



A Post-2015 Local Governance Agenda

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The role of local governance within global development is approaching an important inflection point. I am not saying this because public consultations and opinion surveys conducted by the United Nations Development Program identified good governance as the second-most important development theme while formulating the post-2015 development goals (behind education). In fact, my assertion has little or nothing to do with the reformulation of the global development agenda taking place this year. Because the post-2015 Sustainable Development Goals (SDGs) need to be acceptable to leaders from Uruguay to Zimbabwe, and from Indonesia to Iran, I expect the SDGs to say very little, if anything, about good governance.

Governance by its very nature is different from other development areas, such as global health or sanitation. Whereas most countries might be willing to commit to building more classrooms if this would lead to more international development assistance and better education outcomes, very few political leaders would be willing to fundamentally overhaul their political systems or the way in which their public sectors are managed—regardless of how much international aid they receive—if this would make it harder for the country's leadership to stay in power. This point notwithstanding, I expect good governance—and good local governance, in particular—to play an increasingly important role in the global development agenda over the next 15 years because of fundamental changes in the geopolitical and global economic currents that drive global development.

The Role of Governance in Global Development over the Past 25 Years

My argument begins with the recognition that the role of governance in the global development portfolio is prone to cyclical upswings and downturns. For instance, the fall of the Berlin Wall, the

collapse of the Soviet Union, and the end of apartheid in South Africa in the early 1990s set in motion a decade where democratic governance, accountability and community engagement were relatively high on the development agenda. As a result, the role of the public sector and the impact of different local governance structures was an important point of debate in development discourse. By the turn of the millennium, however, this emphasis on good governance and effective public sector management was eclipsed by the humanitarian crisis brought on by HIV/AIDS in Africa and the global ambition to achieve major progress on specific pro-poor service delivery outcomes in health, education, and other pro-poor services as articulated by the Millennium Development Goals (MDGs).

Driven in part by the priorities set by the MDGs, for the past 15 years the global development community at large has treated the pursuit of development essentially as a technical exercise devoid of its institutional context, focusing on transferring ever-increasing amounts of financial resources to low-income countries to fund better public services and to build the technical capacity of government officials. This strategy presumed that the binding constraints in developing countries were the lack of financial resources and the absence of human capacity.

While the majority of the global development community has been focused on improving access to pro-poor public services through sectoral silos or stovepipes reinforced by the MDGs, the role of governance in the development agenda—whether as a democratic development objective in its own right, or as a catalyst for human, social and economic development—has atrophied. Within many development agencies, attention for governance programming and the strengthening of public sector institutions in partner countries has declined significantly over time. Instead, the bulk of new resources and attention has been placed on major (unsustainable) health interventions and support to fragile, failed, and post-conflict states. Good governance issues such as participation and accountability—and more broadly, decentralized local governance—were often simply folded into sectoral programs or “mainstreamed away.”

The Technical Is Political

The preparation of the post-2015 development agenda has served as a useful opportunity for reflection within the development community. Notwithstanding the progress that has been made, the development community is [noticeably self-critical](#): several leading observers (including [Shanta Devarajan](#), [Matt Andrews](#), and [David Booth](#)) have expressed the feeling that the MDGs (or the way in which they were pursued) have not had much to do with the poverty reduction and other progress that has occurred in the past 15 years. One concern is that political leaders and government officials in partner countries often seem more interested in staying in power and in lucrative development projects than in providing inclusive access to pro-poor public services. In line with advances in our conceptual understanding of development, including [Douglass North's writing on the role of institutions](#), governance issues and political economy forces are increasingly recognized as binding constraints on development success.

Throughout my own research and technical assistance work on intergovernmental finance over the past two decades, it has been hard to avoid the conclusion that policy recommendations that are initially conceived as strictly technical in fact have significant political economy implications. For instance, much of my work in developing and transition countries has been to help national governments and development agencies come up with ways to efficiently allocate central government resources to local governments to fund local services and infrastructure. While the design of efficient and equitable central-local grant allocation formulas is a [highly technical exercise](#), national politicians in developing countries (justifiably) argue that deciding the allocation of grant resources among local governments falls squarely within their political decision-making realm. Therefore, the final decision which “technical” recommendations to implement and which ones not to implement are almost universally driven by political or institutional considerations. Indeed, [a survey of international experiences with grant allocations](#) found that virtually without fail, political considerations are an important factor in determining grant allocation patterns. This is even the case when countries rely on “objective” central-local grant allocation formulas (as opposed to direct political meddling in the determination of grant allocations), since these allocation formulas ultimately need to conform to the interests of national political leaders to receive their approval.

Political economy factors drive not only decisions about grant allocation formulas. In fact, in developed and developing countries alike, important public sector decisions—such as what share of the budget will be spent on public health care versus presidential airplanes, for instance—are always driven by political and institutional considerations. Indeed, every development intervention supported or carried out by international development agencies is vetted and approved—by the donor government as well as by the host government—through a political and institutional lens, as part of de facto policy-prioritization process where the needs of the intended beneficiaries are often a secondary concern.

For instance, even though strengthening local health facilities may reduce infant mortality more than directing the funding elsewhere, national health ministries may prefer to support referral hospitals that are funded from the ministry’s own budget rather than lobbying for greater resources for local health facilities managed by local governments (especially to the extent that this local governments are run by the political opposition). Similarly, most members of parliament would (and do) prioritize funding for Constituency Development Funds (i.e., slush funds for members of parliament) over greater funding for local health services. Mayors and locally elected officials may divert local resources away from local health services or [pro-poor sanitation services](#) in favor of more visible local infrastructure schemes that benefit their political power base. It is not just politicians and bureaucrats, however, whose preferences and incentives cause ineffective development interventions: physicians and nurses may prefer to live and work in urban locations, thereby [skewing public staffing and funding to urban areas at the expense of underserved rural populations](#). While the specific relationship between “the technical” and “the political” varies from service to service, in the end, the conclusion that [the technical is political](#) is inescapable.

Shifting Tides in Global Development Funding: Doing More with Less

It is not just the critical reflections of individual development practitioners or the global discussions in light of the SDGs that are bringing about changes in the modus operandi of global development actors; these changes are also being driven by global economic forces and geopolitical tides. In particular, many development agencies seem to be preparing for a long-term decline in official development assistance.¹ The debate surrounding [sustainable development finance](#) recognizes that the relative role of official development assistance in development finance will likely decline in the coming years, as domestic public financing, domestic private financing and international private financing represent an increasingly large share of the global development financing mix.

Recognizing that the level of official development assistance being committed to the fight against HIV/AIDS, tuberculosis, and malaria is unsustainable in the long run, development agencies are starting to discuss offloading (or “localizing,” as some call it from their global perches) the burden of their development interventions on partner governments.² In some of these discussions, transferring managerial control over major health programs to national institutions is being seen as a first step in a gradual divestment strategy on the part of the donor agency or program.

A transition in global development practices that envisions counterpart governments taking an increasing managerial role—and shouldering and increasing financial burden—should not be undertaken lightly when considering the earlier conclusion that “development is political.” For instance, is spending on HIV/AIDS a sufficiently important political priority for the leaders of Tanzania or Vietnam that these countries would raise taxes or reallocate their own scarce budgetary resources to fill the gap left behind when donor priorities shift? Given the political preferences and priorities of leaders in countries across the developing world—as revealed by the pro-poor changes in budget composition over the past 15 years, or more to the point, the general lack thereof—it is unlikely that politicians and bureaucrats in recipient countries would have the same level of enthusiasm for specific global development programs and interventions if they would have to foot the bill for these programs using domestic revenues.

All Development is Local: The Power of Local Governments and Other Local-Level Institutions

Recognizing that the interests of development agencies and partner governments do not always align, and that the global development community will likely have to “do more with less” has important implications for the way in which development business will be conducted over the next 15 years. In fact, the implications of these trends may be far more important to future development practices than the specific goals, targets, and indicators being negotiated this year as part of the SDGs.

The realization that governance arrangements and political economy forces have become a binding constraint on the effectiveness of development interventions implies a renewed role for governance in

global development. This role, however, will be fundamentally different from the good governance focus of the 1990s. Instead of focusing on democratic processes, citizen engagement, and accountability, however, the governance agenda going forward should focus on removing the governance obstacles to sustainable development: what public sector management reforms are needed in developing countries to achieve more effective development outcomes?

Although some meaningful reforms can be pursued at the central-government level, it is likely that central state capture will limit the reform space at the central government level. Indeed, global development actors in an increasingly crowded and fragmented field would be wise to focus increasing efforts on achieving specific development outcomes at the local level, with elected local governments potentially playing an increasing role as development agent or implementer.³

To the extent that local governments function as effective platforms for collective local decisionmaking and as effective mechanisms for promoting the collective interests of their constituents, local governments are ideal partners for achieving development success. Local governments are often legitimate and sustainable local actors; they are intimately familiar with the local context, their *raison d'être* is to promote the well-being of their constituents and the development of their local jurisdiction, and their overhead costs are already paid for.

In addition, it is possible to hold local governments accountable for results in ways that central government simply cannot be held accountable. Because central line ministries in developing countries are often simultaneously the agent of national political power, the policymaker, the policy implementer, the policy evaluator and the donor agency counterpart, we should not be surprised that there are inherent conflicting incentives and conflicts of interest for central line ministries in performing their various roles. However, to the extent that there is a vertical separation of power between government levels in a country, local governments can be subject to an “[accountability sandwich](#)”: on one hand, local governments are closer to the people (and therefore potentially more responsive and accountable to demands from below); on the other hand, local governments can be more readily held accountable by central government.

Irrespective of whether public services and development interventions are implemented by local governments or whether the responsibility and authority to deliver public services remains with the central government, it is fair to say that “all development is local.” Ultimately, the development objectives and policy goals that are articulated at the national (or even global) level—in terms of access to education, health, water, sanitation, and so on—all have to be delivered and achieved at the local level, in the cities, towns, and villages where people live.

Implications for a Post-2015 Local Governance Agenda

The main implication of the realization that “all development is local” is that regardless of the mechanism or type of decentralization or “localization” that is ultimately chosen, in the end, we cannot ignore the vertical governance mechanisms and multilevel service delivery mechanisms that are needed

to ensure the effective delivery of public services at the local level. In fact, it is most likely in this “last mile” of public service delivery where the greatest progress in development outcomes can be made.

At the same time it should be recognized, however, that local governments are not free from the political considerations that have created development obstacles at the national level. Like their central government counterparts, local government officials are not inherently and selflessly motivated to achieve development outcomes. Instead, local government stakeholders themselves are political actors with their own narrow agendas; without appropriate incentives and accountability mechanisms, they are susceptible to local elite capture on one hand and central state capture on the other hand.

In this context, a number of topics are emerging as leading themes in an emerging post-2015 local governance agenda. To the extent that global development seeks to implement evidence-based policy solution, and given the scant attention that has been paid in recent years to local governance as a development issue, it would be prudent for development organizations to invest in the coming years in the state of knowledge in five topics related to local governance.

1. A Basic Stocktaking of Local Governance Institutions.

One of the [main background documents](#) that informed the post-2015 sustainable development agenda suggests that we “treasure what we measure” and conversely, that we should measure what we treasure. This does not bode well for local governance, as the research community on decentralization and local governance has decried the unavailability of appropriate measures of decentralization and local governance institutions for decades.

Although the Urban Institute’s [Local Public Sector Initiative](#) has engaged in various efforts to better measure local governance institutions and local public sector finances, much greater effort is required to achieve a comprehensive picture of the state of local governance in the world. Adequate information on the quantitative and qualitative aspects of local governance systems in countries around the world is a precondition for advancing the global development community’s understanding of the role that the local public sector can play in achieving inclusive and sustainable development.

2. Political Economy Analysis and Local Governance

Political economy analysis (PEA)—analyzing how public sector institutions behave based on the political and institutional incentives that they face—is currently at the height of fashion at the intersection of governance and global development. To some extent this is for good reasons, as the exclusive focus on “the technical” has prevented us from recognizing where development interventions have gone awry due to political economy constraints, weak institutions and perverse incentives. However, while political economy analysis provides a useful lens to consider the constraints of different development interventions, the approach is no panacea: rather than a tool which can be applied in a standardized manner, PEA is an analytical technique that should be applied in a customized manner to understand specific political and institutional constraints. The analysis in itself does not arrive at possible solutions to resolve the constraint and obstacles identified.

Although progress is already being made in studying different aspects of the political economy of decentralization and local governance (especially in the context of “second generation fiscal federalism”), considerable work remains to be done. In particular, the (horizontal and vertical) incentives and accountability relationships in the delivery of public services—not only between the central level and the local level, but also between the local level and front-line service delivery facilities—are understudied and poorly understood.

3. Open Local Governance

Another set of buzzwords in the governance space that is generating considerable interest (and funding) from development agencies include data-driven development, open governance, e-governance, and dashboards. Like PEA, however, open government reforms are no slam dunk. There is no doubt that more a transparent public sector and evidence-based policy analysis driving better development outcomes is a good thing. What is not always recognized, however, is that open governance intrinsically has its own political economy limitations, as the public release of meaningfully disaggregated (e.g., local-level) data about public finances, public services and government performance is likely to attract unwanted scrutiny to public sector decisions and public service delivery failures. As such, it should come as no surprise that—[with a few notable exceptions](#)—very few countries proactively make available public service delivery information and development indicators that are disaggregated at the local level. And even when local data are publicly available, data availability in itself does not open minds, shape decisions, or offer solutions through economic and social policy research. It is rare to find examples in the developing world where open governance and data collection efforts are matched by efforts to strengthen the governance processes that translate rigorous policy analysis into evidence-based policy reform.

Although some countries are making efforts to provide greater public access to local-level government data in the context of the global Open Government Partnership, few of these efforts recognize that local governments are political actors in their own right, and that the commitment by a central government to open up local-level data is not a substitute for local government officials themselves committing to transparency in their operations. While there is an important opportunity to use local governments as self-interested monitors of local service delivery progress, this opportunity is conditioned on (a) effective and responsive local governance institutions being in place; (b) a genuine local political commitment to local government transparency; (c) local governments being granted the responsibility and authority to monitor local service delivery outputs and outcomes; and (d) being provided with (political, administrative and fiscal) incentives—and perhaps more importantly, the removal of disincentives—for local governments and their officials to monitor localized service delivery outcomes and to advocate for improved local services.

4. The Governance of Localized Public Services

Global consultations as part of the development of the post-2015 agenda recognized that [the post-2015 agenda should be “localized”](#) and that territorial administrative bodies and local governments are

key actors for accelerating poverty reduction and delivering pro-poor public services. As a result, effective local governance systems are indispensable to the localization of public services and to the achievement of sustainable development goals. A recent 29-country study by the Urban Institute on the role of the local public sector in achieving development objectives in education and health unequivocally confirmed that [greater localized spending and better development outcomes go hand in hand](#). Yet, much more work remains to be done to better understand the nuanced ways in which the localization of public services and the decentralization of the public sector can most efficiently help achieve global development outcomes.

In addition, considerable engagement will be required to spread newly-gained knowledge about the role of local public sector from the governance “pillar” to the various sectoral communities of practice. For instance, at a [recent Urban Institute roundtable on local health systems](#) that brought together experts from the global health and governance communities, a leading proponent of results-based finance (RBF) argued that RBF was governance-neutral because RBF interventions incentivize local service delivery providers irrespective of the governance system in place in the host country. This remark led to the observation that RBF interventions in fact are anything but governance-neutral, because whenever the flow and control over public funds is altered (as is done by RBF programs), this by definition alters the governance of local services.

5. The Dividend of Inclusive Local Governance and Social Resilience

As we extract lessons from the past 15 years of development efforts and apply these lessons to the next 15 years, we cannot ignore the increased global instability and the uptick in the number of fragile, failing, failed, and post-conflict states that have been witnessed in the past two decades. While considerable attention is being paid to state building and enhancing state legitimacy through decentralization in post-conflict contexts, the argument to empower people and to build inclusive and resilient nations through effective local governance is seldom used as an explicit justification for supporting local governance to prevent fragility and conflict. Yet, the toll of fragility and conflict can be expressed not only in terms of human lives, but also in terms of stunted economic growth and human development. From the Middle East and Ukraine to Ferguson, Missouri, it is clear that the absence of inclusive local governance is a major contributory factor to disempowerment, instability and conflict. As such, in an increasingly volatile world, perhaps the strongest argument in support of a focus on inclusive local governance—but one that requires further exploration—is to capture the peace dividend of more inclusive and responsive governance.

Notes

1. In Europe, a decline in official development assistance is not uncommon after right-leaning governments come to power. Depending on the outcome of the 2016 US presidential election, a similar trend might be foreseen in the United States.

2. The terms “local”, “local government,” and “localization” are traditionally used to refer to the lowest subnational level within a country. Within the global development community, however, some have started using these terms to contrast between global (international) versus local (domestic or partner-country) entities or systems (e.g., “local consultants” or “local systems” rather than “national consultant” or “partner-country systems”). This causes needless confusion. Unless otherwise noted, these terms are used here in their traditional meaning.
3. This is not unlike a political strategy often used—both by left and right—in the United States: when you cannot convince the federal government to support your position on an issue (whether on gun control or on reproductive rights), the next step is to pursue your agenda at the state level.

About the Author



Jamie Boex is a senior research associate in the Center on International Development and Governance at the Urban Institute. He is a public finance expert with extensive experience in fiscal decentralization, subnational governance, and public sector finance reforms in developing and transition countries around the world. As the head of the Local Public Sector Initiative, Boex seeks to place public finance and intergovernmental fiscal relations within the context of each country’s institutional (administrative) and political (governance) traditions. Working with organizations such as the World Bank, UNDP, USAID, and numerous other bilateral development agencies, Boex has contributed to policy reforms in 20 developing and transition countries around the world: Afghanistan, Armenia, Bangladesh, Cambodia, Egypt, Ethiopia, Republic of Georgia, Indonesia, Kenya, Malawi, Mozambique, Namibia, Nepal, Nigeria, Russia, Sierra Leone, Swaziland, Tanzania, Timor-Leste, and Uganda.

Boex has written and contributed to numerous books, articles, and reports on intergovernmental finance (fiscal decentralization), public expenditure management, and poverty reduction. In addition to his academic research and expertise in the management and provision of technical assistance, he has considerable experience in developing and delivering academic courses and professional training programs in fiscal decentralization, public-sector finance, and governance.

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