

Decentralisation and Local Governance

Unit 1 What is Decentralisation?

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Unit Overview

In this unit we will clarify certain concepts and assumptions about decentralisation. We distinguish between the *condition* of relative centralisation or decentralisation in different countries and the *process* of reform leading to more decentralisation of some kind under a *decentralisation policy*.

Unit 1 deals with structural and institutional factors that make up the decentralisation element of institutional structures: state models; territorial organisation and political regime. These are deeply embedded structures that fundamentally shape the broad character of the state and political system. They are likely to have long-term origins, and changing them requires long-term processes. You will see in what ways these structural and institutional factors differ from decentralisation as a policy choice.

It then looks at three aspects of decentralisation: political, administrative and fiscal and the relations between them. It asks the question: why do governments decide to decentralise?

In the last section, we provide a conceptual framework that captures the multidimensional nature of decentralisation.

Learning outcomes

When you have completed your study of this unit and its readings you will be able to:

- define different models of the state, with reference to its structural arrangements
- categorise the different relationships between layers of the state
- understand the varieties of definition of decentralisation
- describe administrative, political and fiscal decentralisation and understand why governments decentralise these elements
- understand the politics of decentralisation policy.



Reading for Unit 1

Rod Hague, Martin Harrop & John McCormick (2016) 'Sub-national governance'. *Comparative Government and Politics: An Introduction*. 10th Edition. Basingstoke UK: Palgrave Macmillan.

Juan Luis Gomez, Jorge Martinez-Vazquez & Cristian Sepúlveda (2011) 'Reining in provincial fiscal "owners": Decentralization in Lao PDR'. In: Martinez-Vazquez & Vaillancourt (Eds.) *Decentralization in Developing Countries: Global Perspectives on the Obstacles to Fiscal Devolution*. Cheltenham UK: Edward Elgar.

G Shabbir Cheema & Dennis A Rondinelli (2007) 'From government decentralization to decentralized governance'. In: Cheema & Rondinelli (Eds.) *Decentralizing Governance: Emerging Concepts and Practices*. Washington DC: Brooking Institution Press. pp. 1–9.

Richard M Bird & Robert D Ebel (2007) 'Subsidiarity, solidarity and asymmetry: Aspects of the problem'. In: Bird & Ebel (Eds.) *Fiscal Fragmentation in Decentralized Countries: Subsidiarity, Solidarity and Asymmetry*. Cheltenham UK: Edward Elgar. pp. 6–8.

1.1 State Models and Decentralisation

We start by looking at different state models and their implications for central-local relations:

- *Unitary states*: the central government holds all sovereignty and concedes a share of it to its constituent units. In this model, autonomy is subordinated to unity. Concretely, this means that subnational entities are subjected to a uniform juridical regime, political and administrative organisation. They also recognise the supremacy of the central level to maintain cohesion and territorial integrity. To this aim, central government keeps strategic roles as well as the powers and attributions to carry them out.
- *Federation*: federations are systems of voluntary self-rule and shared-rule. The central government and constituent units jointly decide how to divide powers in a way that preserves their independence within their own spheres of authority. On the one hand, the Constitution preserves national cohesion/integrity by creating one single international identity. On the other hand, it protects the political and administrative autonomy of each constituent unit. It preserves diversity by allowing a flexible administrative and political organisation as well as multiple legal regimes. Be aware of the fact that although constituent units enjoy substantial autonomy this does not necessarily mean that lower levels enjoy the same level of autonomy.
- *Confederation*: the union of several states that join together around a minimal platform of collaboration while maintaining their own sovereignty.

From the definitions above, one can conclude that the choice of state model in a country determines the fundamental structure of the state. In this sense, it sets out the general framework for central-local relations and the 'rules of the game' by which subnational levels can bargain their discretionary powers.



Reading 1.1

Now please turn to Hague, Harrop and McCormack Chapter 11 'Sub-national government'.

As this chapter defines many of the terms that we will use throughout this module, please make sure you understand:

- **Federalism**, and how and why federations have been formed, **dual and cooperative federalism**
- **Unitary states**, and within unitary states what is meant by **de-concentration, decentralization and devolution**

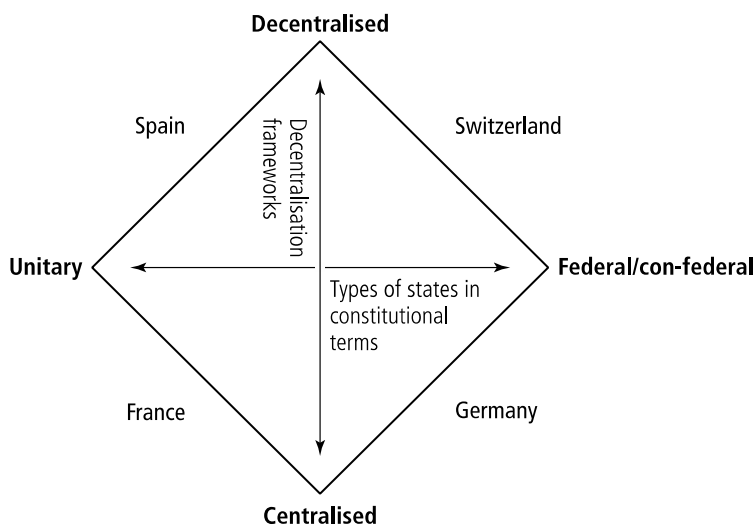
Hague *et al* (2016)
Chapter 11 'Sub-national government'. *Comparative Government and Politics: An Introduction*.

- **Regional governance**
- **Local governance** and the **status** and **structure** of local governments

In their study on decentralization (2009), Dafflon and Madiès show that the logics of decentralisation/centralisation and federal/unitary do not always overlap. By doing so, they reject any causal link between state models and decentralisation and claim the need to differentiate both concepts.

Figure 1.1 illustrates state models and decentralisation as two distinct variables, with four European examples.

Figure 1.1 State Models, Decentralisation Frameworks and Subnational Autonomy



Source: Adapted from Dafflon and Madiès (2009: 12)

According to this figure, each country combines the two variables in a unique way. All possible combinations form a continuum. At both ends you can find two 'ideal types': the decentralised federal systems and the centralised unitary systems. Yet, the authors claim that most countries find themselves 'in between', as they combine different features of each variable.

For instance, the Spanish autonomous model combines a unitary state (horizontal axis) with a highly-decentralised framework (vertical axis). Inversely, the German model combines a federal state with a relatively centralised framework where constituent units exert centralising tendencies *vis-a-vis* lower levels in their jurisdictions. (The logic behind such a process of concentrating decisions at mid-level is that there is a need to reinforce the mechanisms for cohesion and linkage among the central and intermediate levels in order to face centrifugal forces or various segregationist interests.) These findings show that unitary states can sometimes grant more powers to subnational levels than some federal states do.

Similarly, two countries such as Spain and France may have the same state model but grant very different levels of autonomy to their subnational governments. Typologies of subnational governments are often created following

diverse social, economic, population and environmental criteria. Each type indicates the capacity of the subnational entity to assume public responsibilities.

Finally, local and intermediate subnational governments in a single country often enjoy different degrees of autonomy. This can also hold true for subnational governments of the same tier. The Spanish case is a good example, as some subnational levels (e.g. Basque Country or Catalonia) enjoy much wider autonomy than the others. These realities add a certain level of complexity, as the system appears to be more or less decentralised depending on the subnational level we look at. This is why you need to bear the global picture in mind to avoid hasty conclusions on the level of 'decentralisation' in a country.

This means that state models cannot on their own explain the differences in central-local relations. While state models provide the overall structure, the assignment of powers, responsibilities and resources across levels of government is what really determines subnational autonomy. And this is precisely what decentralisation reforms are all about: through decentralisation reforms each country opts to assign different responsibilities to different levels in a different way and following a unique mix of modalities that generally include devolution, delegation and de-concentration.

The Dafflon and Madiès model distinguishes decentralisation as a policy from the wider institutional context in which decentralisation reforms take place. This allows more precision on the meanings and uses of each concept, enabling more nuanced judgements and recognising a wider diversity of country experiences, notably:

- decentralised federal countries
- centralised federal countries
- semi-federal countries
- decentralised unitary countries
- centralised unitary countries.

Exercise 1.1

Think about your own country (either where you are now or where you are from). Where does it fit on Figure 1.1? Take a moment to post your answer on the VLE in the discussion area.

1.2 Territorial Organisation of the State and Decentralisation

Now that we have discussed the links between state models and decentralisation, we look at how states organise their territory.

1.2.1 The vertical structure of the state

Each country has its own vertical structure that can include various levels and typologies of subnational government. Their number and size vary

widely, and the first distinction you should bear in mind is the difference between, on the one hand, subnational administrative tiers in a country and, on the other hand, subnational tiers of government (or levels of government). For instance, some countries set up a dual structure of government made up the central level and one subnational level of government.

While many countries have adopted a two-level government structure, others have set out a multilevel structure of government that includes a central government, an intermediate subnational level and one or more lower subnational levels. For instance, the Commonwealth of Australia has three levels of government with a federal government (the commonwealth), the states and self-governing territories and local government. Similarly, local level organisation in France is also organised in three levels of local authorities, which also correspond to the State's administrative constituencies: communes, departments and regions. Table 14.2 of Hague and Harrop illustrates the variety of three-tier arrangements in five liberal democracies.

Note also that legislative frameworks may sometimes contain references to a tier that in practice does not exist or lacks any administrative, service delivery or budget responsibility. For instance, the Togolese Constitution (1992) recognizes three levels, namely, municipalities, prefectures and regions. Yet, in practice it is a two-tier system, as only municipalities have been created. Inversely, some layers may exist in practice but may not be explicitly reflected or protected in the Constitution. This is the case of the Spanish constitution, which does not define what 'local' means, does not outline an explicit model of local government, or a clear definition of local autonomy. It recognises provinces and islands as local entities with constitutional obligations but other lower local entities are facultative and are allowed to be created through the terms outlined in the relevant legislation.

Typologies of subnational jurisdiction

Some countries use a clear and transparent set of criteria to categorise territorial entities into different typologies, such as social, economic, demographic, environmental or capacity forms. For instance, it is not unusual to distinguish rural from urban jurisdictions. Switzerland recognises conurbations and mountainous regions as two forms of territorial structure, made up of several communes. In some cases, governments use these typologies to guide the allocation of responsibilities. For instance, in Germany, France or Spain subnational levels are classified into different typologies according to their population. Each typology can then be granted a specific menu of competencies. Similarly, in other countries rural and urban jurisdictions have different responsibilities and resources.

1.2.2 Relations between tiers

To keep the public sector coherent, states need to organise the (vertical) relation between all the tiers of government, from central down to local level. This includes functional relations and accountability lines. Bearing in mind how this works in a country is key, as it influences decentralisation processes and policies.

Dafflon (2010) claims that states can choose between *hierarchical* and *bifurcated* systems when designing their government system. Figure 1.2 illustrates what these two models would look like in a government system comprising a central government, an intermediate subnational government and a local government level. Typologies of subnational governments are often created following diverse social, economic, population and environmental criteria. Each type indicates the capacity of the subnational entity to assume public responsibilities. In practice, there are often more subnational levels but the underlying principles governing their relations remain the same, whether having a hierarchical vertical structure or a bifurcated system.

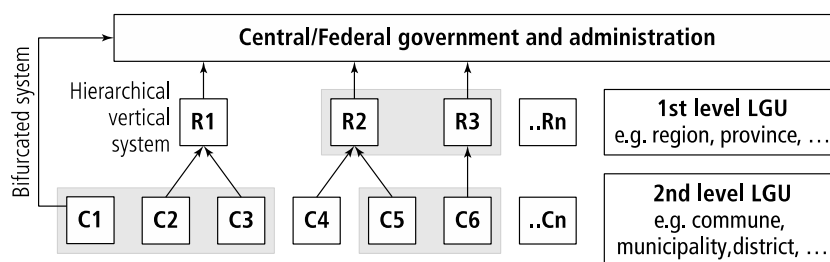
Hierarchical vertical structure

Sub-national governments are 'creatures' of and accountable to their immediate higher level of government. Plain arrows linking C2 and C3 to R1 as well as the one linking R1 to the central government in Figure 1.2 illustrate the vertical hierarchical model. These models focus on the relation between the central and the intermediate levels, which are free to organise the relationship with lower subnational levels within their jurisdiction. Many countries have adopted this model. For instance, in Switzerland, cantons independently regulate their vertical relationship with the communes, and in Lao People's Democratic Republic, governors independently regulate their relationship with the districts within their jurisdiction.

Bifurcated system of government

Figure 1.2 shows that at every level sub-national governments are directly accountable to the central level. The plain arrow linking C1 to central government illustrates this model. As you can see in the figure, lower level (C1) does not 'pass through' intermediate subnational levels (R1). This results in many parallel vertical relations between subnational and central levels, as is the case with the Philippines.

Figure 1.2 Government systems and structures



Source: Adapted from Dafflon (2010)

Exercise 1.2

Before reading further, take a few minutes to note what in your own view are the main strengths and weaknesses of each model.

- Do you think one of them is more effective, and why – hierarchical, bifurcated?
- What are the implications for decentralisation?

**Reading 1.2**

Turn now to the article by Gomez and his colleagues on decentralisation in Lao DPR, which illustrates the challenges of hierarchical systems with the Lao case.



Compare your notes above with the findings of this case study.

Gomez *et al* (2011)
'Reining in provincial fiscal "owners":
Decentralization in Lao PDR'. *Decentralization in Developing Countries: Global Perspectives on the Obstacles to Fiscal Devolution*.

1.2.3 Feedback

In principle, both models can allow the potential efficiency gains of a decentralised system of government to be realised, provided certain conditions are in place. The main messages that come out from the reading are as follows:

- *Hierarchical systems* focus primarily on the relations between the central and the intermediate tiers. As the Lao example illustrates, this means that they can entail a wide array of expenditure and revenue assignments within each intermediate level, which is responsible for organising the relations with lower levels within their jurisdiction. Proponents of hierarchical models argue that their advantage is to increase national cohesion, as intermediate levels consolidate and coordinate all inputs in their jurisdiction. This system can be effective and equitable when the government sets out clear, transparent and uniform principles to guide intermediate levels in the assignment of expenditures and revenues and in the creation of transfers to lower levels. This is the case of Switzerland, which has 26 municipal systems peculiar to each canton but where efforts of harmonisation and simplification have led to many common features between the different systems.

Yet, many countries lack such transparent frameworks, which clears the way for opportunistic behaviour at intermediate levels and makes it more difficult to monitor subnational intergovernmental fiscal relations and make them effective. For instance, in Vietnam the State Budget Law (2002) gave provinces full discretion over the definition of the expenditure and revenue responsibilities of district and commune level governments. The lack of uniformity in the application of general principles led some provinces to exercise excessive fiscal control over districts and communes. This holds true in many other countries (e.g. Lao PDR). Relations between the intermediate and lower levels may be driven by political considerations. Inevitably, this may lead to opaque and unpredictable practices that hinder service delivery.

- *Bifurcated systems* imply that central level is responsible for deciding the revenue and expenditure assignments as well as the transfers for all the levels. On the one hand, this sort of 'centralised decision making' can be considered an advantage to ensure uniform rules across the national territory. On the other hand, bifurcated systems entail a multitude of parallel vertical relations that raise the challenge of coordination between the different levels of government and

capacity to the central government. Overcoming these challenges requires appropriate institutional mechanisms to resolve administrative conflicts related to expenditure and revenue raising responsibilities of the different levels. See the Reference section at the end of the unit, for literature on this.

In addition to the findings from the Lao PDR case study, we can add a key challenge in both models – namely, horizontal relations between subnational governments. Many services entail positive or negative externalities that make service provision much more complex. For instance, Lipscomb and Mobarak (2007) show the effects of political decentralisation on pollution spillovers across jurisdictional boundaries in Brazil. They found that upstream water use has spillover effects on downstream jurisdictions, as residents pollute rivers at the border. This means that there is need for a global approach to water management that does not always fit in with administrative boundaries.

Furthermore, it is unlikely that the optimal size of a jurisdiction is the same for the delivery of all public goods. Governments may use two types of institutional arrangements to cope with these challenges – the creation of additional entities or the promotion of inter-regional cooperation.

- *Creation of additional entities:* governments define the optimal production and consumption area for a public service and create dedicated entities to carry out the provision, such as ‘special purpose governments’ (e.g. education districts).
- *Promoting inter-communal and inter-regional cooperation:* governments opt for building on existing institutions and promoting inter-communal/ inter-regional cooperation for the provision of public goods. To this aim, they facilitate the association of existing local governments of various levels (in Figure 1.2, C1, C2 and C3 or R1 and R2 respectively). In Europe, France and Switzerland have developed this modality quite strongly. France has three types of institutions for inter-communal cooperation, namely: urban communities, agglomeration of communities and commune communities. These entities are in addition to the original decentralisation structure that includes central government, department and commune. They are legally recognised and are granted responsibilities and powers as well as separate funding from those of its member communes. In Switzerland, the traditional political commune is also too small to produce local public goods. For this reason, many forms of inter-municipal collaboration have emerged, based on economic, physical and political criteria. This type of arrangement is also frequent in Latin America, where ‘mancomunidades’ are recognised by law and have a key role in the provision of certain services.

However, these arrangements do not necessarily work in all countries, due to political, institutional or capacity barriers. The challenges are more acute when it comes to local government units belonging to different jurisdictions

(e.g. C5 and C6 in Figure 1.2), as they may not have compatible local policies and legislations. For instance, the Italian legal framework recognises inter-communal cooperation. Yet, in practice, Italy has not developed this modality as much as France or Switzerland.

Either option may end up inflating costs by creating a multitude of overlapping layers. They can hinder efficient public action through duplication and confusion. The French case illustrates this point well and the Court of Auditors confirms these challenges. There have been various attempts at simplifying territorial organisation in the past, and the most recent one was initiated in 2014. Yet, this type of reform triggers strong political debate on the levels that should be reformed and merged. On the basis of efficiency gains, some people advocate a reduction of the number of communes and departments. In their view, the reform should favour the creation of broader entities, such as inter-communal cooperation or large metropolitan areas. Yet, communes and departments date back to the French revolution, which means that any attempt at conflating or weakening these levels meets strong resistance. This shows that reforming territorial organisation is not only a technical matter but it is also very sensitive and symbolic in nature.

1.3 Political Regimes, Democracy and Decentralisation

Proponents of decentralisation argue that it can improve accountability and democracy. For instance, the preamble of the European Charter of Self Government (1985) signed by the Council of Europe states that:

(...) local authorities are one of the main foundations of any democratic regime (...) the right of citizens to participate in the conduct of public affairs is one of the democratic principles that are shared by all member States of the Council of Europe (...) and it is at local level that this right can be most directly exercised (...). The existence of local authorities with real responsibilities can provide an administration which is both effective and close to the citizen and an important contribution to the construction of a Europe based on the principles of democracy and the decentralisation of power (...) this entails the existence of local authorities endowed with democratically constituted decision-making bodies and possessing a wide degree of autonomy with regard to their responsibilities, the ways and means by which those responsibilities are exercised and the resources required for their fulfilment.

The Charter is structured in 11 articles that deal with the following issues:

- concept and scope of local self-government
- protection of local authorities' boundaries
- necessary administrative and financial resources
- conditions for an effective exercise of powers
- administrative supervision
- financial resources
- right of association and

- legal protection.

Following a similar argumentation, in the context of development assistance, donor agencies place decentralisation on the 'good governance agenda', as if decentralisation would automatically lead to democracy. Although these two processes can influence one another, these concepts should not be conflated. On the one hand, democratisation is about reforming the political regime and making it evolve from authoritarian to democratic. On the other hand, decentralisation is about intergovernmental relations.

As the examples below show, there is no *causal link* between these two processes. Democracy is about the separation between the executive, legislative and judicial powers. Decentralisation reforms do not address these issues. Seen from this perspective, it is easy to see that not all democracies are equally decentralised and that not all decentralised countries are democratic. Indeed, some authors such as Turner (1999) claim that decentralisation reforms can take place in democratic and authoritarian regimes. Hague and Harrop point out (p. 272) that authoritarian regimes can be decentralised.

The difference between them lies in the features that each regime is likely to favour. For instance, undemocratic regimes may prefer certain forms of administrative decentralisation that allow improving service delivery while at the same time keeping strong central control. Similarly, countries adopt very different forms of decentralisation depending on whether they belong to the liberal or socialist tradition and on their historical legacies (e.g. legal family).

Ideally, democracy allows citizens to express their choices and to hold public officials to account. Elections at central and local levels are one of the possible mechanisms to mediate state-society relations. Other mechanisms include elected parliamentarians, civil society organisations, consultations etc. Yet, many countries exhibit a superficial democracy where formal institutions hide deeply ingrained undemocratic practices. This undermines the potential of decentralisation to improve state-society interaction. In addition, the existence of local elections and other local democratic practices does not mean that the regime is democratic. Various scenarios can be identified, notably:

- democratic countries running elections at national and local levels, such as in western democracies
- democratic countries running elections at national level but not at local level, such as in Ghana, where central level appoints mayors; in other countries voters elect their representatives from a short list decided by the central government
- undemocratic countries with no national elections but with some space to run local elections, such as in Cambodia where elections take place in commune and *Sangkhat*s, which is the lowest subnational level
- undemocratic regime with no elections at all.

Eaton and Connerley (2010: 7) point out the 'importance of subnational authoritarian enclaves that can interrupt the purportedly positive

consequences of decentralization for democracy'. You may also find regimes with more democratic practices at national level.

Some authors, such as Chanchal Kumar (2005) argue that the return to free and fair elections at all levels of government after an authoritarian regime is not necessarily part of a decentralisation process. He argues that the transition to democracy may aim at reinstating political competition without explicitly targeting subnational levels or addressing the transfer of authority.

Other authors question this approach and argue that these reforms are part of political decentralisation. Yet, whatever the viewpoint you take on this issue, the key point to bear in mind is that by their own, elections cannot increase the power and autonomy of subnational levels. Without the transfer of authority done through decentralisation reforms, local governments may be granted symbolic but not effective power and autonomy. And without this, democracy cannot lead to effective decentralisation.

1.4 Decentralisation as a Policy

There are different forms of decentralisation policy which can occur simultaneously. This section does not provide a normative definition that favours one form over another. Instead, it provides you with a conceptual framework to help you get acquainted with its different possible meanings and stated objectives of decentralisation policy.

In this unit we will use the EC 'open system approach' to help you unpack the different meanings and objectives of decentralisation (Figure 1.3). However, you should bear in mind that there is no universally accepted framework. Other practitioners or scholars may disagree on some of its features or terminology. The purpose here is not to provide a definitive framework, but to ground the main components of decentralisation and their interdependencies in a more systematic and structured way as well as to ground the academic literature and diverse country experiences in a wider context.

Exercise 1.3

Table 1.1 below summarises the definitions and approaches to decentralisation of various international initiatives and organizations. Have a look at them and try to identify their differences and similarities.

- Try to distinguish normative approaches from non-normative approaches, as well as the definitions that focus on the process of decentralisation from those that focus on the objectives of decentralisation.
- List the objectives associated with decentralisation.

You can find the full text of each of these initiatives online so you may come back to them as a toolbox.

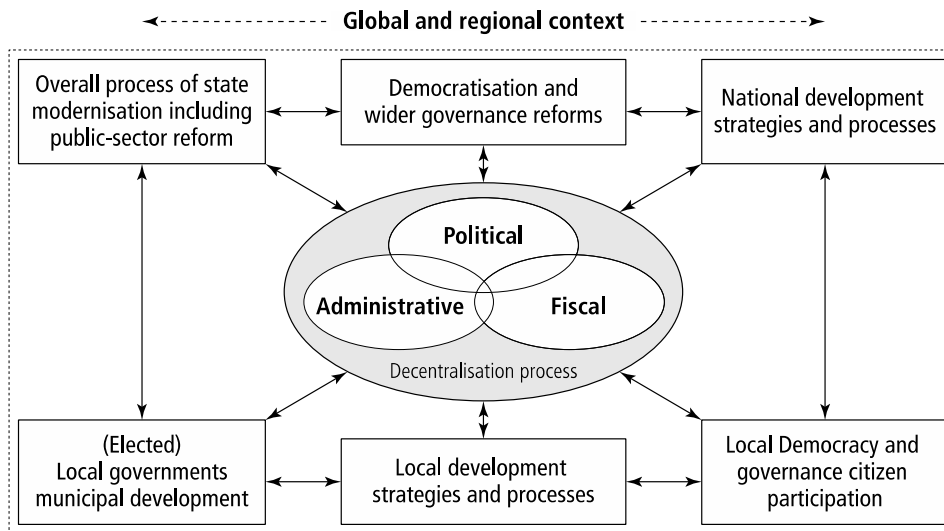
Table 1.1 Approaches to and Definition of Decentralisation

Institution	Initiative
<i>International initiatives</i>	
African Charter on Democracy, elections and governance (2007)	<p>Article 34: State Parties shall decentralize power to democratically elected local authorities as provided in national laws.</p> <p>Article 35: Given the enduring and vital role of traditional authorities, particularly in rural communities, the State Parties shall strive to find appropriate ways and means to increase their integration and effectiveness within the larger democratic system.</p>
UN habitat guidelines on decentralization and on the strengthening of local authorities (2007)	<p>Decentralisation is an '(...) Element of good governance and an expression of democratic practice and effective and efficient public administration. It is also recognized that elected local authorities, alongside national and regional authorities, are key actors in democratic governance and administration, which collaborate with national and regional authorities but also have their own autonomous spheres of public action' In addition, the UN Habitat Guidelines note 'Sustainable human settlements development can be achieved through the effective decentralization of responsibilities, policy management, decision-making authority and sufficient resources, including revenue collection authority, to local authorities, closest to and most representatives of their constituencies'.</p>
European Charter on development cooperation in support to decentralization and local governance (2008)	<p>Decentralisation: 'A process involving the delegation of a range of powers, competences and resources from the central government to elected local (subnational) governments. Decentralisation entails three inextricably linked dimensions:</p> <ul style="list-style-type: none"> ▪ Political: it involves a new distribution of powers according to the subsidiarity principle, with the objective of strengthening democratic legitimacy ▪ Administrative: it involves a reorganization and clear assignment of tasks and functions between territorial levels to improve the effectiveness, efficiency and transparency of the administration over all national territory ▪ Fiscal: it involves a reallocation of public expenditure to local and territorial authorities and enables them to generate their own revenue according to their assigned tasks' <p>De-concentration: delegation of administrative functions from the State to local non-elected public structures.</p>
European Charter of Self-government (1985)	<p>Decentralisation of power: existence of local authorities endowed with democratically constituted decision-making bodies and possessing a wide degree of autonomy with regard to their responsibilities, the ways and means by which those responsibilities are exercised and the resources required for their fulfilment,'</p>

Organisations

OECD (2004) Lessons learned from donor support to decentralization	Decentralisation is an ambiguous term but may generally be seen as the transfer of authority to plan, make decisions or manage public functions from the national level to any organisation or agency at the sub-national level (Mills et al. 1990, p. 89). However, decentralisation takes different forms and involves different institutions and functions of government (...) it includes various forms such as: Political decentralisation, Administrative decentralisation, Integrated decentralisation, Sectoral decentralisation.
World Bank	Decentralisation is the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or quasi-independent government organizations and/or the private sector. It is a complex multifaceted concept. Different types of decentralisation should be distinguished because they have different characteristics, policy implications and conditions for success. Types of decentralisation include political, administrative, fiscal and market decentralisation.
UNDP (2004) Decentralised Governance for Development	Decentralisation refers to a restructuring of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiarity. Based on this principle, functions (or tasks) are transferred to the lowest institutional or social level that is capable (or potentially capable) of completing them. Decentralisation relates to the role of and the relationship between central and sub-national institutions, whether they are public, private or civic. There are four main types of decentralisation: political, fiscal, administrative and divestment.
European Commission (2008) 'Supporting decentralization and local governance in third countries'	The European Commission focuses pragmatically on the functional dimensions of decentralisation – namely, political, administrative and fiscal decentralisation.
DFID (2013) 'The role of decentralization/ devolution in improving outcomes at local level' (November)	Decentralisation is traditionally understood as the assignment of public functions to subnational governments along with structures, systems, resources, and procedures that support implementing these functions to meet specific goals.
French Cooperation	Decentralisation is part of democratic governance. It is intended to give local authorities their own resources and responsibilities separate from those of central government, to have their authorities elected by local communities and to ensure a better balance of power throughout the territory. Decentralisation brings the decision-making process closer to citizens, encouraging the emergence of local-level democracy. It aims to achieve socio-economic development in sectors that often suffer from over-centralised decision-making. It encourages territorial cohesion and the anchoring of democracy. It also contributes to fighting poverty.

Now turn to Figure 1.3, which illustrates the main features of the 'open system approach', whereby decentralisation is considered as a system and complex political process that involves many dimensions, levels and actors.

Figure 1.3 The EC Open System Approach

Source: EuropeAid (2007)

The core of the figure illustrates the decentralisation process as a system with three functional dimensions – political, administrative and fiscal. The key message is that there cannot be effective decentralisation without addressing them all (which will be further developed later in this unit). They need one another, as they are complementary and interdependent. For instance, the division of power across different levels of government and society needs to correspond with fiscal responsibilities; administrative systems and procedures need to be in line with the execution of political power and fiscal tasks; and finally, fiscal arrangements need to prevent a clashing of political and administrative powers

In addition, Figure 1.3 also shows that decentralisation reforms do not happen in a vacuum. It is a process consisting of different interacting elements embedded in a particular political and societal context. Many factors influence decentralisation, such as history, political and institutional cultures, international trends, as well as economic, geographic and demographic conditions.

This means that there is no blueprint and that each country sequences and combines the three dimensions of decentralisation in a unique way. It is necessary to contextualise decentralisation, as a particular reform reflects the country context in which it takes place and the relative priority of possible objectives. For instance, the size and role of the state and the political regime influence the nature of central-local relations and the role of each layer in the planning, financing, production and delivery of services.

Finally, Eaton and Connerley (2010: 2) advance that decentralisation is 'a possible means towards other desirable ends (...) rather than an end in and of itself'. Objectives are very diverse. Countries pursue it with the stated intention(s) of improving, among others: service delivery and the match between services provided and local preferences, enhancing governance and accountability, increasing equity and public sector efficiency, and/or promoting a more stable state, among others.

Figure 1.3 illustrates this instrumental approach, where decentralisation is considered as a ‘means to an end’ and a tool to achieve wider objectives. For instance, upward arrows illustrate decentralisation as a tool to achieve nation-wide reforms, such as political reforms, state reforms and sector reforms. The following sections of the unit deal with these links in more detail. Lower-level arrows show decentralisation as a tool to address local challenges and improve local development and governance processes.

Different scholars have categorised these objectives in different ways. For instance, Eaton and Connerley (2010) group the objectives of decentralisation into three categories: democracy, development and security; and Paul Smoke (2014) frames these different goals of decentralisation into three outcome categories. They can be mutually reinforcing but in some cases, they may involve trade-offs, as one outcome may undermine the achievement of another outcome. Therefore, the choice reflects political priorities. We will refer and use this framework in the last unit of this module on ‘Monitoring and Evaluation’. At this stage you should just get familiar with the definitions (Box 1.1).

Box 1.1 Paul Smoke’s Categorisation of Decentralisation in terms of Outcomes and Outputs

Primary outcomes refer to the common goals associated to decentralisation. They are complex and diverse. They ‘include improved service delivery (efficiency, equity, etc.), improved governance (deeper and more inclusive), poverty reduction, improved life/livelihoods, and increased stability/conflict reduction. Outcomes have various degrees of interdependency. For instance, service delivery can enhance governance and wellbeing. Other relationships, such as the impact of service delivery on development, are more complex and take longer to achieve. Finally, while some outcomes are mutually reinforcing, others involve trade-offs. For example, in emergency situations it may sometimes be easier to improve services by bypassing empowered local governments.

Intermediate outcomes refer to the outcomes that need to be achieved in order to realise primary outcomes (e.g. new or improved legal and fiscal framework, capacity development, better accountability, enhanced citizenship capacity). Intermediate outcomes can be individually pursued to attain specific primary outcomes (e.g. technical training for priority service delivery, capacity development of civil society, etc.). Ultimately, however, these outcomes interact with and depend on each other for effective decentralisation. For example, better local capacity without enhanced accountability need not produce better services that are more closely tailored to the preferences of local residents, an expected primary outcome of decentralisation.

System development outputs and processes refer to, for instance, administrative reforms that create/improve systems for local control over human resources, budgeting, and financial management; fiscal reforms that augment local expenditure and revenue powers and processes; and political reforms that enhance citizen engagement and social contract conditions. Again, the outputs and processes are interdependent. Inadequate fiscal decentralisation, for example, can undermine the ability of and incentives for local officials and elected representatives to perform. At the same time, fiscal powers are unlikely to be used well if not disciplined by administrative and political mechanisms.

Source: Smoke (2014)

Exercise 1.4

Take a few minutes to brainstorm the potential benefits of decentralisation and how it can or cannot achieve its objectives and to what extent it can contribute to state reform, political reforms and sector outcomes. Come back to your answers after reading the rest of the unit.

1.5 Political Decentralisation

Theory suggests that decentralisation is expected to enhance the quality and efficiency of service provision through improved governance and resource allocation. Indeed, from an economic and political perspective, the principle of ‘allocative efficiency’ suggests that local governments are better able than central governments to allocate resources in line with local preferences due to their proximity and informational advantage on citizen’s preferences (Musgrave 1959). In addition, theory suggests that decentralised service delivery allows citizens more influence over local officials and promotes competition among local governments. This means that pressure from their constituents together with the pressure from their peers pushes local governments to use public resources more efficiently, to improve accountability and to reduce corruption. Finally, for these reasons the literature claims that decentralisation is expected to bring about better state-society interactions, accountability and democratic practices.

Materialising these promises requires an enabling national framework where citizens can express their preferences, local governments have sufficient autonomy to respond to local needs and, finally, where accountability mechanisms are in place.

To this aim, Maldonado (2002) posits that political decentralisation foresees two types of power transfer: handing over power to citizens, and devolution, or transfer of power and authority from central to subnational governments.

Handing over power to citizens has two senses: local elections through which citizens can elect their local leaders are one mechanism. Yet, many authors (e.g. Falleti 2005; Kauzya 2007; Yilmaz, Aslam and Gurkan 2010; Eaton *et al.* 2010) also mention the need to establish other types of mechanisms that ‘would empower and facilitate local governments and communities to influence the making, implementation, monitoring and evaluation of decisions that concern their socio-politico-economic well-being and to demand accountability from their local leadership’¹. Local elections refer to the vote, while the other mechanisms refer to the voice. A combination of both is necessary to allow a more regular and systematic engagement of citizens in the decisions that concern them. For instance, Eaton and Connerley (2010: 6) note that:

¹ You can read a contribution on Romania at:
<http://www.som.hw.ac.uk/cert/wpa/2001/dp0104.pdf>

Fearing that elections are insufficient as mechanisms that can generate downward accountability to voters, decentralizing legislation in many countries has been designed explicitly to empower civil society. In countries such as Bolivia, Indonesia and the Philippines, for example, decentralization involved not just introducing or strengthening subnational elections but adopting changes that expand the ability of local civil society actor to influence the greater range of decisions that are now made locally.

In Unit 4 you will get into more detail on the ‘how’ to do it, and different practices and mechanisms around the world.

Maldonado sees devolution as the transfer of power and authority from central to subnational governments so that they can make autonomous decisions, design and implement local policies in their area of responsibility. In other words, local governments are policy makers and policy implementers within their jurisdiction. Devolution is the most advanced form of decentralisation as it transfers power, responsibilities and resources to public bodies, granting the highest degree of autonomy to local powers to decide how to use public resources in their areas of responsibility and within their administrative boundaries. Subnational authorities manage independently their competencies and are accountable to the community.

The most complete form of political decentralisation happens when the central government transfers power to citizens and to local governments at the same time (Mills *et al*, 1990; Conyers, 1983; Azfar & Brinkerhoff, 2010). In these cases, the local political leadership is at least partly elected and has some degree of authority and autonomy to decide the affairs of the jurisdiction. Ideally, it also implies inclusive and democratic local political processes, participation and a vibrant civil society at local level that can hold local governments to account.

Effective political decentralisation requires putting in place various ‘ingredients’. Turner (1999), Jamie Boex (2013) and Jean Bonnal (*Online sourcebook*) identify some of them, notably:

- Local governments are ‘corporate’ bodies separated by law from the centre. As such they should be able, for instance, to own and transact property, to open and manage own accounts and to sue and be sued in their own name (Jamie Boex, 2012). Local governments should be responsible for a significant range of local services (Turner, 1999: 5).
- Local governments have their own treasury, budget and accounts along with subnational authority to raise their own revenues (Turner *op. cit.*).
- Local governments can hire, fire and promote their own competent staff. (*idem*).
- A majority elected council, operating on party lines, should decide policy and determine internal procedures (*idem*).
- Central government administrators should serve purely as external advisers and inspectors and should have no role within the local

authority. This implies the removal of the *a priori* supervisory role of state representatives, and the institution of legal administrative control (administrative tribunals), and a posteriori budget control (Bonnal).

Yet, a careful look at ‘real-world’ decentralisation shows that this is not always the case. Political decentralisation is not only a matter of adding one new layer of government. It fundamentally alters existing accountability lines and power relations. This is often a major obstacle, as certain political elites strongly resist full-fledged political decentralisation. They may transfer authority to local governments without transferring concomitant power to the citizens. For instance, this translates into the widespread practices where central government still appoints mayors. Inversely, the central government may allow running local elections but may not give sufficient authority and resources to local governments, undermining their ability to respond to local preferences. Certainly, these gaps make it more difficult to assess decentralisation and add confusion in accountability lines. Unit 4 discusses this in more detail.

Exercise 1.5

Take a few minutes to brainstorm the following questions:

- Does political decentralisation entail wider institutional implications?
 - Does it affect other policy areas, reforms and institutions, and how?
-

As you saw in the previous sections, decentralisation does not happen in a vacuum. Public institutions need to adapt to the ‘decentralised’ context in order to be effective and yield results. More concretely:

- Political decentralisation often requires constitutional amendments and electoral reforms to open new spaces for the representation of subnational polities.
- Public institutions and policy-making processes need to be readjusted to the reality of political decentralisation and to the emergence of new subnational actors that have been entrusted with a role in the policy process. This points to the need to ensure synergies between the political and the administrative dimension of decentralisation.
- Fiscal arrangements and public finance management also need to accommodate subnational autonomy to spend and raise own resources. They need to be allowed to prepare and approve their own budget (operating/capital/development). Without this autonomy, subnational governments cannot be responsive to local demands and concretise their informational advantage. In addition, citizens cannot hold the subnational governments to account if they are not responsible for their fiscal decisions. This shows the synergy between the political and the fiscal dimensions of decentralisation: the one without the other cannot be effective.

1.6 Administrative Decentralisation

Administrative decentralisation refers to the transfer of decision-making authority, responsibility and human resources to administer and deliver public services such as education, health, social welfare etc. The transfer occurs between central government and various entities and subnational levels, such as local governments, sector ministries, field offices, agencies etc. In this context, each entity administers and/or delivers services 'on behalf of' the central government. This is why we can say that administrative decentralisation sets out the vertical structure on which most sectors are built.

In this section we will discuss the main underlying principles of administrative decentralisation. The main ingredients for administrative decentralisation are functional assignments for effective intergovernmental relationships as well as human resources.

Functional assignment is the process by which governments clarify 'who does what' and allocate state competencies to subnational entities accordingly (for all government functions or within a sector). On this basis, governments can calculate and channel appropriate resources to each level. In real-world decentralisation you will find two scenarios – funded mandates and unfunded mandates:

- *Funded mandates*: central government finances the functions that subnational entities carry out on its behalf. To this aim, it allocates to each level sufficient sources of revenue to meet administrative and delivery costs. This is a necessary condition to translate mandates into concrete services for the population.
- *Unfunded mandates*: subnational governments bear alone the costs of the services with their own pre-existing and often already insufficient revenues. Unfunded administrative decentralisation remains a frequent challenge in many countries and undermines service delivery and accountability.

Governments can choose among various modalities to allocate responsibilities. The choice influences decision making processes, as each modality concerns a different set of 'recipient actors' and grants them a different degree of discretion to carry out their new functions. We look now at de-concentration, delegation and divestment or privatisation.

- *De-concentration* refers to the transfer of functions from central ministries to their field agencies. It aims at improving operational efficiency. Local agencies exercise their functions in a given jurisdiction while remaining under the hierarchical authority of the central government. This means that local agencies are an extension of their superior authority. For example, this is the case of the offices of the Health ministry at province or district level. De-concentration is the narrowest form of decentralisation, as field agencies lack any autonomy and budget/fiscal responsibilities.


- *Delegation* refers to the transfer of power and responsibility from central government to semi-autonomous entities within a clearly defined field of responsibility. Recipient entities are 'policy implementers' and are directly accountable to the level that transfers to them the responsibility in the first place. Policy-making authority is vested in the level that transfers the responsibility. Yet, differently than de-concentrated functions, delegated functions can come with varying degrees of autonomy. Various types of 'entities' can receive delegated functions as long as they have a separate status from central government. For instance, central governments delegate the provision of services to local governments, parastatals or private actors. In this context, parastatals and private actors are endowed with a public mandate.
- *Divestment/privatisation* is about contracting out to the private sector. There is no consensus on whether privatisation should be considered as a form of administrative decentralisation or not. From a purist perspective, scholars such as Vaillancourt, Dafflon, Chambas or Faletti do not include privatisation as a form of administrative decentralisation. For them, decentralisation is strictly a state reform and concerns the public sector only.

Yet, other authors include privatization as a form of decentralization (Turner, 1999; Cheema & Rondinelli, 2007).



Reading 1.3

Now turn to Cheema and Rondinelli and study the article titled 'From government decentralization to decentralized governance' (pp. 1–9).

 Take notes on privatisation as a form of decentralisation and the underlying reasons for this trend and its implications.

Cheema & Rondinelli (2007) 'From government decentralization to decentralized governance' in *Decentralizing Governance: Emerging Concepts and Practices*.

The inclusion of privatisation as a form of decentralisation comes from Neo-classical Economics, New Public Management or Public Choice Theory in Public Administration. These schools of thought provide the theoretical basis for questioning the state, and advocate market-led reform associated with neoliberalism. Therefore, in this context, decentralisation is seen as a tool in a wider strategy for reducing the role of the state.

This model tries to apply a competitive model to the operation of the public sector. The basic assumption is that large monopolistic suppliers such as big centralised bureaucracies are inefficient, and decentralisation is seen as a response to a demand for public goods. The argument is that government aggregates individual preferences and provides goods and services on that basis. A hierarchy of local authorities is able to address the preferences of various communities more effectively than centralised delivery agencies, as various communities might express different preferences, for instance, concerning health aid posts, centres or hospitals. In addition, smaller units bring proportionately larger benefits for individual participation than larger

government units. Finally, the existence of various jurisdictions brings competition among them, which is meant to improve consumer satisfaction.

This approach has profound policy implications, notably a preference for:

- i) small scale rather than large scale enterprise in public service provision
- ii) performance contracting rather than direct labour through open-ended employment contracts
- iii) multiple provider structures of public service provision involving rivalry amongst competing providers
- iv) use of user charges as a basis for funding public services;
- v) private or independent enterprise rather than public bureaucracy as the instrument for service provision.

Whether you consider privatisation as a form of decentralisation or not, it is key that you make a clear distinction between, on the one hand, the division of labour that occurs within the public sector and, on the other hand, the division of labour that occurs between the public and the private sector.

- *Division of labour within the public sector:* devolution, delegation and de-concentration set out the division of labour within the public sector and distribute powers, authority and resources across different public entities accordingly. This means that these modalities are strongly linked to wider public sector reforms and sector policies. Yet, they do not alter the role of the state as such. They rather set out the institutional and functional structure of the country (including control) as well as the rules governing intergovernmental relations. In this context, central and subnational governments are assigned financial and fiscal resources, including the responsibility to raise tax and non-tax revenues. Their interaction is governed by public finance management rules.
- *Division of labour between the public and the private sectors:* privatisation has been used to reduce the role of the state in the framework of neoliberal policies, Washington consensus and structural adjustments. It consists in transferring or contracting out to private actors the execution of selected responsibilities in a market-oriented way. The division of labour between the public and the private sector can occur before, during or after the division of labour within the public sector takes place. Private actors have their own budgets and rules outside state budgets and cannot be given fiscal responsibilities. This is why not all scholars include privatisation as a form of decentralisation.

None of these modalities – de-concentration, delegation, privatisation – foresees political representatives controlled from below. This means that administrative decentralisation is a narrower form of decentralisation than political decentralisation.

The sources of funds and arrangements to finance a specific function follow the rule ‘the one who decides is the one who pays’. In other words, the source of funding depends on whether the function is de-concentrated,

delegated, devolved or privatised. For instance, central government should finance de-concentrated and delegated functions because it keeps the policy-making role. Subnational agencies carry out de-concentrated and delegated functions on behalf of central government. The latter can use earmarked and non-earmarked transfers to fund delegated functions. For their part, subnational governments should seek to finance devolved functions from their own resources. Unit 5 addresses these issues in more detail.

Finally, administrative decentralisation is also about bureaucracy and transfer/deployment of *human resources and a civil service*. These elements are key for effective systems. You can inject additional financial resources, but if you do not have appropriate human resources and an effective bureaucracy you cannot turn resources into services. Some countries have one single civil service statute that includes all civil servants, whereas others have a specific statute for local civil services. You can refer to the Module on public administration for further details on public administration and civil service reform.

1.7 Fiscal Decentralisation

Fiscal decentralisation is probably the most easily ‘traceable’ dimension of decentralisation as it is directly linked to budgetary practices. It lies at the heart of any intergovernmental system and, ideally, it aims at increasing local government’s revenues, fiscal space and autonomy.

Note that fiscal decentralisation only concerns subnational levels of *government*. Other local entities such as de-concentrated agencies or parastatals are excluded from fiscal decentralisation frameworks. This is a key difference between fiscal and administrative decentralisation.

Fiscal decentralisation defines the rules for the generation, collection and distribution of resources between and within different government levels. More concretely, it defines the roles and responsibilities for fiscal functions, including budget preparation, execution, revenue generation and borrowing.

There is broad consensus in the literature that fiscal decentralisation has four pillars:

- expenditure assignments
- revenue assignments, including tax and non-tax revenues as well as revenue sharing arrangements
- transfer mechanisms
- local borrowing.

Unit 6 discusses each of these pillars, its different components and how to assess them.

Finally, fiscal decentralisation requires the introduction of budget preparation and execution at decentralised levels. This means that we need to make appropriate linkages with nationwide PFM reforms. A key issue is that some PFM reforms do not pay sufficient attention to the sequencing and rolling

out of such reforms from central down to the local level. For instance, central governments may introduce at central level complex information systems or composite budgets without considering the need to include and improve local systems and capacities. By doing this, local level may be kept 'out of the radar screen', may not benefit from these reforms, may not improve their capacities and may even be disadvantaged.


1.8 Why do Countries Decide to Decentralise?

Political motivations to decentralise vary across countries. This is why the nature of decentralisation differs so much from one country to another. Different objectives induce different policy choices and institutional arrangements, which in their turn, shape 'central-local' relations and subnational autonomy.



Reading 1.4

Now turn to the extract by Bird and Ebel (2007) on why decentralisation is occurring – 'Subsidiarity, solidarity and asymmetry: Aspects of the problem'.

 The text illustrates the diversity of rationales, and your notes on the reading should reflect this.

Bird & Ebel (2007) 'Subsidiarity, solidarity and asymmetry: aspects of the problem'. *Fiscal Fragmentation in Decentralized Countries: Subsidiarity, Solidarity and Asymmetry*.

In addition, political motivations also vary from one stakeholder to another. You should not assume that national stakeholders (and donors when relevant) agree on the need and on the reasons to decentralise. There is a wide diversity of interests, interpretations, motivations and rationales for national stakeholders and donors to either promote or resist decentralisation. Power relations and alliances between actors cut across government and society, domestic and external actors, and determine the outcomes, features and interests that decentralisation ultimately serves.

This means that decentralisation is a highly political process and that there is no single policy position that can capture the heterogeneity of arguments in favour of decentralisation. To help you get the 'global picture' right, we can broadly group *stated* political motivations to decentralise into the following categories:

The 'managerial approach' builds on the premise that decentralisation is primarily about improving the *efficiency* of the public sector and *bringing the state closer to the taxpayer*. In line with the principle of 'allocative efficiency', the primary purpose for creating local governments is to foster efficient service delivery.

Please go back to Figure 1.3 of this unit, and you will see that the arrow linking decentralisation to the upper box at the extreme left of the figure illustrates this approach. Decentralisation is seen as a tool in the context of nationwide state reforms and structural policies, such as PFM, fiscal policies, public administration reform and civil service reform.

Many different groups advocate the managerial approach and use very a diverse set of arguments to support their views, for instance:

- *Neo-liberals'* main concern is to overcome 'government failures'. They see decentralisation as part of a wider strategy to reduce the size and the role of the state in the economy (democratisation, deregulation and devolution). The theoretical source for questioning the state and advocate market led reforms can be found in neoclassical economics and its different variants (e.g. public choice theory). Donors such as the World Bank used the banner of decentralisation to push forward vast privatisation programs in the context of the 'Washington Consensus' and of the Structural Adjustments that followed thereafter. Yet, neoliberal promises failed to materialise in many countries. The benefits of economic growth did not 'trickle down' and the size of the public sector did not necessarily wane as expected. Ultimately, the 'minimal state' led to acute 'market failures'. Critics of these policies multiplied. Pushed by the New Institutional Economics (North), policy makers brought the state back in during the second half of the '90s. In this new ideological context, decentralisation stopped being seen from the only perspective of privatisation.
- *Technocrats* view decentralisation as a means to foster efficient service delivery by improving citizens' voice and local accountability (Yatta, 2009). Contrary to neoliberals, technocrats do not exclusively focus on privatisation. They see it primarily as a mode of organisation of the public sector and focus on other forms of administrative decentralisation (de-concentration, delegation). For instance, in central Asia, it was used as a management strategy to improve the efficiency of public service delivery and to promote regional economic development.
- Dafflon and Madiès mention that some countries use decentralisation as a 'union-preserving' tool, whereas some groups within these countries use it to advance separatist claims. This has been the case for instance in Mali, Spain, Belgium and many other countries, where increased decentralisation acts as a political settlement between these centrifugal forces. The success or failure of this strategy is country specific. At one end, we can find Belgium or Canada and at the other end, we can find Mali where recent events show the limits of this strategy.

The political approach places service delivery in a wider political vision. Proponents of this approach see decentralisation as a tool to improve state-society interaction, increase accountability and gradually reform undemocratic political institutions. This approach ascribes a wider role to local governments than the managerial approach. Local governments are the mouthpiece of a shared community of interests in a locality and can make policy choices in its name. Advocates of this approach tend to favour political and fiscal decentralisation over administrative decentralisation.

In Figure 1.3, the arrow linking decentralisation to the upper middle box illustrates this approach. It places decentralisation in the framework of wider political reforms.

The theoretical roots of this approach can be found in the Enlightenment, with Montesquieu or de Toqueville. Today, proponents of this approach are numerous in the academic literature and in policy-making spheres. For instance, one can mention the democratisation and social movements of the '90s in Latin America and in Eastern Europe. Similarly, some authors (Yatta, 2009; Smoke, 2014; Kauzya, 2007) claim that in the aftermath of the Apartheid, South Africa embarked on political decentralisation as a reaction against past white centralised power.

Finally, the rise of participatory approaches in development cooperation encourages a range of new actors to express their views. The Busan agreement (2011) is the most recent attempt at institutionalising a multi-actor approach and at recognising the role of local actors in mainstream development cooperation. Other key documents that fall into this category are the EU Charter on Local self-government or the EU charter on development cooperation in support to decentralisation and local governance (2008).

The 'necessity and pragmatic approach' refers to the pressing need that central governments face to respond to increasing challenges that find their most acute expression at the local level. One can mention, for instance, rapid urban growth, the need for consistent territorial planning, the effects of weak local governance as well as the need to stimulate local (economic) development across the territory and to better contribute to national targets at local levels. All these challenges inevitably bring the local dimension into the equation. There is broad recognition that central governments are not best placed to deal with all these issues. This is why a wide variety of actors push for decentralisation, such as the UCLG or national associations of local governments. They aim at enabling local governments addressing these challenges. Returning again to Figure 1.3, the lower arrows illustrate this approach.

This categorisation of political motivations is not a blueprint, nor exhaustive. Many other nuances and schools of thought could be incorporated. The aim here is to illustrate the diversity of objectives that different actors can pursue, their differences and similarities.

In addition, this categorisation should not be seen as something static. You should always bear in mind that decentralisation is a dynamic and non-linear process:

- Firstly, political motivations to decentralise are in constant evolution and influence key features of the process accordingly. For instance, Falleti (2005) uses the case of Latin America to illustrate the dynamic nature of decentralisation and how rationales evolved over time.
- Secondly, decentralisation is not linear. Countries fluctuate between centralising and decentralising tendencies, according to many conjunctural and structural events. You have seen that each decentralisation 'wave' was a reaction to the failures of previous policies.
- Last but not least, it is key to be aware of the 'granularity' of decentralisation: governments do not recentralise/decentralise a sector such as health or education 'en bloc'. A government may decentralise

some powers while at the same time it may *recentralise* others. The case of Lao PDR illustrates this point well. Historically, governors enjoyed important fiscal and budget functions. This meant that central government relied on fiscal transfers from subnational levels to fulfil its own responsibilities. Various authors claim (Vaillancourt 2001, Gomez and Martinez Vazquez, 2011) that these practices constrained central government's capacity to react to shocks and triggered repeated fiscal crises. These measures imply a (timid) decentralisation of some other powers. Eventually, a last resort option can also be the highest judiciary institution (e.g. the Supreme Court).

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