional reasons. In fact, political leaders in scores of countries pursue some form of decentralization primarily for specific political gain, rather than for reasons of good governance or improved public service delivery. Fifth, and finally, some countries pursue decentralization in a specific attempt to counteract centrifugal political forces and to preserve the nation-state.

³ This working definition is a slight generalization of the definition used by Bahl (2005).

Many countries pursue decentralization for more than one of these reasons, although it is common for one of these reasons to be dominant in defining a country's approach towards decentralization. During the 1980s and 1990s, the efficiency argument for decentralization often carried the day, with the expectation that decentralization would introduce greater competition in the public sector and lead to a smaller, leaner, more efficient public sector.⁴ A more common argument for decentralization and local government reforms in developing and transition economies is the desire to achieve more responsive public services for effective poverty reduction. While this improved public service delivery and poverty reduction are often the stated objective of decentralization reforms, this is not necessarily the viewpoint held by all stakeholders in a developing country. Many bilateral development agencies tend to support decentralization primarily on its democracy and governance merits, while central government politicians—to the extent that they support decentralization reforms in the first place—tend to support decentralization either in the aftermath of major political upheaval (Indonesia, Russia, South Africa) or in a manner that provides them greater political capital, sometimes even in spite of the good governance or public service delivery implications of the reforms.⁵

2.3 Technical dimensions of decentralization

Because decentralization and intergovernmental relations are a broad and complex area of public sector reform, it makes sense to decompose the public sector (within which decentralization reforms take place) along its main dimensions. In line with decades of writing on the topic, decentralization is often decomposed into three main dimensions: political, administrative, and fiscal decentralization. We use this categorization as the first dimension of our assessment framework.⁶ This division provides a convenient categorization of the topic in accordance with the academic disciplines that study decentralization: political scientists who study the distribution of political power among different government levels; administrative decentralization is dealt with by public administration experts; while the realm of fiscal decentralization (or fiscal federalism) is generally left to the economists.

Furthermore, if we believe the process of development is about empowering individuals over their lives—including over the public sector—then these three categories represent the three main dimensions of interaction between the State and its citizens, and therefore, these three dimensions represent three top-level objectives in the development process. Within the political sphere, the development community seeks to empower people over their public sector through democratic, participatory and responsive political mechanisms. Within the administrative sphere, the development objective is to empower

⁴ However, little empirical evidence suggests that decentralization results in a smaller public sector or faster economic growth. For instance, see Davoodi and Zhou (1998) and Martinez-Vazquez and McNab (2003).

⁵ For instance, President Museveni promoted decentralization as an important element of his anti-centralization campaign after taking power with his National Movement. Likewise, decentralization reforms in Pakistan under President Pervez Musharraf had an important political dimension, with the unelected president seeking legitimacy and a political power base at the local level by circumventing the provincially-based political parties.

⁶ The details of what each of these three dimensions entails is discussed further in Section 3 below.

the people by making sure that the public sector administers the delivery of public services in an efficient and equitable manner. In terms of the public sector's finances, people are empowered if the State's financial resources are used in a fiscally disciplined manner to achieve greater allocative and technical efficiencies. Last but not least, the development objective is to manage finances transparently and in an accountable manner to prevent abuse.

An advantage of this tripartite division along technical lines as part of an assessment framework for decentralization and the local public sector is that the broad subject becomes more manageable to comprehend once it is divided into these three segments. At the same time, however, decentralization and the local public sector are quintessentially a cross-cutting policy realm, so that a great deal of understanding would be lost if we were to focus exclusively on one of these three dimensions without taking into account either of the other two. Indeed, successful decentralization reforms (in terms of the definition noted above) can only occur when local authorities are politically, administratively and fiscally empowered to be responsive to their constituents (Table 1). When local governments are only empowered in one or two of these dimensions, their ability to respond in an effective and meaningful way to the needs of their citizens is substantially hampered.⁷ As such, the success of decentralization reforms or the effectiveness of a system of intergovernmental relations can only be assessed in a meaningful way by considering the three dimensions of decentralization together.

	Political	Administrative	Fiscal	Full Empowerment?
A	No	Yes	Yes	No
B	Yes	No	No	No
C	No	Yes	No	No
D	Yes	No	Yes	No
E	No	No	Yes	No
F	Yes	Yes	No	No
G	No	No	No	No
H	Yes	Yes	Yes	Yes

Source: Prepared by authors based on Eaton and Schroeder (2010).

Perhaps surprisingly, few real-world decentralization reforms portray an 'ideal' situation in which local governments are empowered across the board (Point H).⁸ In fact, Schroeder and Eaton (2010) argue that this is because national governments are often hesitant about the loss of authority that decentralization reform might entail, so that

⁷ For instance, consider the lack of local empowerment that occurs in a case where local governments are politically and administratively empowered, but have no control over financial resources. Similarly, the absence of effective mandate and control over local public servants and service delivery processes and procedures (in spite of political and fiscal decentralization), or the absence of effective local political autonomy (even in the presence of administrative and fiscal decentralization) will fail to yield the local empowerment needed for local officials to be responsive to the needs of their communities.

⁸ State-level jurisdictions in federal systems may be empowered in all three dimensions.

central officials can agree to decentralize in one or two policy dimensions while preserving full control over the local government level by preserving centralist practices and/or national government prerogatives in the other dimension(s).⁹ However, without considering all three dimensions, it is impossible to know how effective the overall system of decentralization is in empowering the people through their local governments, or which (if any) dimension of decentralization requires the attention of policy makers.

It should be noted that Table 1 presents a simplification of reality, as each dimension of decentralization is merely considered as a binary (yes/no). In reality, of course, each main dimension of decentralization is further broken down into multiple sub-categories and pursued along a full spectrum of options, ranging from the complete absence of decentralized powers or competencies on one end of the spectrum to complete decentralization of powers on the other end, and every combination and permutation in between.¹⁰

Despite the complexities that it brings about, we believe that any meaningful assessment of the state of decentralization and intergovernmental relations requires the consideration of all three dimensions of decentralization, and should be done with some level of detail. The decentralization assessment framework proposed below reflects this thinking by treating the three technical dimensions of decentralization (and their constituent sub-components, which are further discussed in Section 3) as the first axis of the assessment framework.

2.4 Institutional entry points in decentralization: central, local and civil society

Regardless whether the local level in a particular country is assigned limited or specific functions or whether local jurisdictions are able to play a broader developmental role in pursuing economic growth, delivering public services and reducing poverty, there is a general need for an enabling framework that allows decentralized local governments (or deconcentrated entities, as the case may be) to function effectively in achieving their role in the public sector. This means that decentralization reforms and efforts to improve the effectiveness of local interventions should not only focus on improving the capacity of local officials and organizations.

⁹ Eaton and Schroeder discuss options A-D as being four common combinations. The current authors added points E-H. Point E is rare, but may arise in certain circumstances – for instance, when a donor seeks to promote decentralization by transferring external resources to the local government level in the absence of meaningful political or administrative decentralization. For example, this case may arise in a post-conflict situation in which community development committees or quasi-local governments are provided with resources but neither with political or administrative powers. Point F is a situation in which local governments are *de jure* decentralized in their political and administrative aspects, but highly conditional fiscal instruments effectively rob local authorities from real decision-making authority.

¹⁰ In fact, a more subtle policy objective in pursuit of effectively organized public sector might not require that all dimensions to be switched to ‘yes’, which would presume that total decentralization is the only optimal policy approach. Instead, a less stringent assessment standard would require that the degree of decentralization in each of the three dimensions is coordinated, to make sure that there is a balance in the degree of decentralization within each of the main dimensions.

In line with the notion that decentralization is empowerment of people through the empowerment of the local public sector, any complete assessment framework should recognize that the two main actors in achieving such empowerment are, first, the public sector—whose powers are largely (if not exclusively) vested in the central authority of the State—and second, the people themselves. By its very nature, the local public sector lies between the central public sector and the voters/citizens that the State seeks to serve. In this context, efforts to strengthen the effectiveness of local governments require that specific attention is paid to the role of the central government in enabling decentralized local governance, among others, through the development of a suitable decentralization policy, reform of the legislative framework, establishing appropriate intergovernmental fiscal systems and developing sound central-local institutional relations within the relevant sectors. In addition, the roles of the local private sector, community-based organizations and the local community itself are also pertinent for the effective and accountable functioning of the local public sector. These local-level actors are the ultimate clients of the public sector and have an important role in informing and guiding local government officials with respect to community priorities. They are important stakeholders in keeping local officials accountable for the responsive and efficient delivery of local public services.

In addition to these domestic institutional entry points, the international development community plays an important (and often a semi-autonomous) role in supporting decentralization and local governance reforms in many developing and transition countries. Although the assessment framework does not explicitly incorporate development partners as a fourth institutional pillar, the assessment framework does provide a solid framework for mapping development partner interventions and analyzing their contributions. The role of the international development community in supporting decentralization reforms is explored in greater detail in Section 4 and Section 5.

2.5 Combining the pieces: Arriving at the overall decentralization assessment framework

The conclusion from the discussion up to this point is that if we want a decentralization assessment framework to provide us with a comparative framework for rapidly assessing a country's situation with respect to decentralization, intergovernmental relations and subnational governance, then two dimensions are imminently important: the technical dimension (political, administrative and fiscal aspects of decentralization) and the institutional dimension (central government, local government institutions and the role of civil society). Table 2 brings together these two dimensions in a three-by-three matrix that presents a visual representation of a convenient—albeit admittedly somewhat rudimentary—decentralization assessment framework. This framework provides a clear structure for a descriptive assessment of the status of decentralization, local governance and intergovernmental relations in a country.

Table 2. A Framework For Assessing Decentralization, Decentralized Local Governments And The Local Public Sector

	Central Government Policy, Legislation & Institutions	Local Government Institutions, Management and Admin	Local Civil Society & Private Sector
Political Empowerment & Decentralization			
Administrative Empowerment & Decentralization			
Fiscal Empowerment & Decentralization			

The proposed decentralization assessment framework encourages the policy analyst to consider the functioning and effectiveness of the institutional stakeholders at all government levels with regard to decentralization and decentralized local governance across each of the technical dimensions of decentralization. For each of the cells in the matrix, the question should be asked whether the respective institutional actor or actors are supporting a well-functioning, decentralized public sector with respect to the relevant technical dimension of decentralized governance. An efficient, responsive and accountable public sector requires local governments—as well as stakeholders at all other institutional levels—to have, on one hand, an appropriate amount of discretion (authority and autonomy) and on the other hand, for local governments (and each stakeholder) to have sufficient capacity, processes and procedures, and incentives to use this discretion in an accountable manner.¹¹

For instance, as part of the effort to complete the cell in the center of this matrix, one should assess how effective local governments are in administering local government services (Table 3). Do local governments have the right degree of authority and autonomy in their administrative processes to deliver local services? Do local governments have the right degree of institutional capacity? Are administrative processes and procedures in place to make sure that local officials use this discretion in an accountable manner for the benefit of their local constituents?

It should be noted that in contrast to many previous diagnostic tools, the diagnostic framework explicitly requires an assessment of actors other than local governments themselves. In addition to exploring the questions of discretion, capacity and accountability at the local government level, the framework requires an assessment of

¹¹ While Yilmaz, Beris and Serrano-Berthet (2010) focus on the balance between discretion and accountability within each technical dimension of decentralization, USAID (2009) considers four characteristics—authority, autonomy, accountability, and capacity—in assessing the effective of decentralized local governance.

whether the central government level and the community level, respectively, have the right balance of discretion and accountability (or authority, autonomy, accountability, and capacity) to contribute to an effective local public sector. As discussed further in Section 4 below, the ineffectiveness of the local public sector is often caused by poorly designed intergovernmental systems or by central government agencies that have excessive authority and/or insufficient accountability or capacity.

Table 3. Using the Decentralization Assessment Framework: An Illustration

	Central Government Policy, Legislation & Institutions	Local Government Institutions, Management and Admin	Local Civil Society & Private Sector
Political Empowerment & Decentralization			
Administrative Empowerment & Decentralization			
Fiscal Empowerment & Decentralization			

In addition to highlighting nine important areas of a well-functioning decentralized public sector, the assessment framework forms an important tool to identify critical inter-relationships between the different elements and levels of a country’s intergovernmental systems. To continue the example of the assessment of efficient and responsive administration of local government services, the assessment framework recognizes that the delivery of local government services is heavily influenced by factors outside the realm of administrative decentralization, as well as stakeholders outside the local government organization. These relationships are illustrated in Table 3. For instance, does the local political leadership provide proper guidance and supervision when it comes to the administration of local government services? Similarly, are sufficient financial resources available to fund the administration and delivery of local public services? Do central authorities provide an enabling framework and support for local governments to deliver the public services within their mandate? Do consultative mechanisms exist for the local private sector and civil society to be involved in the delivery of local government services, for instance, in the form of School Committees, or other mechanisms to facilitate dialogue between local administrators and the community?

Although useful for thinking through a decentralized governance system, the decentralization assessment framework presented in Table 2 is admittedly only a rudimentary diagnostic tool, and may be refined in a number of ways, depending on its intended usage. A first refinement that could be introduced is to consider the technical dimensions of decentralization—political, administrative and fiscal—in greater detail and break them out into their constituent elements. What exactly is meant by “political

decentralization”, “administrative decentralization” or “fiscal decentralization”, and how can we assess each of these technical dimensions and their elements? This issue is further discussed in Section 3 below. Introducing this refinement would provide considerably greater details with respect to a country’s decentralization status, but at the cost of substantially complicating the assessment framework by expanding the three rows in the matrix into 12 rows. In some cases, such expansion may be warranted, whereas in other cases, such detail may prevent policy makers from seeing the forest for the trees.

Likewise, it would be possible to expand the number of columns in the assessment framework according to country-specific conditions, as is illustrated in the Appendix. In a multi-tiered governance system, it could be useful to introduce a separate column to assess the role of an intermediate government level, such as the provincial or regional government level. Alternatively, the central government’s institutional role could be broken out to separately cover the different entry points at the central government level, including the center’s role in developing a decentralization policy document; the constitutional and legal framework for local governments; and the central institutions and processes for dealing with the subnational level.

3. Assessing the technical dimensions of decentralized local governance in greater detail

It is easy to posit that the political, administrative and fiscal dimensions are critical dimensions of decentralization; that sound decentralization reforms require that each of these three dimensions are aligned with each other; and that therefore any sound assessment of decentralization and local governance should comprehensively cover all three dimensions. It is harder, however, to break down what each of these three dimensions of decentralization entail in a manner that allows policy analysts to assess how each of these dimensions strengthen or weaken the effectiveness of the local public sector. For instance, what are the elements of political decentralization that make for a well-decentralized public sector in a way that empowers people through their local governments? Of course, the same question should be asked for administrative and fiscal decentralization?

The decentralization assessment framework is developed consistent with the notion that the structure of public sector institutions are highly country-specific and context-specific and that decentralization should never be pursued in a one-size-fits-all manner. Therefore, we do not want the assessment framework to be prescriptive. For instance, a decentralization approach that works well in one country may not be suited for the political, institutional or fiscal context of another country. Likewise, narrowly trying to achieve “more” of something in decentralization is not always better, especially if we ignore the inter-linkages between the different dimensions of decentralization. For instance, the objective of empowering people over their public sector is not achieved when we merely provide local governments with more financial resources, unless local governments are also given the discretion to use these resources in accordance with local

priorities. More generally, assigning local government officials more (political, administrative or fiscal) discretion is not necessarily good if local (political, administrative or fiscal) accountability mechanisms are absent.

As such, the decentralization assessment framework provides a framework for a qualitative analysis of decentralized public sector systems, by which expert analysis is used to assess the effectiveness of the *status quo* of decentralization and local governance in achieving the policy objectives being pursued by decentralization.¹² Accordingly, the remainder of this section follows Yilmaz, Beris and Serrano-Berhet (2010) by breaking down each of the main dimensions of decentralization into several sub-components,¹³ which allows us to consider how each individual component can contribute to—or detract from—empowering people over the public sector. In achieving a well-functioning decentralized government system, we should not only consider the discretion (authority and autonomy) provided to the local government level within each of these technical sub-components, but we should also consider the public and social accountability mechanisms to make sure that local governments perform their functions in a responsive and accountable manner.

3.1 Political decentralization and empowerment

Political decentralization transfers political authority to the local government through the establishment of elected local governments. It defines electoral rules and norms of interaction among elected local councilors, local executives and local bureaucracy, which determines the degree of oversight of the elected officials over local executives. Political decentralization allows citizens to manifest their preferences by selecting candidates closest to their preferences and political decentralization allows the elected candidates to reflect these preferences in the decision making processes. Local political processes may also allow the citizens to directly intervene in local decision-making processes through various instruments, such as direct legislation, referendum, and so on. As such, political decentralization is the primary mechanism through which citizen preferences are represented in local public decision making, and is therefore essential to an effective system of decentralization. At the same time, political decentralization is the primary mechanism through which citizens can hold their local officials accountable if the actions of local politicians or local administrators deviate from the priority of the community. Although deconcentrated countries may have local political structures which may provide citizens with a channel for formal or informal participation and oversight over the local public sector, the empowerment that results from political decentralization pertains most

¹² This approach is generally associated with “second generation fiscal federalism”, which asks whether the current system is effective at achieving its desired outcomes, given a country’s specific context. (Weingast, 2006) This approach stands in contrast to the “first generation fiscal federalism” approach of assessing decentralization, in which a country’s decentralization reforms were assessed against a normative model of what a sound decentralized system should look like.

¹³ Also, see Gurkan, Yilmaz and Aslam (2010); Yilmaz, Aslam and Gurkan (2010); and Aslam, Yilmaz and Gurkan (2010) for the application of the framework.

obviously to devolved countries, where the authority of local government jurisdictions is explicitly vested in an elected local government political leadership.

Political decentralization and empowerment can be divided into four components namely, (1) institutional arrangements for separation of powers among executive, legislative, and judicial bodies at the local level; (2) election laws and the electoral systems; (3) the nature (existence and functioning) of party systems and political party laws; (4) and local participation and accountability mechanisms. Each of these technical dimensions requires the balancing of local authority and autonomy on one hand, versus local capacity and accountability on the other hand.

1. Local political structure

The political structure at the local government level is an important factor in achieving well-functioning local jurisdictions, and in achieving empowerment of the community over their local officials. In devolved local government systems, there are four general institutional arrangements that define the division of authority and responsibilities between the elected local council and the executive. These are (a) a strong local executive (e.g., a directly elected mayor); (b) a strong local council (e.g., the mayor is elected by the council); (c) a council-manager system; and (d) a local commissioner system, by which elected commissioners are both legislators and local department chairs.¹⁴ Whereas different countries have opted for different local political structures, a well-functioning local political structure system requires that the roles and functions of elected and non-elected local government officials are clearly identified, that the local executive branch is able to operate effectively, and that local councilors are independently able to carry out the oversight function over local executive bodies.

2. Structure and quality of local electoral systems

Electoral systems shape the incentives of both the locally elected officials and the citizens and make the elected officials more responsive to citizens' preferences. In this capacity, elections can act as an empowerment tool, particularly for the marginalized groups to express their own choices, as competition among local politicians increases the chances for vulnerable groups to be included in the decision-making process. The two main electoral arrangements at the local level are proportional representation systems and first-past-the-post elections (single-member constituencies). There are benefits and risks associated with both systems. Whereas proportional representation tends to be more inclusive with regard to minorities and women candidates compared to first-past-the-post system, proportional representation systems have the potential to compromise direct accountability in favor of party representation. In contrast, under a first-past-the-post

¹⁴ Different versions of the council-manager system exist. In more decentralized countries, the local council appoints and contracts with a politically neutral administrator to run and manage the city. In less decentralized countries, although the manager may report to the local council, it may be the Ministry of Local Government (or another central authority) actually appoints the local manager or local executive officer. In even more centralized systems, the local executive is appointed by the central government while only allowing the local council to play an advisory role.

electoral system, voters have greater clarity of the individual they are voting, which can lead to better accountability.

3. Nature of political party systems

A third factor that influences political decentralization is the party systems that underlie local elections. Factors that influence the dynamics of electoral competition at the local level are competition among political parties, the role of national parties in nominating local candidates, rules governing the financing of parties and candidates, the participation of disadvantaged groups such as women or certain minorities, and the availability of platforms based on ethnicity or religion.

As a general rule, the more competitive local-level political party systems are, the more likely it is that local candidates promote the interest of their local constituents rather than the interest of their national political parties or other political interests. Not enough research is available, however, to be able to make definite conclusions regarding the competitiveness of different political party systems. Some research suggests that compared to non-partisan local elections, party-based local elections may promote patronage by identifying the support base of the candidate, while other research suggest that elected officials may be more concerned with taking measures to ensure their promotion and advancement within the internal party structure, rather than in passing policies that benefit the community. Along the same lines, other researchers have argued that national political parties can restrict the policy choices of local party candidates in a way that may come into conflict with the preferences of local constituents. On the other hand, holding local elections on a non-party basis can exclude a large cadre of political workers that form the base of the political parties, thereby potentially slowing the political development in the country.

4. Local participation and accountability

Elections of a local council are the principal method whereby all eligible local residents can have a voice in the choices of the local public sector. However, the accountability function of the elections can be enhanced by introducing a number of mechanisms to enhance local participation and accountability. Such mechanisms could include electoral safeguards such as recall elections, term limits, or requirements to subject certain local decisions to a referendum (such as the decision to raise local taxes). A crucial non-electoral mechanism to enhance local participation and accountability in the political sphere is to enable the citizens to demand information from the government. Such social accountability can be encouraged through legislation requiring local political transparency, by creating specific bodies and processes for citizen oversight and by strengthening the community through various community-driven development initiatives.

3.2. Administrative (and regulatory) decentralization and empowerment

In addition to a degree of political discretion, local governments need to be endowed with administrative autonomy in order to be able to respond to local needs effectively. Local governments require powers in four broad areas of local public administration in order

for local governments to play a meaningful role in local government administration. These areas include: (1) to make, change and enforce plans and regulations, including regulations regarding the use of local physical space and local economic development, (2) to administer and manage local government finances and manage local procurements, (3) to engage in local human resource management and make local employment decisions, and (4) to flexibly administer and deliver local government services.

1. Regulatory powers and the local ability to plan and regulate local physical space

As part of administrative decentralization and empowerment, local governments need a minimum set of powers and capacities to initiate local laws and regulations on issues affecting their jurisdiction. In most circumstances, local governments are more effective managers of local physical space than regional or central government officials because local officials are better informed about local conditions and are better able to ascertain and aggregate their constituents' preferences.¹⁵ Local powers in this sphere usually cover local economic development, land use planning and management, zoning and construction permitting, and some aspects of public safety, such as traffic control.

2. Local public finance management and procurement

The second category of administrative discretion that local governments should be accorded in order to effectively dispense of their administrative functions is the authority to manage their own finance and the authority to contract and procure. Requiring local governments to manage their finances through the national treasury often imposes considerable constraints on local decision-making. Likewise, national procurement regulations often impose ceilings and restrictions on the ability of local authorities to procure capital goods. Procurement contracts can take many forms including service or management contracts, leases, concessions, joint ventures and full or partial ownership arrangements. The ability of local governments to enter into these arrangements generally requires some degree of flexibility in national procurement laws and regulations. When the ability of local jurisdictions to procure capital infrastructure or engage in contracts is limited, procurement often has to be done from the center on behalf of the local government, often resulting in weaker oversight and accountability.

3. Local human resource administration

Local public servants form a crucial element in bringing government closer to people, as local public servants are literally the public face of the local government. Local public servants include local administrators and garbage collectors, but often also include teachers, local health workers, agriculture extension specialists, and so on. Unless the political and administrative leadership of a local government has some measure of control over its local public employment decisions and local human resource management, it is impossible for them to exercise even the most basic control over the administration and

¹⁵ The territorial orientation of local officials uniquely positions them to identify and address gaps within and between public services which are delivered by central government ministries, which operate in vertical, sectoral 'silos' or 'stovepipes'. For instance, local officials are well-positioned to identify when the usage of a new market or factory within their jurisdiction is hampered by the absence of a paved access road.

delivery of local public services. Local government discretion over local human resource management and employment policies should ideally cover budget transparency (paying staff from one's own budget), establishment control (controlling staff numbers and authority to remove surplus staff), pay policy autonomy (setting overall wage rates as well as local hardship and remote allowances), recruitment autonomy (recognition as formal employer), career management control (vertical and horizontal mobility, including transfers to other units within the local government system), and performance management (directing and supervising activities and tasks, conducting evaluations, and exercising the ability to discipline and fire). In most developing and transition countries, however, the central government continues to play a strong role over all aspects of local public service management. Indeed, it is not usual for the national civil service commission or the Ministry of Local Government to control virtually all aspects of local public service. In some countries, central authorities even appoint the local chief administration officer and/or the chief financial officer.

4. Efficient and equitable administration of local public services

The local ability to regulate and manage the delivery of local public services typically extends to some aspects of locally-delivered national public services, such as public health, education, social protection, and environmental protection. Without local officials having some flexibility over the administration of local government services, citizens would be condemned to the inefficiencies associated with one-size-fits-all centralization. It should be noted, however, that in the local delivery of national public services, most regulatory authority—such as the determination of school curricula, treatment guidelines for local health facilities, and similar sectoral policies and operational processes—remains at the central level.

3.3. Fiscal decentralization and empowerment

Fiscal decentralization is the set of rules that defines roles and responsibilities among different levels of governments for fiscal functions including planning and budget preparation, budget execution, revenue generation, the intergovernmental allocation of budgetary resources and public sector borrowing. Fiscal decentralization lies at the heart of any decentralized local government system as its rules define the generation and distribution of financial resources (both between and within different government levels) that are utilized to respond to citizens' demands. The ability of local governments to make fiscal decisions in the provision of local government services is a precondition for the voters to assess the performance of their locally elected representatives with respect to the amounts and qualities of services they are getting for the taxes that they are paying. Therefore, if local governments are denied the fiscal instruments and funding to make real use of their political and administrative authority and autonomy, decentralization is likely to be ineffective.

Fiscal decentralization and fiscal empowerment of local governments is traditionally divided into four elements or "pillars", namely, (1) the assignment of expenditure responsibilities, (2) revenue assignments and local revenue administration, (3) the design

and provision of inter-governmental fiscal transfers, and (4) local government borrowing and debt. Each of these elements potentially provides the local government level with authority and fiscal discretion, but each pillar should also incorporate fiscal accountability mechanisms to ensure that local officials manage local government finances in a responsive and accountable manner.

1. Expenditure Assignments

The ability of the local government to respond to the demands of the citizens depends on the functions assigned to the local level and on the extent of discretion available to the local government to make their own budgetary (expenditure) decisions in the provision of local public services. The provision of fiscal discretion to local governments—whether in the form of expenditure discretion or discretion over revenues—also encourages the citizens to participate in decision-making process, encourages them to monitor local government finances and to make sure that local finances are actually used in accordance with the priorities set forth in the budget.

Most countries determine the assignment of functions and expenditure responsibilities in accordance with the “subsidiarity principle”, which states that a function should be performed by the lowest level of government that can do so efficiently. Likewise, in accordance with the same principle, the financing of public sector function should be performed by the lowest level of government that can do so efficiently. Although no single expenditure assignment approach fits all countries, the subsidiarity principle generally results in two types of local functions, namely *exclusive* local functions (which are delivered and financed from own sources at the local level) and *concurrent* functions (which are public services that are provided locally, but which are funded by central authorities through intergovernmental transfers). It is further important to ensure that roles and responsibilities among different levels of government and elected and non-elected branches of government are clearly delineated, as ambiguities regarding the roles and responsibility of each level of government can prevent the local government from functioning effectively.

2. Revenue Assignments and Local Revenue Administration

Local governments in developed as well as developing countries rely to a greater or lesser degree on a number of local own source revenues to fund expenditures within the local realm of responsibility. Revenues commonly assigned to the local level include taxes (for example, property taxes), user fees (for example, utility fees, garbage collection fees, market fees, licensing and permitting fees), and the rent or sale of local government property (including land, building and equipment). Complete local revenue autonomy would imply that local governments are able to assess and set the tax base, set the tax rate and administer or collect the revenues. Few countries provide their local authorities with such a high degree of discretion unless there are substantial public and social accountability mechanisms in place to make sure the collection and utilization of these funds occurs in accordance with local priorities. The disadvantage of the low discretion of local governments to raise own-source revenues (or the inability of the local government to collect revenues when they have the discretion) is the excessive reliance

of the local government on transfers from central government authorities.¹⁶ Unfortunately, it is frequently true that fewer good local revenue options are available for local governments in developing countries compared to their counterparts in more developed economies.

3. Intergovernmental Fiscal Transfers

In most countries, local governments receive a majority of their financial resources from intergovernmental fiscal transfers. A well-designed and well-implemented rule-based system of intergovernmental fiscal transfers brings greater stability, predictability and discretion to local government finances, and thereby promotes good planning and efficient local service delivery. The three main elements of an intergovernmental transfer system have important implications for the degree of local government discretion and accountability: (1) the way in which the total amount of transfer (or the distributable pool) is determined; (2) the way in which the distributable pool is allocated among local governments; and (3) the efficiency with which transfer resources are used at the local level. The efficiency with which transfer resources are used at the local level is heavily influenced by the degree to which transfers are provided in an unconditional versus conditional manner and by the degree to which fiscal and non-fiscal accountability mechanisms are in place.

Unfortunately, in many developing countries intergovernmental transfer systems are weak and often possess undesirable characteristics. For instance, if the distribution of intergovernmental transfers is determined by the central government in an *ad hoc* and opaque manner, transfer systems can give rise to allocative inefficiencies and poor budget execution due to uncertainty at the local level regarding the receipt of the transfer resources. Such uncertainties can lead to poor budgeting practices and weaken the accountability linkages between local governments and their citizens. Similarly, excessive restrictions imposed by the center on the use of funds transferred to the local government level frequently diminish the ability of the local governments to respond to the preferences of the citizens. It is not uncommon, for example, for intergovernmental transfers to be ear-marked for specific, centrally-approved infrastructure projects or for specific local expenditures, such as personnel salary for local staff recruited and hired by the central government. Such centralized control and the uncertainty associated with centralized control undermine the stability and predictability in the local policy making and also makes the system more prone to political pressures.

4. Local Government Borrowing and Debt

Local government borrowing is considered the fourth pillar of intergovernmental finance. Local borrowing can act as a significant and sound source of financing to fund local infrastructure development for local governments, especially in countries where own source revenues and intergovernmental transfers fall short of responding to local

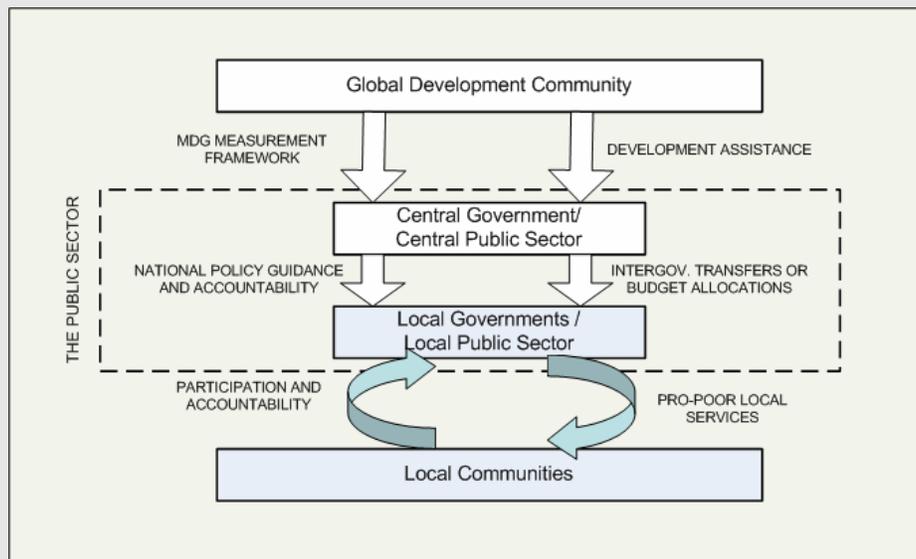
¹⁶ Excessive availability of central government transfers may discourage local governments from exploiting their own resources. It also creates incentives for the local government to respond to the demands of the central authorities rather than their own constituencies, since by responding to the preferences of the center, the local government officials have access to resources that otherwise could be denied to them.

investment needs. However, irresponsible borrowing practices or excessive reliance on subnational borrowing can create negative incentives for local government finance and could potentially put macroeconomic stability at risk. The (often unintended) option of local governments defaulting on their debt with the expectation of being bailed-out by the central government creates a moral hazard problem for the local governments and can result in inefficiency and over-spending at the local level. Therefore, local government borrowing, if allowed, should be adequately overseen by the central government by devising precise rules and procedures of borrowing. Consequently, in developing countries, many central governments limit, control, or prohibit the issuance of debt by local governments. Local governments in our example countries also only have partial discretion over borrowing.

4. The institutional context for decentralized local governance

Although a sound understanding of the technical strengths and weaknesses of the local public sector is critical, a decentralized local governance system cannot be fully understood based on its technical aspects at the local government level alone. In addition to the technical aspect of decentralization, there is a critical need to understand the institutional context for strengthening decentralized local governance. A systematic institutional assessment requires us to consider stakeholders at four different government levels which contribute to the overall functioning of the decentralized local public sector.

Figure 1. Institutional stakeholders in decentralized local governance and the local public sector



Source: Prepared by authors based on Boex (2010).

As shown in Figure 1, in addition to (a) the role of stakeholders at the local government level itself and (b) the interaction between local governments and the local communities that they serve, attention should be paid to (c) the role of the central government level in the effective functioning of any system of intergovernmental relations. A final institutional dimension of decentralization is (d) the role of the international development community in supporting the local public sector and decentralized local government systems. The role of the development community is considered further in Section 5 below.

4.1 The role of local governments in decentralized local governance systems

The first and most obvious institutional level that analysts should consider in a diagnosis of the functioning of the local public sector is to analyze the internal functioning of local government organizations or local administration.¹⁷ The assessment framework requires the analyst to assess the capacity and functioning of local government organizations along the political, administrative and fiscal dimensions of decentralization which were noted in detail in Section 3. Depending on the country's territorial-administrative structure and the assignment of functions and expenditure responsibilities, the assessment may have to analyze the performance of one or more regional or local government levels.

In performing an assessment of the local government level(s) or the local administration level(s), it is important to go beyond a mechanical assessment of the various technical aspects of the performance of the local level. Instead, a meaningful analysis would also ask *why* the local public sector functions (or fails to function) the way it does, and seeks to uncover the different incentives that are faced by stakeholders at the local government level. For instance, are local governments successfully managing their human resources? If not, why not? If local procurement processes are failing, why is this the case?

One persistent constraint at the local government level that is often cited by central government officials (as well as in numerous studies of decentralization and local government reform) is the weak capacity of local governments. There is no doubt that in many countries the organizational effectiveness of local governments and the resulting quality of local government services—particularly in the least developed economies—is constrained by the limited capacity at the local government level. However, it is useful to recognize that local government capacity is not an exogenously determined factor and that weak local government capacity is an obstacle that *can* be overcome.

A local government organization's human resource constraint is generally determined by the level of financial and human resources which are made available to the local level by the central public sector. To the degree that the local government level is unable to attract sufficiently qualified civil servants compared to the central government, the local public sector could quickly address this capacity deficit if it were empowered to do so, whether

¹⁷ Subsequently, the diagnosis of the functioning of the local public sector requires in-depth consideration of the central government and central-local relations as well as local civil society and local-community relations.

through the adjustment of relative wages, the provision of employment incentives, improved access to continued education, better career opportunities, or providing similar employment benefits as the central government. In many countries, however, the level of human resource capacity is controlled—directly or indirectly—by central authorities, and it is therefore a matter of (often implicit) central government policy choices not to provide greater resources to enhance the human resource capacity at the local government level. In other words, the main constraints on local government capacity often fall beyond the control of the local level and are actually determined by the center.

A further realization with regard to local government capacity is that a local government's organizational capacity is much more than the sum of the capacity of individuals who work for the local government. Instead, local government capacity often refers to the institutional ability of a local government organization to perform its functions effectively. As such, it is important to recognize that "local governments" are not a single monolithic entity, but rather that each local government is the combination of a number of local stakeholders—the council, the chief executive, the chief financial officer, department heads, and so on—each of which has its own objectives, incentives and constraints.

The effectiveness of local government authorities is defined by the degree to which local regulations, processes, and procedures are able to align the incentives faced by local stakeholders to act in accordance with the common good. In practice, however, the complexity of local government systems and the incentives faced by actors within the local government often interfere with the effectiveness of local governments. For instance, if local political systems provide local politicians with an incentive to set aside true local priorities and instead listen to central party leaders in order to secure their own advancement in the political apparatus, this will undermine the responsiveness of the local government level. Likewise, conflicts and disagreements between the local elected council, the chief local executive (especially when he or she is directly elected, or when the chief executive officer is centrally appointed), and the local bureaucracy are a common occurrence at the local level.

The performance of local governments is often also influenced heavily by local operational processes and procedures that flow partially outside the local government column. Even when local sectoral department heads formally report to the local executive officer, sectoral officials often hold strong allegiance to their respective line ministries, which generally retain technical oversight over local sectoral service delivery. Similarly, if central authorities (as is the case in many countries) approve the local staff establishments and then fund local staff using earmarked grants, local administrators have virtually no incentive to monitor, manage, or fire under-performing local staff. Likewise, in many countries, there are limits to the degree with which local governments are able to engage in procurement; many countries require procurements above a certain threshold to be done by central officials, thereby disempowering local governments by placing them at the mercy of central officials in terms of procurement, who often have little or no resources or incentive to perform this task. While the resulting failures in local public

service delivery or local government performance are often attributed to weak local capacity, more often than not, the weak performance of the local public sector is the result of pervasive weaknesses in the design of local government systems. This means that the main response to weak local government performance is not just to assess the need for training of local government officials or other capacity building activities, but that there often is a need to assess and re-align the local government systems, processes and procedures that get the incentives for local incentives right (IDS, 2010).

A final note that should be made with regard to the role and performance of local governments in decentralized local governance systems: not only do local governments encompass a variety of different local actors and stakeholders within each local jurisdictions, but speaking of the “local government level” hides substantial variations in the roles, access to resources, performance and incentives faced by different types of local governments. The variation is highlighted most clearly by contrasting the role local governments in large urban jurisdictions and the role of local governments in small, rural districts. In most developing and transition countries, the quantity and quality of local government staff will be decidedly skewed in favor of urban areas. Due to their stronger economic base, urban local authorities often have a more substantive and proactive involvement in local economic development, in addition to their social service delivery functions. This contrasts sharply with local governments in more isolated and less densely populated jurisdictions, which often have limited or no access to own source revenues, and therefore are largely preoccupied with the delivery of grant-funded public services.

4.2 The role of central government stakeholders in decentralized local governance systems

In the past, many traditional local government support programs focused almost exclusively on the local government level, often seeking to transform local governments in developing and transitional countries into higher-performing, proactive and more autonomous local government actors, similar to those in industrialized countries. Starting in the 1990s, increasing recognition has been given to the fact that the effectiveness of decentralized local governance depends to a great extent on the institutional space that is created by the central government for the local public sector. As such, the central government plays an important role in the success or failure of decentralized local governance. It is the center that designs the decentralization policy framework that defines the political, administrative, and fiscal powers that are provided to the local government level. It is the center that defines the legislative framework within which local governments have to operate and that defines the limits on local government powers and discretion. And it is the center that creates the political, administrative and fiscal systems with which the center decides to deal with local governments.

In recent years, a literature has emerged on the political economy of decentralization, which argues that “understanding decentralization requires appreciating its fundamental underlying paradox: what motivates the central government to give up powers and

resources to subnational governments?” (Eaton, Kaiser, and Smoke 2010). As discussed in Section 2.3 above, it is not unusual for the center to be willing to give up some of its power and resources in order to achieve certain political or institutional objectives, but it is rare that the center is willing to give up substantial control over political, administrative and fiscal processes to the local level, often retaining power in one or more of these dimensions. As a result, local governments in many countries are *de facto* set up to fail, as powers that are given with one hand by the center are taken back by the other: local planning authority without the resources needed to fund the plans; local budget authority without the authority to procure; or responsibility for the delivery of public services without the local ability to hire or fire. Alternatively, a progressive decentralization policy can be weakened in its legislative implementation; a strong decentralization law can be curtailed by chipping away at the regulatory framework or by devolving functional responsibilities while retaining central control over the most interesting elements of sectoral service provision, such as control over staff, operations and maintenance spending, or procurement of local infrastructure.

In understanding the central government’s motivations, it is again important to recognize that “the central government”—like any local government—is not a unified entity with a single position on decentralization and local governance. Instead, the center comprises a number of institutional stakeholders, each of which has its own interests and viewpoints when it comes to the role of the local sector (Bahl, 1999). Central politicians have their own motivations to pursue (or oppose) decentralization depending on the nature of the electoral system, partisan considerations, as well as inter-party dynamics (Eaton, Kaiser, and Smoke, 2010). Likewise, central bureaucrats often see public sector reforms as a zero-sum game and will support or oppose decentralization depending on their own, narrow institutional concerns: will my ministry gain in prestige and power as a result of this reform, or will it lose power and resources as a result of decentralization reforms?

Although the exact institutional dynamics are country- and context-specific, the perceived loss of power and resources—in addition to the concern that local governments are less capable to deliver sectoral public services—often make sectoral line ministries extremely hesitant to support the decentralized delivery of sectoral services at the local level. In fact, even when the law specifies that critical sectoral services are delivered at the local level in a deconcentrated or devolved manner, line ministries in most countries are organized into functional departments rather than having a single ministerial department that deals with local service delivery.¹⁸ On one hand, this means that local service delivery units have to interact with several ministerial departments at the central level for technical instructions and oversight. On the other hand, this means that no single entity within the line ministry is charged with coordinating the relationship between the

¹⁸ For instance, a typical Ministry of Education is divided up into departments for primary education, secondary education, teacher training, vocational training, and so on. Likewise, a typical Ministry of Health is divided in a Curative Health Department, a Preventative Health Department, as well specialized vertical departments and programs for specific health services, such as maternal health, HIV/AIDS, and so on.

line ministry and the local level.¹⁹ Interest in local sectoral activities is further weakened when local sectoral resources are provided directly to the local government level for sectoral functions—for instance, in the form of (sectoral) block grants.

Similarly, in many countries, the relationship between the Ministry of Finance and the local public sector is fragmented between different departments, often resulting in inconsistent support for the decentralized local public sector. For example, on one hand, the Budget Department may favor decentralization and a stronger role for the local public sector as long as it can play a hands-on role in the allocation of local government resources. On the other hand, other departments within the Finance Ministry are likely to be more skeptical about decentralized governance, as decentralization reforms potentially reduce the Ministry's control over macro-fiscal stability and potentially weakens its financial management oversight over local public spending.

Even the Ministry of Local Government often ends up being only an ambivalent supporter of decentralization, as the champions of decentralization within the Ministry typically find themselves at odds with those officials whose power and prestige relies on the oversight and hands-on management of local government entities.

It should be noted that while central government actors rationally approach decentralization and the local public sector from the perspective of their narrow institutional mission, the central government as a whole nonetheless can and should play an important and constructive role in a well-functioning intergovernmental system. In a sound assignment of functions and expenditure responsibilities, sectoral line ministries retain an important policy and standard-setting role within their respective sectors. Likewise, although more decentralized systems accord the local level a greater amount of responsibility for ensuring proper controls are in place, the Ministry of Finance and the Ministry of Local Government continue to play an important role in monitoring and oversight over the local government level in order to ensure public accountability.

While development partners have their own institutional dynamics when it comes to supporting decentralization reforms (as discussed further in Section 5 below), they should be keenly aware of the political and institutional dynamics at the central government level, since (a) it is the center that defines the political, administrative and fiscal space that will be provided to the local government level, and (b) development partner activities are virtually always anchored with a central government agency. Thus, in order to better support decentralization and the effectiveness of the local public sector, development partners can benefit from a better understanding of the motives that drive politicians and bureaucrats to support or oppose reform at various stages of the process, from making an initial reform decision to detailed design and implementation of (local) public sector reforms (Eaton, Kaiser, and Smoke, 2010).

¹⁹ In practice, one ministerial department (e.g., the primary education department or the curative health department) tends to be the main interlocutor with the local level. At a policy level, the Department of Policy and Planning tends to be the ministerial department that-by default- has policy oversight over central-local relations within the sector.

4.3 The role of civil society and the private sector in decentralized local governance systems

A third critical level of stakeholders in considering the performance of local public sector is civil society and the private sector. Civil society and the private sector play two critical roles in the achieving an effective local public sector: first, citizens and community leaders need to express their needs and preferences for local public services toward local leaders, and second, the local community plays an important role in holding local officials accountable for the delivery (or failure to deliver) local public services. Indeed, it is the very proximity of the local government level to the community that provides the potential for the community to be empowered over officials at the local government level, whereas central government officials are simply too distant—both in geographical and in political terms—for citizens/voters to participate in central government decision-making and for citizens to hold their central government officials accountable (Boex and Simatupang, 2008).²⁰ In order to ensure the empowerment of the people through the empowerment of the local public sector, it is critical that the local community is able to participate in local decision-making processes and is able to hold their local officials accountable. In the absence of such participation and accountability linkages, the decentralization of powers and discretion to the local government level would merely shift power from one place within the public sector to another without fundamentally achieving an increase in the responsiveness of the public sector to the needs of the people.

Citizen participation in local public decision-making occurs across the spectrum of political, administrative and fiscal mechanisms. The most obvious political engagement of citizens at the local government level is through the participation in local elections, although citizen participation in local political processes should not be limited to the electoral process: open consultations and public hearings should encourage participation and input from civil society and the private sector throughout the local political process. In the same vein, participatory budget processes should allow citizens to present their demands in terms of allocation of budget through discussions and negotiations with the local government officials. At an administrative level, citizen participation and input should be sought across the spectrum of local public services through mechanisms such as service delivery improvement action planning and reliance on user-groups.

In addition to public accountability instruments that promote internal local accountability (within the local authority) or upward accountability towards higher levels of government, social accountability mechanisms seek to make local government officials downwardly accountable to the citizens that they serve (Yilmaz, Beris, and Serrano-Berthet, 2008). Social accountability mechanisms can give civil society a more direct voice in the policies that local governments formulate and implement. Such mechanisms are often part of broader efforts to deepen democracy and ensure a robust public sphere

²⁰ At the same time, the organizational and geographical distance between the center and local officials weakens the hierarchical control and oversight of the center over the local public sector.

for citizens to give feedback and control government action. Indeed, social accountability mechanisms can serve as relevant accountability tools across all three technical dimensions of decentralization and empowerment. However, social accountability mechanisms seldom arise on their own accord and—by themselves—are neither wholly effective nor sustainable; integrating mechanisms of upward and downward accountability is therefore essential for ensuring the improved performance of the local public sector.

A crucial requirement for any political social accountability mechanism is to enable citizens to demand information from their (local) government. Central government legislation should give citizens access to local records and documents, establish mechanisms to redress grievances, request explanation of municipal legislation, demand public hearings and consultation on a specific issue, and to submit public petitions. Other social accountability mechanisms in the political sphere include the creation of specific bodies and processes for citizen oversight and the strengthening of the community through various community driven development (CDD) initiatives. Social accountability mechanisms in the administrative sphere include the monitoring of the quality of public services, procurement processes and civil service management by citizens through citizen oversight councils, local user groups or community-based organizations. An increasingly popular approach in this regard is the publication of citizens' report cards. Within the fiscal sphere, a crucial requirement for any social accountability mechanism is to make budgetary information widely available and accessible to the public (including budgets and end-of-year financial statements); allowing strong public involvement in the budgetary process through participatory budgeting practices and initiating independent budget analysis and participatory public expenditure tracking programs that monitor budget execution and leakage of funds.

5. Using the decentralization assessment framework to map development partner contributions in strengthening the local public sector

The role which the global development community plays in supporting decentralization and the local public sector is an area of increased attention for the development community. There are three (albeit closely related) entry points that link the global development agenda to the decentralization agenda. The first entry point is the direct support by development agencies for decentralization and local government reforms, which are often supported on the premise that decentralization is a worthy governance reform in its own right. Development interventions of this sort often narrowly focus on strengthening the 'local government sector' including the Ministry of Local Government and local governance entities themselves. The second entry point for involvement of the global development community in the area of decentralization is its support for decentralization reforms as a way to promote sustainable development, better public sector management, and the attainment of pro-poor development objectives such as the MDGs. More often than not, development interventions that are based on this premise seek to strengthen the role of the local public sector to deliver pro-poor sectoral public

services. This may involve support for sectoral decentralization processes within key sectors (particularly education and health), as well as other interventions aimed at strengthening the ability of local governments to deliver key pro-poor public services. A specific subset of interventions in this category is the improvement of the intergovernmental dimension of public financial management systems. The third area of intersection between the development community and decentralization considers the harmonization of development assistance and aid effectiveness. This group within the development community considers the degree to which local governments may be well-positioned as an effective aid delivery mechanism when compared to their central government counterparts.

These three lines of thought are not mutually exclusive, although it is not unusual for different arguments and perspectives to be driven out of different departments within the same development agency.²¹ Support for democratic decentralization and local government reform is often driven out of the governance department of international development agencies. In contrast, the economic growth departments and the sectoral departments are the ones that may consider decentralization and greater involvement of the local public sector as a way to improve public sector effectiveness. In contrast, policy departments within donor agencies—those who concern themselves with the alignment of donor assistance in accordance with the Paris Declaration and the Accra Agenda and who worry about the effectiveness and efficiency of aid interventions—may more narrowly pursue the discussion of decentralization and aid effectiveness.

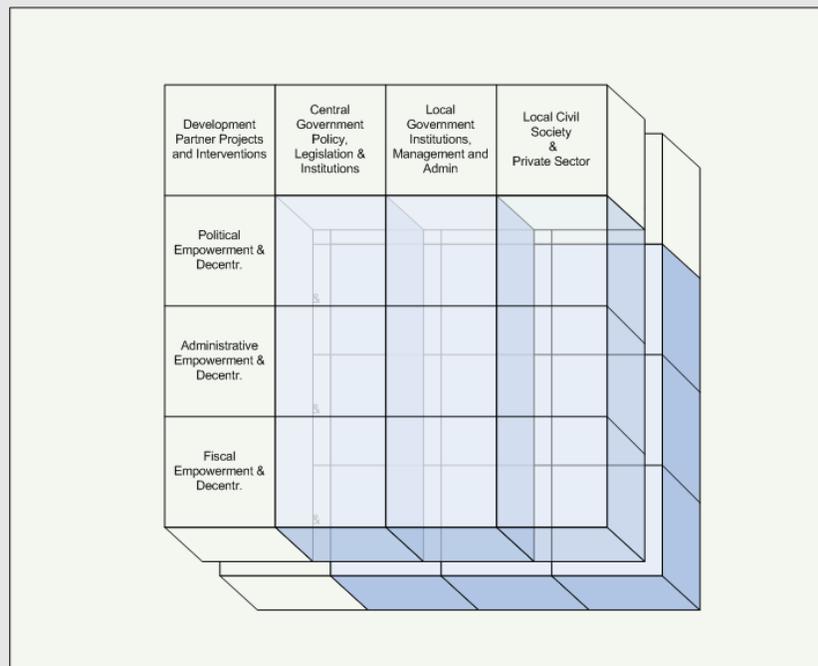
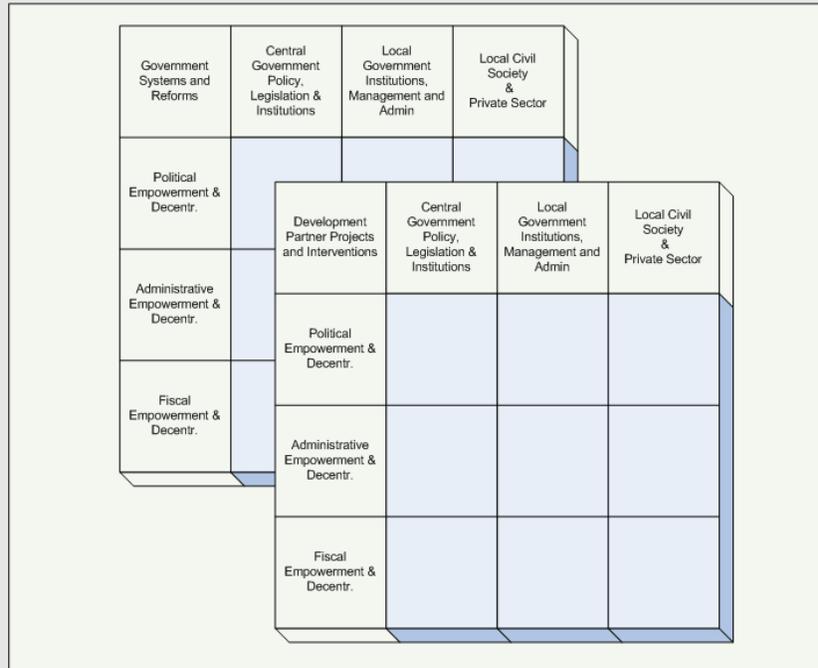
How can the interventions and activities pursued by the global development community in line with these development objectives be incorporated into the assessment framework developed up to this point? A first reaction may be to modify the assessment framework by adding a column for the global development community. There are two reasons why we prefer not to follow this approach. First, international development partners are quintessentially an external stakeholder to the public sector; therefore it would be more appropriate to incorporate them as such in the assessment framework. Second, development interventions actually take place across the full spectrum of technical as well as institutional dimensions. In other words, a development program may be active at the central, local or community level, which would be difficult to map if all donor interventions would be contained within a single institutional column.

Instead, donor activities are incorporated in the decentralization assessment framework as a separate dimension, captured in a matrix of the same (three-by-three) dimensions as the assessment framework that captures the systems and relations within the public sector. This is illustrated in the two panels of Figure 2. The matrix for development partner programs, projects and activities can be used exactly in the same way as the main assessment matrix: donor activities can be mapped by technical dimension of the public sector, as well as by which government level is engaged as part of the project or activity.

²¹ See Boex (2009) for a more detailed discussion of decentralization as a development modality.

Similar to the public sector assessment matrix, donor activities can cut across different technical dimensions, and across different levels of government.

Figure 2. Incorporating Development Partner Activities in the Framework For Assessing Decentralization, Decentralized Local Governments And The Local Public Sector



When the development partner matrix is completed, the decentralization assessment framework presents the host government as well as the development partner community a clear and comprehensive picture of the donor activities and resources that are provided in support of decentralization and in support of local governments and the local public sector. This mapping of development partner activities provides a visual display whether development partner activities are concentrated in any particular dimension of decentralized local governance, if there are duplicative development partner projects, or whether complementary development partner interventions are spread across technical challenges and across the different government levels.

Incidentally, the development partner matrix should not only be populated by projects or activities that narrowly focus on decentralization of local governance, but much more broadly, with all programs, projects and activities that involve the local public sector. For instance, a donor-funded HIV-AIDS program that provides community care and dispenses anti-retroviral drugs through local NGOs and community-based organizations operates squarely within the realm of the local public sector, and has important implications for intergovernmental systems. Likewise, support for deconcentrated sectoral programs should equally be incorporated in an assessment of decentralization and the local public sector. In order to view the public sector and donor interventions in the local public sector in a comprehensive manner, such deconcentrated public services, vertical programs and community-driven development initiatives should be explicitly incorporated in the assessment process. It is only when such a comprehensive mapping of ongoing projects, activities and resources is available, that it is possible to discern whether the spectrum of ongoing development partner activities is consistent with the tenants of the Paris Declaration (ownership; alignment; harmonization; results; and mutual accountability) and the subsequent Accra Agenda for Action (predictability; country systems; conditionality and untying).

An important benefit of considering development partner activities as a separate layer or dimension in the assessment of decentralization and the local public sector is that this approach allows a clearer consideration of the degree to which donor interventions are harmonized with public sector systems. For instance, a donor project that builds a local government's capacity to program grant funding provided by the donor itself—but that does so in a non-integrated manner which does not enhance the regular operations of the local government—would show up as an activity in the development partner matrix, but not in the public sector matrix. In contrast, a donor intervention that assists the government sector in developing or updating the operational manuals for local governments in a way that appreciably improves the day-to-day operations of the local government would cause the activity in the donor matrix to link up to the corresponding cell in the public sector matrix. The more aligned the donor community is in providing its support by relying on country systems, the stronger the linkages between the development partner matrix and the public sector matrix.

Mapping development partner activities in decentralization and local governance in a parallel plane of the decentralization assessment framework has another important benefit. By over-laying or superimposing the development partner matrix on top of the public sector assessment matrix, the assessment framework is able to identify (a) whether all obstacles noted in the public sector matrix are being addressed by development interventions, (b) which decentralization or local governance policy obstacles are inadequately being addressed by the current portfolio of development activities, and (c) how the host government, supported by its development partners, could align their portfolios of activities (including their technical assistance, sectoral programs, budgetary support, and capacity building activities) to optimize the effectiveness of the (local) public sector.

6. Concluding remarks

This paper set out to shine an increasingly focused light on the role of the local public sector in achieving global development. Among practitioners, there is a growing sense of urgency that the local public sector must be made to function more effectively in support of the MDGs and other development ambitions being pursued around the world. This requires a better understanding of the complex interrelations that define decentralized governance systems. Given the dearth of relevant comparative data and information with regard to the degree and nature of decentralization and intergovernmental relations around the world, this paper developed a comparative decentralization assessment framework for rapidly assessing a country's local public sector, including its political-administrative structures, its system of intergovernmental relations and the financing and functioning of the country's decentralized local governments.

We believe that the decentralization assessment framework outlined here is a good starting point for providing a “big picture” overview of the current *status quo* of decentralized local governance and the local public sector in a country. This point notwithstanding, there is no single analytical framework that can ever capture all relevant details of the underlying local public sector that it seeks to assess. As such, this assessment framework should be considered as an enrichment of the policy literature on decentralization and local governance rather than as a substitute for other formal and informal decentralization assessment tools and approaches that are currently available.

The decentralization assessment framework developed here is yet to prove itself in terms of its practical application. However, country decentralization assessments that were performed based on an earlier iteration of this diagnostic (Yilmaz, Beris and Serrano-Berthet, 2008, 2010; Yilmaz, 2009) and its assessment frameworks (Gurkan, Yilmaz and Aslam, 2010; Yilmaz, Aslam and Gurkan, 2010; Aslam, Yilmaz and Gurkan, 2010) found ready acceptance among policy makers, researchers and academics alike.

Finally, one important conclusion that can already be drawn from the decentralization assessment framework is the critical nature of the topic of decentralization, local

governance and the role of the local public sector. The framework reflects that the pursuit of decentralized local governance reforms or the implementation of a sound intergovernmental system should not be considered a narrow niche within a governance program or within a public sector reform. Instead, by definition, virtually every public service delivery intervention or development activity where the public sector interacts with the people they serve takes place within the sphere of the local public sector. Regardless of the structure of the public sector, in order to be effective in its development objectives, public resources should reach the local public sector; they should be distributed across the national territory in an efficient and equitable manner; and they should be used efficiently at the local level to achieve the desired service delivery outcomes. As such, progress on the global development agenda depends critically on the recognition of the important role of the local public sector and the ability of the global development community to better understand and enhance the effectiveness of this segment of the public sector.

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Appendix Table. An Advanced Framework For Assessing Decentralization, Decentralized Local Governments And The Local Public Sector

	Policy Framework	Legal Framework	Central Gov't Institutions	Local Gov't Mgmt and Admin	Civil Society & Private Sector
Political Empowerment & Decentralization					
<i>Local political power structure</i>					
<i>Structure and quality of local electoral systems</i>					
<i>Nature of political party systems</i>					
<i>Local political participation and accountability</i>					
Administrative Empowerment and Decentralization					
<i>Regulatory power and planning of local physical space</i>					
<i>Local PFM and procurement</i>					
<i>Local human resource administration</i>					
<i>Efficient and equitable local service delivery</i>					
Fiscal Empowerment and Decentralization					
<i>Expenditure Assignment</i>					
<i>Revenue Assignment & Local Revenue Administration</i>					
<i>Intergovernmental Fiscal Transfers</i>					
<i>Subnational Borrowing / Debt</i>					



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