

Frameworks for Decentralization: Global Perspective

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Know why you want decentralization

- Much of the decentralization which has taken place in the past decade has been motivated by **political concerns**.
- **Latin America**: decentralization has been an essential part of the **democratization** process as discredited autocratic central regimes are replaced by elected governments operating under new constitutions.
- **Africa**: the spread of multi-party political systems is creating **demand for more local voice** in decision making.
- **Ethiopia**: decentralization has been a **response to pressures from regional or ethnic groups** for more control or participation in the political process. In the extreme, decentralization represents a desperate attempt to keep the country together in the face of these pressures by granting more autonomy to all localities or by forging "**asymmetrical federations**."



Know why you want decentralization

- decentralization as an **outcome of long civil wars**, such as in **Mozambique** and **Uganda**, where opening political opportunities at the local levels has allowed for greater participation by all former warring factions in the governance of the country
- **transition economies** of the **former socialist states** have also massively decentralized as the old central apparatus crumbled. In many countries, decentralization simply has **been happened in the absence of any meaningful alternative governance structure** to provide local government services
- **East Asia** decentralization appears to be motivated by the **need to improve service delivery to large populations** and the recognition of the limitations of central administration.



Study impact of decentralization

- Although the main reason for decentralization around the world is that it is simply happening, there are a multitude of **design issues** that affect the impact of different types of decentralization on **efficiency, equity and macrostability**



Study impact of decentralization

Allocative efficiency

- The rationale is that decisions about public expenditure that are taken by a level of government **closer, and more responsive**, to a local constituency are more likely to **reflect the demand for local services** than similar decisions taken by a remote central government.
- People are **more willing to pay** for services which they find to be responsive to their priorities, especially if they have been involved in the decision making process with regard to delivering the services.
- Improve the "**competitiveness**" of governments and enhance **innovation** -- hence the likelihood that they will act to satisfy the wishes of citizens.



Study impact of decentralization

Macro-stability

- decentralization may make **stabilization policies more difficult** to implement, and indeed, may itself lead to destabilizing levels and composition of overall public expenditures and public debt.
- Another perspective on this, however, is that decentralized systems can be designed to avoid destabilizing effects and ensure correct incentives. Some of the "decentralization" in the 1980s, for example, was actually an offloading of fiscal imbalances by central governments to subnational governments. Under these circumstances, it is not surprising to see a strong association between decentralization and fiscal imbalances at lower levels.
- Another macro level controversy for which evidence is inconclusive is whether decentralization retards **economic growth**.



Study impact of decentralization

Equity

- Some jurisdictions are better endowed with resources than others, perhaps because of size or location
- an intergovernmental fiscal program may be designed to **shift resources to disadvantaged areas** to ensure that all citizens enjoy a minimum level of service, regardless of location, or receive enhanced assistance to accelerate amelioration of deficits, because of location.
- The **allocation of poverty program grants** to subnational levels should be analyzed within a particular country context since lack of transparency, or inadequate specificity in transfer design, sometimes results in wealthier areas receiving more resources than poorer areas.



5 important conditions for successful decentralization

- Although **politics** are the driving force behind decentralization in most countries, fortunately, decentralization may be one of those instances where **good politics and good economics may serve the same end.**
- The political objectives to increase political responsiveness and participation at the local level can coincide with the economic objectives of better decisions about the use of public resources and increased willingness to pay for local services



5 important conditions for successful decentralization

1. The decentralization framework **must link financing and fiscal authority to the service provision** responsibilities and functions of the local government - so that local politicians can bear the costs of their decisions and deliver on their promises;
2. The local community must be **informed about the costs of services and service delivery options** involved and the resource envelope and its sources - so that the decisions they make are meaningful. **Participatory budgeting**, such as in **Porto Alegre, Brazil**, is one way to create this condition.



5 important conditions for successful decentralization

3. There must be a mechanism by which **the community can express its preferences** in a way that is binding on the politicians --so that there is a credible incentive for people to participate
4. there must be a system of **accountability** that relies on **public and transparent information** which enables the community to effectively **monitor the performance** of the local government and react appropriately to that performance- so that politicians and local officials have an incentive to be responsive



5 important conditions for successful decentralization

5. The instruments of decentralization --the **legal and institutional framework**, the structure of service delivery responsibilities and the intergovernmental fiscal system-- are designed to support the political objectives.



5 important conditions for successful decentralization

- Fulfilling these goals is a tall order, but achievable.
- Successful decentralization is closely related to observing the design principles of: finance following functions; informed decision making; adherence to local priorities; and accountability.
- However, applying these principles in practice has not proven to be simple. Country circumstances differ, often in subtle and complex ways, consequently the policy and institutional instruments that establish decentralization have to be shaped to the specific conditions of individual countries.



Examples of country decentralizations

- Philippines
- Africa
- Latin America



Philippines

- 84 M people 7,100 islands
- Local Government Code of 1991
- Presidential form of government w 3 equal branches
(Executive, Legislative, Judiciary)
- 79 provinces; 125 cities; 1500 municipalities; 42,000 barangays



Devolved functions to local government functions

- Agriculture and fishery extension
- Community-based forestry projects
- Health services (rural health units and district/provincial hospitals)
- Social welfare services



Role of People's Organizations and NGOs in local governments

- Local Special Bodies
- Delivery of Basic Services
- Joint ventures and cooperative programs
- Financial and other form of assistance
- Preferential treatment for organizations and cooperatives of marginal fishermen
- Preferential treatment for cooperative development
- Financing, construction, maintenance, operation and management of infrastructure projects



Local Special Bodies

- Local Development Councils (NGOs $\frac{1}{4}$)
- Local Prequalification, Bids, and Awards Committees
- Local Health Board
- Local School Board
- Local Peace and Order Councils
- People's Law Enforcement Boards



Some problems

- Devolution of functions not fully supported by financial resources
- Local special bodies not fully operational; but in areas where they do function well, governance is good
- Transparency and accountability still lacking
- Inequity in finances among local government units
- Autonomous region in Mindanao still wanting in good governance

