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DEMOCRATIC DECENTRALIZATION STRATEGIC ASSESSMENT GUIDE

JANUARY 2010

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CONTENTS

- ACRONYMS AND ABBREVIATIONS..... i**
- INTRODUCTION iii**
- 1.0 STEP 1: ESTABLISHING THE COUNTRY CONTEXT 1**
 - 1.1 USING CONTEXT TO IDENTIFY GOALS AND CONSTRAINTS 2
- 2.0 STEP 2: IDENTIFYING THE DECENTRALIZATION DEFICITS..... 3**
 - 2.1 AUTHORITY..... 3
 - 2.2 AUTONOMY 4
 - 2.3 ACCOUNTABILITY..... 4
 - 2.4 CAPACITY..... 5
 - 2.5 IDENTIFYING AND PRIORITIZING THE KEY DEMOCRATIC DECENTRALIZATION DEFICITS 5
- 3.0 STEP 3: THE POLITICAL ECONOMY OF REFORM..... 7**
- 4.0 STEP 4: INSTITUTIONAL ARENAS FOR REFORM..... 9**
 - 4.1 NATIONAL ARENA 9
 - 4.2 SUB-NATIONAL ARENA..... 10
 - 4.3 Civil Society..... 12**
 - 4.4 FACTORING IN INSTITUTIONAL ARENAS..... 13
- 5.0 STEP 5: STRATEGIC AND PROGRAMMATIC RECOMMENDATIONS..... 15**
 - 5.1 THE GOALS OF DECENTRALIZATION 15
 - 5.1.1 Stability 15
 - 5.1.2 Democracy 16
 - 5.1.3 Economic Development 17
 - 5.2 MATCHING GOALS TO ARENAS OF INTERVENTION 17
 - 5.3 TOWARDS A DEMOCRATIC DECENTRALIZATION RESULTS FRAMEWORK..... 18

ACRONYMS AND ABBREVIATIONS

CBO	Community-based Organization
CSO	Civil Society Organization
DDLG	Decentralized Democratic Local Government
DG	Democracy and Governance
FAF	Foreign Assistance Framework
IR	Intermediate Result
NGO	Nongovernmental Organization
USAID	United States Agency for International Development

INTRODUCTION

This document provides a framework for conducting United States Agency for International Development (USAID) decentralization assessments in given countries. The conceptual underpinnings of this assessment guide were derived from the *Democratic Decentralization Programming Handbook*, which provides greater detail on the significance of the dimensions, goals, arenas, essential characteristics, and forms of decentralization that occur around the world.¹ This guide elaborates a methodology by which the environment for decentralization may be assessed with the intent to be able to effectively target USAID programming to achieve the desired degree of impact. The strategic recommendations that result from the application of the assessment framework will target the critical decentralization deficits in a country while taking into consideration the interests of the primary actors in the reform process and the rules in use in each of decentralization’s three arenas (national, sub-national, and civil society).

A decentralization assessment should be conducted once it is determined that a decentralization program should play a role in the given country assistance strategy. Ideally, the assessment will assist the USAID programmers to engage in a dialogue with counterparts and partners that sets the stage for the design of the new program. The assessment will contribute to the identification of the critical decentralization deficits; the environment for decentralization at the national, sub-national, and civil society levels; and the political feasibility of different types of reform and donor intervention to support such reform. The assessment finally facilitates the prioritization of programmatic alternatives by incorporating considerations of the relative weight of U.S. foreign policy goals being pursued in a specific country. Guidance is provided for articulating the assessment’s analytical findings in a results framework of direct relevance to USAID programmers.

BACKGROUND

No analysis of decentralization should be undertaken without recognizing that it is a highly complex and diverse phenomenon. Decentralization takes place in several different dimensions, can be adapted in the service of many divergent goals, and involves changes in several distinct arenas. This complexity makes it difficult to offer universal guidance. However, the fact that decentralization comes in many different guises can also be considered an opportunity. Different types of decentralizing interventions can be introduced toward different goals, and they can be tailored for the different arenas in which decentralization takes place.

As an actionable reform possibility, decentralization aligns with both political and economic liberalization. Though it takes many specific forms, decentralization generally disperses power that previously had been concentrated in central governments. Under decentralization, governmental power is entrusted to administrative and governmental units that are closer to the people served with the expectation that they will be more attentive to their demands. The concept of “democratic decentralization” utilized for USAID programming recognizes that “deconcentration” and “devolution” are both regarded as valid pathways to reform, although debates on this topic continue in academic forums.

Decentralization can usefully be conceptualized as a reform that advances the exercise of political freedom and individual economic choice in a context of stability and the rule of law. Decentralization can help

¹ USAID, *Democratic Decentralization Programming Handbook*. ARD, Inc., June 2009.

advance a number of distinct objectives. From the standpoint of promoting **stability**, strengthening the sub-national offices of national government agencies can help accommodate diverse local demands in a conflict-ridden environment. With a view toward **democracy**, devolving power can invest larger numbers of citizens as active participants in the political system, giving political opportunities at the sub-national level to actors who do not typically wield much influence in national politics. In terms of **economic development**, more empowered local administrations and governments can enhance responsiveness to local conditions and establish policies and conditions that further economic opportunities in their communities.²

Despite tremendous cross-national variation in how decentralization unfolds, all important decentralizing changes take place in one or more of three dimensions: political, fiscal, and administrative. Political decentralization is the transfer of political authority to sub-national governments. Fiscal decentralization is the expansion of revenues and expenditures that are under the control of sub-national governments and administrative units. Administrative decentralization is the transfer of responsibility for the planning and management of one or more public functions from the national government and its centralized agencies to sub-national governments and/or sub-national administrative units. Differentiating the political, fiscal, and administrative dimensions of decentralization is important because movement in a decentralizing direction within one dimension does not necessarily mean that any movement is occurring in other dimensions.³

As per Section 2.2 of USAID's *Democratic Decentralization Programming Handbook*, decentralization's many stakeholders can be grouped into the three major arenas in which they typically operate and in which field officers and project implementers can design their interventions: the national arena, the sub-national arena, and civil society. In the national arena, decentralization requires national officials to surrender certain roles (direct service provision and, in some cases, the appointment of sub-national officials) and to learn how to fulfill the new roles that are expected of them in a decentralized system (standard setting and oversight). In the sub-national arena, decentralization means that sub-national officials have to learn how to make and implement decisions that are far more challenging than anything they were asked to do in the centralized past. In both the national and sub-national arenas, decentralization makes it urgent for civil society groups to reorient their behavior in order to identify and pursue productive ways of partnering with governmental actors and advocating for change. Indeed, although restructured national and sub-national entities are unambiguously needed to deliver the potential benefits of decentralization, an engaged and empowered citizenry is absolutely critical.

Decentralization takes three main forms: deconcentration, delegation, and devolution. We define each of these below, but subsequently focus on deconcentration and devolution as the two principal forms of decentralization that take precedence in programming:

- **Deconcentration** may be defined as the national government reassigning responsibilities to the field offices of national ministries without placing these offices under the control of sub-national governments. In other words, deconcentration reassigns authority among different levels of the central government. It can shift operational responsibilities from central government officials in the capital city to those working in regions, provinces, or districts, or it can create strong field administration or local administrative capacity under the supervision of central government ministries. Deconcentration can actually enhance the penetration of national governments into parts of the national territory in which its presence has been marginal in the past, hence its appeal in many post-conflict environments and in fragile states. Although it involves the most limited changes, deconcentration may also constitute the most feasible and desirable set of interventions in various settings. Deconcentration is also an appealing form

² Please refer to Section 3.0 "Why Decentralize?" of the *Democratic Decentralization Programming Handbook* for a more detailed discussion of the goals of decentralization.

³ These dimensions are more fully discussed in Section 2.0 "What is Decentralization?" of the *Democratic Decentralization Programming Handbook*.

of decentralization for those services that should not be either partially or fully devolved. These include services where scale or externalities are involved (for example, non-local roads and water resources), or where redistribution of wealth and national standards are important.

- **Delegation** constitutes a greater degree of change in the distribution of power relative to deconcentration because it shifts responsibility for specifically defined functions to sub-national governments or sub-national administrative units. Delegation can be used as a means of building the capacity of sub-national governments and administrative units in preparation for subsequent moves toward devolution. In addition to multipurpose sub-national governments and administrative units, the national government can delegate responsibilities to single-purpose governments and administrative units, parastatals, private firms, and/or nongovernmental organizations. In these cases, delegation moves service delivery closer to people, but not necessarily through sub-national governments.
- **Devolution** is the most expansive form of decentralization in that it requires sub-national governments to hold defined spheres of autonomous action, which typically means the use of sub-national elections. Thus, unlike deconcentration and delegation, devolution cannot occur in the absence of political decentralization, and for that reason devolution and political decentralization are tightly linked as concepts. After devolution, separately elected decision makers in sub-national governments may be largely independent of the national government, but they are still bound by the provisions of national laws (such as those regarding political rights and civil liberties), national policy priorities (including meeting basic needs and reducing poverty), and national standards (in such areas as fiscal responsibility, healthcare, and water quality).

Decentralization's multiple dimensions, goals, and arenas make it a complicated and somewhat difficult phenomenon to understand, let alone support effectively. Despite all this complexity, however, no matter what form decentralization takes, toward what goal it is intended, or in what arena it is adopted, all decentralizing changes must embody certain key characteristics in order to succeed.

1. **Authority.** Sub-national governments or sub-national administrative units of the national government must be given legal authority over functions they now have the responsibility to undertake. For decentralization to be meaningful, sub-national administrative units or governments must carry out services and functions that clearly benefit their citizen-residents, who must know what local administrators or councilors are authorized to do in order to interact with them effectively. Authority, which can be mandatory or permissive (allowed but not compulsory or prohibited), can be enshrined in a constitution or outlined in laws, or can be decreed administratively (though decreed changes are more easily modified and therefore less stable than constitutional and legislative authority). In sub-national governance, authority may be conferred through sub-national democratic elections or delegated to local officials from national hierarchical superiors. An important requirement is that authority must be rule-based so as to limit self-interested manipulation by politicians and central bureaucrats. In many developing countries, formal sub-national authority coexists with traditional community or tribal authority, which may serve key roles that need to be respected or even nurtured.
2. **Autonomy.** Decentralization requires that sub-national administrative units or governments be given some degree of autonomy over functions for which they are given authority. The national government has a legitimate stake in maintaining some control over functions that support critical national goals (such as stability, democracy, and development), but certain functions or aspects thereof can often be assigned to sub-national actors. Autonomy provides sub-national officials with flexibility to respond more effectively to local conditions and the specific needs of local people. Of course, autonomy has a different quality when exercised by appointed administrators than it does when exercised by elected officials, but the former can often productively be given an element of managerial discretion to better meet local requirements.
3. **Accountability.** Decentralization must create a degree of accountability to empowered local citizens, who know what to hold sub-national public officials accountable for by virtue of the specific authorities

allowed to them. Of course, accountability is more powerful in cases where voters can replace elected officials if they do not adequately respond to local needs. But, even if sub-national officials are appointed, a range of mechanisms can help to improve accountability. These include complaint adjudication boards, citizen report cards, and performance-based employee reviews that include citizen feedback. The critical concern is that accountability mechanisms provide a central link between formal decentralized institutions and citizens, the core relationship in democratic local governance. Without these accountability mechanisms, sub-national officials with strong authority and autonomy are the functional equivalent of autocrats. At the same time, an element of vertical accountability to the center is almost invariably required. Even in well-established democracies, higher-level governments have the right to ensure that basic standards are maintained in the delivery of key local services and that legality requirements are met on electoral processes, fiscal responsibility, and procurement. Moreover, decentralization may also involve horizontal accountability relationships (between elected councilors and local civil servants, and among sub-national departments), which are critical for effective performance.

4. **Capacity.** Effective decentralization requires that sub-national administrative units or governments have adequate capacity to use their authority and autonomy to be responsive to local people. If sub-national officials are unable to deliver functions that local residents expect from them, the potential benefits of decentralization are unlikely to be realized. At the same time, civil society must have sufficient capacity to hold local administrations and governments accountable if decentralization, much less true democratic local governance, is to take root and flourish. Even central agencies must often develop new capacities to support the transformation of their role from controlling sub-national jurisdictions to enabling, coordinating, and legally overseeing them.

Summarizing the main thrust of this strategic decentralization assessment methodology, USAID should seek to optimize the types and levels of authority, autonomy, accountability, and capacity that will enable decentralization to achieve its main goals (stability, democracy, and/or development) in each of its three major arenas (national, sub-national, and civil society). The following step by step assessment guide provides an actionable means of capturing reform opportunities for advancing decentralization in any given country.

METHODOLOGICAL OVERVIEW

This decentralization assessment framework is divided into five steps to assist practitioners in dealing with the complexities of decentralization in various political and post-conflict settings. Rather than exhaustively documenting each of the three main arenas in which decentralization unfolds, this framework begins by identifying the key decentralization deficits and who the key reformists and opponents of reform are likely to be. Through this filtering process, the assessment is able to explore in more depth the specific arenas in which the greatest opportunities exist for meaningful interventions. The five steps are as follows:

1. A concise contextual analysis of the political dynamics that have prompted the adoption of decentralization reform. This should identify the priority goals which have motivated and shaped the reform process.
2. An analysis of the four essential characteristics of decentralization: authority, autonomy, accountability, and capacity. This step of the analysis will result in the identification of principal decentralization deficits that could be addressed with the support of international donors such as USAID.
3. An identification of the principal actors affected by the decentralization process and an analysis of their interests in terms of whether they are likely to support or oppose reforms in specific areas. This step will help to assess the feasibility of supporting reforms designed to reduce the decentralization deficits identified in Step 2.

4. An analysis of the institutional arenas (national, sub-national, and civil society) in order to identify toeholds for interventions by which the principal decentralization deficits can be addressed through programming. This step should lead to a good understanding of the overall national policies regarding decentralization and the rules that shape public administration at sub-national levels—including the status of sub-national capacity and performance. This step also reviews the civil society arena, including the strengths and characteristics of nongovernmental organizations (NGOs).
5. An articulation of the strategic and programmatic recommendations suggested by the findings of the analysis. The recommendations should not be prescriptive or definitive, but should offer a conceptual framework based around the achievement of results derived through a development hypothesis.

While the assessment framework is structured around the five steps, research under them will in practice be carried out simultaneously. However, for planning and presentation purposes, it is recommended that the findings of the analysis be structured according to the following steps.

I.0 STEP I: ESTABLISHING THE COUNTRY CONTEXT

A decentralization assessment should begin with a section that provides a contextual background for understanding the decentralization process in a given country. The reasons decentralization is being pursued, the central characteristics of the reform program, and the degree of support it enjoys should be concisely presented. This contextual analysis provides a critical point of reference for the subsequent assessment steps. It should be brief, drawing upon a mission's preceding Democracy and Governance (DG) assessment where possible, and provide justification for undertaking decentralization in the country. This contextual perspective provided in this section should help distinguish the appropriateness and relevance of the three primary goals of decentralization, stability, democracy, and development, as elaborated in Section 3 of the *Democratic Decentralization Programming Handbook*. *Stability* is a fundamental goal in conflict-ridden environments and fragile states, and decentralization offers one means of mitigating destabilizing characteristics of governance. In terms of *democracy* promotion, decentralization can serve to demonstrate the tangible benefits of democratic governance to citizens, when they see such things as the responsiveness and quality of service delivery improve as a result of increased authority and accountability at the local level. If a country is stable and is well on the way to consolidating a democratic transition, then *economic development* might be the goal and would be most likely to mesh with the vision of decentralization advanced by the host country government.

Of additional consideration is the identification of constraints to decentralization such as limits to state strength, political and institutional constraints, and resource constraints. In many developing countries, state actors at the center cannot defend the rule of law throughout the national territory. Incomplete state formation means that such representatives of the state as judges, prosecutors, and police officers have a difficult time uniformly upholding the rule of law. In many developing countries, the reach of the central state in different sub-national jurisdictions is uneven, with a strong state presence in some sub-national regions and the virtual absence of the state in others. In this situation we need to carefully consider the risks of decentralization and its potential impact on the behavior of sub-national officials as it will transfer to them additional revenues, assets, and responsibilities.

A series of political and institutional constraints also complicate the relationship between decentralization and the outcomes it is designed to promote. In politically decentralized countries, the internal structure of political parties is especially important in understanding how sub-national actors respond to decentralization. In many countries, rigid party discipline and national control over sub-national candidate selection conspire to limit the scope of political decentralization and reduce local empowerment. Frustration with sub-national officials who remain unresponsive to local concerns—even where they are elected and not appointed—can lead to citizen disillusionment with decentralization and democracy. This increases the significance of nonelectoral mechanisms of accountability. Civil society participation and community empowerment are crucial when promotion of democracy is the goal of decentralization. Yet, we must remember that civil society groups such as NGOs and customary authorities are not always representative of the local population, and may reinforce identity-based rather than residency-based inclusion.

Finally, numerous resource constraints in developing countries, at both the national and sub-national levels, can render decentralization substantially less effective than it has been in resource-rich countries. Many sub-national governments and administrations simply do not have sufficient human and financial capacity to play

the enhanced roles that they are expected to play in decentralized systems. Decentralization may actually promote instability if it raises the expectations of local populations only to dash these hopes when sub-national officials fail to deliver.

- What are the main drivers of the national government’s decision to adopt or reject decentralization (for example, democratic transition, economic crisis, post-conflict settlement, donor pressure, or poorly performing sub-national public sector entities)?
- Are there particular political or social problems (such as regional or ethnic tensions) that the government seeks to resolve through decentralization?
- What are the main goals of decentralization (stabilization, democracy, and/or development)?
- Is there evidence of broad political support for decentralization or do important political actors question the merits of decentralization? If so, what are their motivations?
- Are there any important differences in vision among key parties (such as national government agencies, major political parties, or powerful interest groups)?
- What are the principal constraints to a decentralization strategy posed by the country context?

I.1 USING CONTEXT TO IDENTIFY GOALS AND CONSTRAINTS

Situating the assessment within the dynamics of a country’s context is essential to framing the strategic approach and recommendations in Step 5. Understanding the country context will allow the assessment team to identify the motivation and incentives for decentralization and towards what broader ends it is meant to contribute. Specific constraints such as ethno-linguistic social cleavages must also be considered in understanding the limits of decentralization in a given country. This introductory section of the Decentralized Democratic Local Government (DDLG) Assessment should lead to an articulation of the host country drivers of decentralization as well as a justification for launching or continuing foreign assistance for decentralization or democratic local governance.

2.0 STEP 2: IDENTIFYING THE DECENTRALIZATION DEFICITS

The purpose of Step 2 is to be able to identify those areas in which a country's decentralization process most needs improvement. In order to succeed, all decentralization reforms must embody the four key characteristics of authority, autonomy, accountability, and capacity, as described in detail in Section 1.2 of the *Democratic Decentralization Programming Handbook*. The deficits revealed through this analysis represent the key obstacles to democratic decentralization that can be addressed by the country strategy.

Step 2 of the assessment should therefore evaluate the country's achievement of the four essential characteristics of decentralization, as follows:

2.1 AUTHORITY

This sub-section evaluates the relative scope and degree of authority exercised by sub-national governments or localized administrative units of the central government. Meaningful decentralization requires that local governments be able to respond to growing demands being placed on them by the communities they serve. This means they must have the authority to make decisions about priorities and that they have access to the resources to effectively address these priorities.

Regardless of the intended goals of decentralization, the national arena is where decisions to redistribute authority will be made (although decisions over the distribution of authority may also be made at intermediate levels, particularly in federal systems). Questions posed in regard to this fundamental characteristic should focus on the roles that sub-national governments and administrative units play vis-à-vis the provision of benefits to citizens or residents.

- Does the decentralization framework authorize sub-national governments and administrations to perform certain roles and does it endow them with specific rights? Does the decentralization framework specify roles for civil society organizations? (Note: these roles may be specified in the constitution, in laws, in administrative decrees, or in some combination of these.)
- What functions and revenues are decentralized?
- Have sub-national governments actually adopted service or other public functions (dispute resolution or land titling, for example) for which they have been assigned or allowed responsibility?

2.2 AUTONOMY

Reinforcing and protecting the autonomy of sub-national units to exercise their authority not only helps them to act more independently but also constrains the national government from unduly interfering. This characteristic of decentralization refers to the extent to which decisions are influenced by local considerations as opposed to strictly adhering to nationally mandated policies. For democratic decentralization to provide greater leverage for citizen participation, local governments must be able to incorporate citizen input into decision-making. For communities to be able to hold their local officials accountable, the local authorities must have the discretion to respond to bottom up pressures.

Questions addressed in regards to this fundamental decentralization characteristic revolve around the extent to which sub-national officials have the discretion to make decisions based on local considerations. Key questions include the following:

- Do sub-national governments and administrative units have autonomy in making sub-national decisions? (They cannot be held truly accountable for meeting citizens' preferences unless they can make decisions.)
- How much sub-national discretion exists relative to specific functions?
- Do sub-national governments and administrative units have some degree of control over the hiring, firing, and management of local employees?
- Have sub-national governments used revenue-generation functions for which they have been assigned or allowed responsibility (including own sources of revenue and, where applicable, borrowing)?
- If so, how successful at raising revenues have sub-national governments generally been?

2.3 ACCOUNTABILITY

If sub-national officials have the authority to make and the means to implement decisions, and if they are able to exercise discretion and autonomy in decision-making, then they are in a position to be held accountable for their actions. This sub-section evaluates the nature and effectiveness of the mechanisms by which local authorities are held accountable. Understanding to whom the authorities are accountable helps to grasp the incentives that condition their behavior.

Deepening accountability demands different actions in different arenas, depending on whether deconcentration or devolution has been adopted. In the former case, sub-national bureaucrats remain primarily accountable to national actors (although some customer satisfaction mechanisms that connect to citizens may be productive), and programming can take place at both that national and sub-national levels. In the latter case, sub-national employees are formally accountable to elected sub-national governments, and programming in the civil society arena can also help make these governments more accountable to voters for their actions.

Questions addressed in regard to this characteristic of decentralization should help assess the extent to which sub-national public officials are held accountable for their performance, both by citizens and by other governmental entities (such as sub-national assemblies or the central government). Key questions include the following:

- Are sub-national elections regularly held? If so, are they competitive?
- What are the constraints in cases where political competition is allowed but ineffective (for example, dominance of one party, manipulation by national level party forces, local elite capture, or poor voter turnout)?
- Are other accountability mechanisms beyond the blunt instrument of elections provided for in the decentralization framework (such as recalls, plebiscites, referenda on specific issues, town hall meetings, and citizen surveys)?
- Are citizens provided access to specific mechanisms to contest the decisions of sub-national governments and administrations?
- Is there central government oversight relative to the administrative functions of sub-national governments and administrations? If so, is it effective?

2.4 CAPACITY

Capacity building typically needs to take place in all three arenas to help national governments, sub-national units, and citizens play their new roles. The adoption of decentralization can effect legal changes in the authority, autonomy, and accountability of sub-national governments. Even with those improvements, the actors involved in democratic local governance also most frequently need to have improved capacity to be able to actually respond to increased interaction and demand from citizens. But building the capacity of all actors to function effectively in this new environment can take a long time. Sub-national governments tend to need additional capacity, but this is also true for national government actors whose roles change under decentralization and civil society actors who are unaccustomed to working with sub-national governments and administrative units. For example, for accountability to function in a decentralized system, civil society must have the capacity to hold local authorities accountable, which means they need to be able to have the information and abilities to understand the rules and complexities of local administration. Capacity must therefore be gauged both on the governmental side (to determine how effectively, responsively, and transparently governmental actors perform) and on the civil society side (to determine whether civil society groups participate meaningfully and exercise oversight and accountability).

Indicative questions include the following:

- How well are sub-national administrations/governments performing their functions in terms of objective measures (such as increases in the quantity or quality of services)?
- Are the specific reasons for weaknesses in functional performance known (for example, lack of clarity in functional assignments with ensuing inter-level redundancy or competition, weak managerial and technical capacity, lack of revenues to finance costs, or politicization of service delivery)?
- What specific provisions are made for capacity building at each level?
- Through which institutional mechanisms (for example, government entities, special training institutes, regular academic institutions, or private firms via contracts) are these capacity-building services provided? Are they up to the task?
- To what extent do sub-national governments and administrative units play an active role in defining and securing capacity building and technical support? Is capacity building driven by the center or by the requests of sub-national units (supply driven versus demand driven)?
- What types of capacity building and technical assistance efforts and resources are available to sub-national actors (ready-made courses from national agencies or donors, central government funding for use by local governments, and reliance on locally generated resources, for example)?
- Is capacity building oriented around the traditional classroom model and offered on a one-time basis, or is it at least partly on the job and ongoing?
- To what extent are capacity building and technical assistance tied to current priority tasks?

2.5 IDENTIFYING AND PRIORITIZING THE KEY DEMOCRATIC DECENTRALIZATION DEFICITS

At the end of Step 2, the analysis of the four fundamental characteristics of decentralization—authority, autonomy, accountability, and capacity—should lead to a preliminary identification and prioritization of the key opportunities to be supported and critical constraints that must be overcome for decentralization to succeed in realizing its potential. All of these elements must be present for democratic decentralization to effectively function. However, progress may be uneven, and opportunities for reform will ebb and flow due to political and economic circumstances beyond the scope of local administration. This sub-section should include a summation of the conditions prevailing in each of the four critical characteristics of decentralization and an articulation of how the existing characteristics help to define the current system of local governance.

Having identified the decentralization deficits, this sub-section should end with a prioritization of potential problems to be addressed and alternative approaches to overcoming them. That is, for example, if there is insufficient authority and autonomy attributed to sub-national entities, it would not make much sense to

invest in improving accountability or capacity. Once the deficits are identified and prioritized, the assessment process moves to a consideration of the interests of actors in ascertaining the political feasibility of various paths to reform.

3.0 STEP 3: THE POLITICAL ECONOMY OF REFORM

Having assessed the essential characteristics of decentralization in Step 2, the assessment framework now moves to consider feasibility issues given the political economy of decentralization and the interests of key actors involved in the process. The purpose of step 3 is to further prioritize the targets for intervention that emerge from Step 2. Step 3 seeks to identify the dynamics, interests, and expressed goals of the decentralization process. What vested interests might resist the process? How will the various stakeholders likely suffer or gain from decentralization? This step of the assessment process seeks to get at underlying interests and incentives that condition political will and feasibility of various approaches towards decentralization reform.

Careful consideration of the likely sources of support and opposition for furthering reform or modifying current reforms is imperative. USAID may be unable to effectively assist with desirable and technically attainable reforms if support in the beneficiary country is weakly placed and opposition is powerful. Preference should be given to activities with a reasonable chance of being implemented or influencing how key relevant actors think about decentralization.

National governments are not monolithic actors. For good or ill, the national government is made up of multiple agencies with varying visions of, and motives for, decentralization, as well as different levels of institutional capacity and policymaking influence. In many countries, for example, there are distinctions between actors responsible for overall public resource allocation and management (the Ministry of Finance, Ministry of Planning, and Civil Service Commission, for example), general local government support and oversight (Ministry of Local Government, Ministry of Home Affairs, and Ministry of Interior), and specific sectors (Education, Health, Public Works). Failure to identify all of the key actors involved in decentralization, the specific role they play, and the extent to which they cooperate or compete could result in problematic decentralization programming decisions.

As difficult as it may be to disaggregate the national government and to identify all of its relevant component ministries and agencies, getting a solid handle on who the key actors are at the sub-national level and within civil society can be even more challenging. Where USAID seeks to support deconcentration as a strategy, programmers should pay special attention to the needs and demands of civil servants who have been assigned to sub-national locations (whose cooperation is especially necessary for the success of a decentralization program). Supporting deconcentration can also mean expanding forms of interaction between civil servants and civil society, typically in the form of NGOs that partner with the government in providing services. In post-conflict environments, where deconcentration holds special appeal, programmers will want to solicit the views of sub-national actors in that part of the national territory where the conflict was concentrated. Where countries have opted instead for devolution, it is critical that DG officers pay attention to the needs and demands of sub-national officials who have been elected to what are, almost by definition, new offices. Depending on which dimensions of decentralization have received the most attention, key sub-national actors are likely to include mayors and governors who believe that the chances of their being reelected depend fundamentally on the transfer of greater fiscal authority and administrative independence.

The articulation of the decentralization vision in a given country generally reflects the results of the interplay of interests. It is important to identify the decentralization policies that are being promoted, both in principle

and in practice. Public debates and dialogues over the decentralization process are important in singling out those approaches towards reform that have already been identified by counterparts.

- Are there viable champions and networks of reformists that can be built upon?
- What are the areas of intervention most likely to arouse opposition, either to policy reform or implementation?
- What are the key national institutions and what specific role does each play? Is there a lead agency responsible for decentralization?
- Do key institutions have similar or competing visions of decentralized governance?
- Has the central government taken serious steps to implement decentralization?
- Do the key institutions harmonize systems or procedures for working with civil society?
- How well do key institutions work together and how does this affect the design and implementation of decentralization reforms?
- Have associations of sub-national governments (municipal associations or leagues of governors, for example) been formed at either the intermediate or local level? Are they active and effective?
- Do national-level networks or federations of local civil society organizations (CSOs) exist? Do they play any role or have any position related to decentralization?
- Have nationally organized groups such as labor unions, environmentalists, and peasant federations adopted a stance relative to decentralization?
- Are there important traditional authority structures in place that parallel sub-national governments or administrative units? Have these structures been affected by decentralization?

The analysis of actors and their interests in Step 3 should lead to a reconsideration of the priorities for addressing the decentralization deficits identified in Step 2. No matter how critical the deficit may appear to be, the prospects for success will be severely constrained if the reformists are too few or too weak, or if the opponents are too invested in the status quo and too strong. Conversely, prospects for intervention to address specific decentralization deficits will be greater if the interests of influential key actors are aligned with the recommended interventions.

4.0 STEP 4: INSTITUTIONAL ARENAS FOR REFORM

The preceding steps enable programmers to identify key elements of decentralization and to prioritize them according to where the impact of assistance is likely to be greatest. Step 4 turns to the institutional arenas that structure the decentralization process. This will help to identify specific points of intervention. There are three arenas in which programming can take place: the national, sub-national, and civil society arenas. Each must function effectively, although differently, so that decentralization can achieve the goals that have motivated its adoption. The stakeholders reviewed in Step 3 can be grouped into the three major arenas in which they typically operate. This section describes how each of these arenas can be conceptualized and assessed in order to inform strategic design and programmatic interventions.

The purpose of this step is to evaluate those aspects of the arenas that the preceding analyses indicate may be fruitful points of intervention. Not all aspects of the arenas will be examined, at least not in the same depth. Rather, this section will attempt to provide an understanding of the fundamental institutional dynamics which need to be taken into account in order to effectively address the decentralization deficits identified in Step 2.

4.1 NATIONAL ARENA

Sub-national actors may take independent steps that strengthen their hand in local governance, but formal decentralization is by definition always an act of a central government that relinquishes certain rights and responsibilities to lower levels. Thus, an assessment of the decentralization environment should start with evaluating the stance and actions of national actors. Decentralization reform must be understood in terms of the levels that are being targeted. A national policy of increasing the role of provincial offices of central agencies and the resources provided to them through a hierarchically integrated national budget, for example, would suggest the need for different types of donor support than a policy creating elected local governments with autonomous expenditure and revenue assignments.

The nature and content of the framework for decentralization and local governance provide an indicator of how serious the government is about decentralization and may suggest potentially productive areas for donor interventions. Formalized constitutional and legal frameworks are in principle stronger than those provided in ministerial decrees. A good framework, in whatever form it is articulated, must meet certain basic principles to achieve the intended goals of decentralization. In most cases, there are opportunities for donor support for further development of the framework.

Analysis of this area will build upon lessons gleaned from Steps 1 and 3 in regards to the motives and degree of support for decentralization. The assessment of the national arena should result in a clear vision of the enabling environment regarding the decentralization process. What this suggests about levels of authority and autonomy should be apparent. The analysis of the national arena should also indicate the extent to which conditions are right to improve accountability and capacity.

Lines of inquiry regarding the national arena will likely include:

- At what sub-national level is decentralization being pursued?
- How many levels of administration and government exist? Has this changed recently?
- What is the importance or planned importance of the relative roles of each level under decentralization policy?
- Is there an explicit match between revenues and expenditures, such that sub-national governments are not being asked to assume responsibilities that they have no means of financing? Is there capacity at the national level to fulfill their oversight and standard setting roles?

4.2 SUB-NATIONAL ARENA

While the decentralization framework is largely defined and managed by the central government, involvement of sub-national actors in this process is critical to ensure that the framework reflects local conditions and expectations about the role and function of sub-national governments given that they must assume the responsibilities being decentralized. Sub-national actors are also typically charged with further developing certain local aspects of the framework, including the design of local tax policy and the regulatory environment for private sector activity, and they may take independent steps that strengthen their hand in local governance.

Thus, at the sub-national level, it is important to understand how decentralization is unfolding and how actors are reacting to it. Such an understanding can help point to potentially productive interventions in the national sphere as well as ways of supporting sub-national governments and other actors as they attempt to function in an unfamiliar decentralizing environment.

In order to understand how decentralization is evolving at the sub-national level, it is useful to take stock of certain features of the sub-national environment that may influence the design of possible interventions. These include the *nature and stability of the sub-national units* in a particular country and the nature of relationships across levels and among units at the same level. The extent to which sub-national units are similar or dissimilar will influence the type of broad support strategy that USAID might wish to take. The degree to which the jurisdictional boundaries are stable or shifting is also an important consideration, as decentralization may have set into motion attempts either to create new sub-national units or fuse existing ones.

Relationships among levels of government and administrative units at the same level undergo important transformations under any form of decentralization. Understanding the present nature of **intergovernmental relationships** and how they need to change is important for USAID programming.

Political competition is a basic requirement for the devolution form of decentralization. Without a reasonable degree of competition, the electorate may not have meaningful choice in selecting sub-national leaders. Beyond elections, sub-national governments must be connected to their constituents if they are to be genuinely responsive. This can be accomplished through a variety of citizen engagement processes and accountability mechanisms. Whatever the degree of sub-national political competition and the nature of interaction between elected bodies and citizens, there is a need for sub-national representative bodies to meet regularly in ways that are governed by transparent rules and procedures.

An often neglected dimension of the sub-national sphere in decentralization is the relationship between **elected** sub-national representative bodies and **appointed** sub-national civil servants. This is a complex matter, particularly where local staff, who used to report to central ministries now must learn to work primarily with sub-national governments, or where newly elected councils face substantial political pressures to respond to citizens but are unaccustomed to thinking in terms of budgetary and technical constraints.

Fiscal Decentralization

Fiscal decentralization comprises the financial aspects of devolution to regional and local government and sets the framework of expenditures, revenues, and legal discretion within which regional and local governments operate. Fiscal decentralization encompasses two interrelated issues. The first is the division of spending responsibilities and revenue sources between levels of government (national, regional, local, etc.). The second is the amount of discretion given to regional and local governments to determine their expenditures and revenues. These combined dimensions have a significant impact on the reality of decentralization in its broader political and administrative sense.

- Do local governments have discretion in setting local tax rates and deciding how to use local revenues?
- What percentage of local revenue is generated by local taxes? What percentage by user fees? What percentage by intergovernmental transfers?
- Do local governments have discretion over the nature and levels of local services provided?
- What share of general revenue is raised and retained at the sub-national level?
- What share of aggregate public expenditures do sub-national governments have effective control over?
- Do sub-national governments have the flexibility to shift expenditures within their budgets or do they need higher level approval?
- Are sub-national governments given unfunded mandates by higher level government units?
- What percentage of the budget at sub-national levels is taken by salaries?
- Are intergovernmental transfers stable and predictable?
- Do local governments receive sufficient resources to carry out functions for which they are responsible?
- Do local governments have flexibility to cut expenditures or reallocate revenue?
- Which levels of government has the authority to borrow? What role does the central government play in decisions by local government to borrow?
- Do citizens have the authority, incentives, and necessary information to monitor the fiscal activities of their local officials?

Service Delivery

Fiscal, political, and administrative policies and institutions in a particular country will affect political accountability, fiscal soundness, and administrative capacity at both the national and sub-national levels. This in turn affects service delivery. If designed well, decentralization can move decision making closer to the people and improve governance, including the efficiency of service delivery. As a result, building the capacity of local governments to deliver effective, efficient, and sustainable services is a key outcome of donor funded decentralization and local governance assistance programs.

In most countries local government is responsible for what are often called “communal services”—local roads, lighting, water supply and sanitation, waste management, parks and sports facilities, social housing, etc. What varies is the extent of local responsibility for the social sector, chiefly comprising education, health, and social assistance. The varying degree of local budget responsibility for the social sector makes a major difference to the nature and scale of decentralization in a country.

The following are some illustrative questions to consider in assessing the level and scope of local government responsibility for service delivery.

- Is there a clear assignment of functional responsibilities for each level of government?
- Does each level of government have the resources to finance the assigned function?
- Do intergovernmental transfers allow for local flexibility in delivery of local functions?
- Is there formal assignment of the services provided by each level of government?
- Where is this assignment found? i.e. in the Constitutions? Legislation? Administrative regulations?
- What services are local governments responsible for providing?
- Are there any services where more than one level of government shares responsibility for their delivery?
- What role does the central government have in determining how resources are allocated by lower levels of government?
- How much autonomy do local governments have in making service delivery decisions?

In addition, it is important to consider the quality and cost of the services delivered by local government. If citizens do not perceive that the quality of services has improved, then this can affect their overall support for decentralization. Public opinion surveys are an increasingly common means of obtaining this type of information. Other sources of information are local citizens and non-governmental organizations that may monitor the work of local and regional governments.

It is often more difficult to determine the cost of service delivery given that financial information of this nature is not always available. To the extent feasible, it is important to try and seek out this type of information as a means of determining the financial viability of services delivery options, and as a means of assessing the level of government most appropriate for delivering a particular service.

It is important to understand the extent to which sub-national administrations and governments have undertaken the **administrative and fiscal functions** that have been decentralized to them. If the functions have indeed been adopted, it is also important to consider performance effectiveness in diagnosing the situation to determine possible programming interventions. The assumption of specific functions is a critical aspect of decentralization, and the success with which they are being performed is an important dimension of sub-national performance. Revenue generation is considered to be an important role of sub-national governments, and even sub-national administrations often play a role in collecting public resources. Functional performance and revenue generation are important for decentralization, but they must be occurring in a fiscally responsible, sustainable way. Sub-national governments need to adhere to basic principles of financial management and control, and they must be subject to hard budget constraints. Closely linked to performance is the ability of sub-national governments to manage the fiscal functions decentralized to them and to effectively provide for adequate service delivery.

Although the enabling environment for associational and private-sector activities is substantially dependent on the national regulatory and fiscal framework, the behavior of sub-national governments can also affect the freedom of citizens and businesses to pursue their interests. In some countries, sub-national governments have virtually no regulatory power, while in others there is much that they can do. Even without strong power, however, **sub-national regulations** can influence local behavior by the way they structure revenue and service delivery, the extent to which they informally encourage or discourage civic association, and how they implement procurement.

- Are sub-national governments relatively homogeneous or heterogeneous (in terms of type, size, economic activity, rural or urban, capacity, ethnicity, and the nature and quality of political competition)?
- If there is more than one level of sub-national government or administration, what is the nature (hierarchical, cooperative, or independent) and quality of the formal relationship between them?
- What is the degree of sub-national political competition?
- What types of processes are in place to stimulate formal citizen engagement (including participatory planning, participatory budgeting, or participatory performance evaluation)?
- Are sub-national civil servants hired by sub-national governments and accountable to them? Findings from this section also factor in the preceding discussion on accountability (Step 2).
- What balance is struck between the technical functions of sub-national employees and the political prerogatives of elected sub-national councils?
- Are the specific reasons for weaknesses in functional performance known (such as a lack of clarity in functional assignments with ensuing inter-level redundancy or competition, weak managerial and technical capacity, lack of revenues to finance costs, or politicization of service delivery)?
- Are there general lessons to be learned from better performers for other sub-national governments (for example, how to achieve cost-effective service provision, increased revenue collection, strong support from higher level governments, or partnerships with the private sector and NGOs)?
- What role do sub-national governments play in regulating the climate for citizen and business activity?

4.3 CIVIL SOCIETY

Civil society and its constituent CSOs have two often overlapping functions in governance: they perform functions (broadly defined to include service delivery and dispute resolution), and they advocate to the state on behalf of their constituencies. Both functions can be critical to decentralization, and it is necessary to address assessment questions to both. It is also important to understand how these organizations are governed and which elements of the population they represent. Finally, it may be important to consider indigenous or traditional institutions, which are sometimes very influential in local society.

CSOs often deliver services, sometimes on their own, sometimes in partnership with sub-national governments or administrative units. In considering possible programming in this area, it is important to take stock of the role they play, if it is appropriate, and how well they perform. CSOs can also play a strong role in sub-national advocacy, but they may also be so weak that they are barely relevant to sub-national

governments and administrative units. There may also be great variations in CSO advocacy in terms of quality, differences across sectors and populations they represent, and differences across sub-national jurisdictions. Whether CSOs focus on advocacy or delivering services, it is important to determine whether they are broadly representative of citizens or captured by elites or special interest groups. In addition, understanding the way they are governed and funded may suggest possibilities for useful programming support.

It is also important to consider whether local CSOs are part of any network or higher level organization, as well as the nature and effects of these other relationships. At the local level, even powerful local CSOs may have limited power beyond their area of operation. There could be substantial benefits for individual CSOs to work together with other CSOs—locally, regionally, and even nationally. If they exist, CSO associations may be well developed and powerful or incipient and weak (or somewhere in between). Likewise, their governance may be broad and embracing of active participatory decision-making or narrow and dominated by elites (or somewhere in between). In many countries, there may be opportunities for creating CSO networks and associations that can participate in critical higher-level debates about civil society empowerment and decentralization, thereby enhancing the overall strength of civil society.

Community-based organizations (CBOs) and traditional authority structures differ from CSOs, and they often possess additional levels of authority and status for local residents because of their historical and traditional roots. While such groups frequently lobby for resources and services for their members or residents, they also can be effective agents of conflict management, management of natural resources, provision of collective goods, and community development.

- What types of service delivery and other functional activities do civil society organizations engage in at the local level?
- What role do CSOs play in advocacy at the sub-national level?
- How representative of the citizenry are CSOs and how well are they governed?
- How do local CSOs secure and maintain support? Do they have independent capacity and raise their own resources or are they dependent on external support?
- Have national, regional, or local networks of local CSOs been created?
- What CBOs and indigenous institutions of governance are active?

4.4 FACTORING IN INSTITUTIONAL ARENAS

The identification of a country's decentralization deficits in Step 2 does not necessarily identify the institutional arena(s) in which the problem is best addressed through donor intervention. Step 3 considers the feasibility of addressing the various deficits given the interests of the key actors and stakeholders in the decentralization process. Step 4 looks at the various institutional arenas in which decentralization takes place in order to identify windows of opportunity as well as structural obstacles that stand in the way of reform.

Step 4 should thus conclude with a short section that sums up the findings regarding the institutional arenas of decentralization. It should identify potential points of entry for a decentralization program. This will allow for the elaboration of strategic recommendations in Step 5.

5.0 STEP 5: STRATEGIC AND PROGRAMMATIC RECOMMENDATIONS

Democratic decentralization is best understood as a means to achieve a range of objectives, not just as a goal unto itself. Decentralization is worthwhile precisely because it promotes and facilitates other desirable goals. This concluding section of the assessment should identify the most promising types of goals to be attained through decentralization in order to develop a conceptual framework to guide strategic approaches towards local governance.

5.1 THE GOALS OF DECENTRALIZATION

There are three principal goals that motivate the decision to support decentralization: to enhance stability, to promote democracy, and/or to buttress economic development. The selection of strategies and programmatic actions should stem from the goal (or goals) to be attained. The following sub-section articulates how decentralization deficits could respectively be addressed through the pursuit of any one of the three principal goals.

5.1.1 Stability

USAID increasingly operates in conflict-ridden environments and fragile states where the most fundamental goal is political stability. In these governing environments, decentralization can promote social and political stability by reducing both the likelihood of conflict and the destabilizing consequences of those conflicts that do occur. At the same time, while decentralization can promote stability in many circumstances, it is not advisable in all fragile states, since the very existence of the weakest states can be inadvertently compromised.

Decentralization can reduce conflict by opening up new avenues for political participation and by giving people more opportunities to influence government. Because sub-national governments and administrations often have better information about local dynamics and customary norms of decision making, they have the potential to do a better job preventing, managing, and resolving conflicts than do national governments. If citizens believe government is responsive to their needs and citizens have recourse for grievances, then cause for rebellion is diminished. Where states lack credibility with the citizenry, decentralization can be a stabilizing force if it results in improved public services and responsiveness of government institutions to local needs.

In addition to proactively head off conflict, decentralization may be able to lower the stakes of conflicts that do break out. In effect, decentralization multiplies the number of points at which important decisions are made within a given country. It therefore avoids the winner-take-all dynamics that can destabilize national governments when political struggle focuses solely on control by the center. In other words, even if decentralized systems do not manage to produce less conflict overall than centralized ones, conflict in decentralized countries may prove to be less destabilizing.

The conflict-reducing potential of decentralization is especially appealing in countries where ethnic, linguistic, religious, and cultural groups are concentrated in distinct territories or regions. Decentralization in these settings can accommodate diversity by giving sub-national officials in the regions the power to offer differentiated programs that respect local preferences and cultural practices. This provides assurances to minority groups that their priority concerns will be considered. Additionally, whereas minority groups may have a difficult time accessing national decision-making arenas, decentralization increases the likelihood that they can get what they need from sub-national governments and administrations in order to feel protected and secure. By strengthening the level of government or administration where minority groups have influence, decentralization can discourage the formation of secessionist movements. The demarcation of sub-national government boundaries relative to the settlement patterns of contending groups is a key influence on the probable effects of decentralization on conflict potential.

The pursuit of stability as a goal has implications for the four characteristics of decentralization. In order to promote stability, sub-national officials need the *authority* to perform meaningful roles, although the national government also needs to be able to ensure that officials use this authority in ways that are compatible with national goals. Giving sub-national units *autonomy* from the national government often receives emphasis where decentralization is adopted to accommodate territorially concentrated groups, be they based on ethnicity, language, religion, culture, or other identities. If citizens in sub-national units feel that they can hold their local representatives *accountable*, this experience can inhibit the rise of more destabilizing demands. Finally, where sub-national governments do not previously exist or do not have the requisite *capacity* to provide much needed services, decentralization that takes the form of deconcentration rather than devolution may be the best way to advance near-term stability.

5.1.2 Democracy

Decentralization can create more transparent political institutions, inculcate stronger citizen support for government, and improve democratic participation. Given the growing impatience with democracy among many citizens of developing countries around the world, it has become increasingly evident that citizens need a stake in their government for democratic consolidation to happen. By allowing for greater citizen involvement in sub-national government, decentralization offers citizens a proximate interest in democracy's success. Citizens who value their participation in sub-national government are less likely to support non-democratic regime changes at the national level because authoritarian governments typically deny sub-national governments significant independence.

Political decentralization in the form of sub-national elections expands the number of opportunities in which people can practice democratic citizenship. In long-standing democracies where sub-national officials were previously appointed, letting citizens pick these officials via elections can dramatically expand the scope for democratic choice and may even feel more meaningful than the right to vote in national elections. Sub-national elections may also ease entry into the political system for new political parties, which often have a difficult time competing successfully in national elections. Independent of whether new parties form in response to sub-national elections, decentralization can create a new and expanded cadre of leaders with democratic skills. Devolving political power also creates vertical checks and balances that can constrain overzealous national governments, thereby creating another mechanism for institutional accountability.

Decentralization also creates incentives for the thickening of civil society in sub-national jurisdictions by relocating important decisions away from the national government. One of the most important ways that political decentralization can strengthen democracy is through its positive impact on community empowerment. For example, decentralization can improve inclusion such as by ensuring that women and ethnic minorities are able to have more of a voice in local affairs. Many latent groups—who do not organize so long as all power is concentrated in distant national capitals—are indeed able to act collectively at the local level. Moreover, they face incentives to do so when individuals realize that significant powers and resources are now under the control of sub-national officials.

The impact that decentralization has on authority, autonomy, accountability, and capacity will determine its success as a democracy-promotion measure. If decentralization expands the *authority* of sub-national officials, whom voters can more easily monitor and hold *accountable*, then it widens the scope for meaningful democratic choice. Where national governments have to respect the *autonomy* of sub-national governments in at least some fields, these governments can prioritize local preferences, as revealed in budget hearings and other citizen forums. Democratic theory suggests that *capacity* also provides a critical link in the relationship between voters and their representatives, who command sub-national governments that can actually be used to provide services demanded by voters.

5.1.3 Economic Development

Historically, the most commonly cited reason to decentralize is its purported impact on economic development. Sub-national governments and administrations can promote the conditions for investment and economic development in a number of dimensions, including public infrastructure investments, pro-growth regulatory and tax environments, human resource development, and public-private partnerships. In advanced cases, competition among sub-national governments may promote economic development, although competition can also be destructive.

Most of the literature on decentralization and development focuses on the role played by governmental services. A classic argument for decentralization is that it better matches public services with demands for these services. Sub-national officials are believed to have better access to information about citizen preferences, greater political incentives to provide preferred services, and greater flexibility than the national government. In a democracy, national governments are expected to treat all citizens relatively equally, and they cannot easily provide different sets of services to different localities. Sub-national governments, in contrast, are freer to decide what to provide to citizens, often within quite wide parameters. If, relative to the national government, it is easier for people to monitor decisions made by sub-national officials, then decentralization can improve service delivery and the use of resources. Better maintained roads, higher quality schools, and more effective healthcare all make for better development outcomes.

Services provided by sub-national governments and administrations are also important because of their impact on the private sector. Public services function as inputs for the products and services that are produced by private companies, thereby enhancing their ability to grow and provide jobs. As the well-being of local residents is improved—thanks to cleaner water, better schools, and better access to healthcare—their productivity and value to employers is enhanced. With human resource development, the earnings of local residents can also be increased, leading to additional demand for locally produced goods and services, together with a larger local market.

The impact of decentralization on economic development can be traced through its effects on authority, autonomy, accountability, and capacity. Investing sub-national governments and administrations with *authority* enables countries to take advantage of the fact that it is easier for these units to gather information about how best to use resources in the local environment. Only when these units have *autonomy* is it possible to realize the gains from innovation that decentralization makes possible. *Accountability* is also important in the relationship between decentralization and development: voters can hold empowered sub-national units accountable for the lack of progress toward economic development (though these units must also remain accountable to national developmental goals and standards). Finally, *capacity* is the linchpin: only sub-national units that have institutionalized procedures and capabilities can have a positive developmental impact.

5.2 MATCHING GOALS TO ARENAS OF INTERVENTION

While an identification of the most appropriate goals helps to focus the strategic approach around desired results, the actual programmatic interventions will take place within one, several, or all three of the

institutional arenas. There is a wide range of potential strategies and programmatic activities that can be carried out within each of the arenas, and the selection of the particular strategic approach and activities should be informed by the most pertinent decentralization deficits and the degree of political will for the various types of interventions.

The following table helps illustrate how broad strategies may be crafted through considering how goals can be achieved depending on the nature of the arenas in particular country contexts.

TABLE 5.2 BROAD STRATEGIES BY GOALS AND ARENAS

	NATIONAL ARENA	SUB-NATIONAL ARENA	CIVIL SOCIETY
Stability	Support deconcentration over devolution in fragile states and where devolution is likely to strengthen irredentism and state fragmentation.	Sponsor capacity building for administrative units to improve service delivery. Promote coordination among sub-national units, and between sub-national units and national government.	Support CSOs that organize across ethnic lines to reduce the likelihood of conflict. Promote coordination between traditional authority structures and sub-national entities to improve service delivery.
Democracy	Advocate sub-national electoral competition. Clarify roles of actors to ensure checks and balances between ministries and elected officials. Ensure and enforce citizen rights.	Support political competition. Sponsor capacity building for sub-national councils. Improve accountability of sub-national governments to voters and CSOs. Promote use of participatory accountability mechanisms.	Strengthen CSOs that represent politically marginal groups in advocacy and influencing local government behavior. Encourage CSOs to participate in exercises designed to influence sub-national government behavior, such as participatory planning and budgeting.
Development	Sponsor capacity building to help national governments set and enforce standards. Promote coordination among national government agencies. Set a framework to promote fiscal responsibility by sub-national units and to improve climate for private-sector development.	Sponsor capacity building for sub-national units that provide key infrastructure and services that improve human capital. Promote coordination between neighboring sub-national units that are too small to finance desired facilities and services. Support sub-national tax and regulatory frameworks that promote private sector activity.	Sponsor capacity building for CSOs to provide key infrastructure and services that help to improve human capital. Promote service delivery and other partnerships between CSOs and sub-national governments and administrations.

5.3 TOWARDS A DEMOCRATIC DECENTRALIZATION RESULTS FRAMEWORK

This sub-section provides guidance in how to construct a results framework that moves the analysis through the application of Steps 1 through 4 towards a USAID decentralization and local governance program.

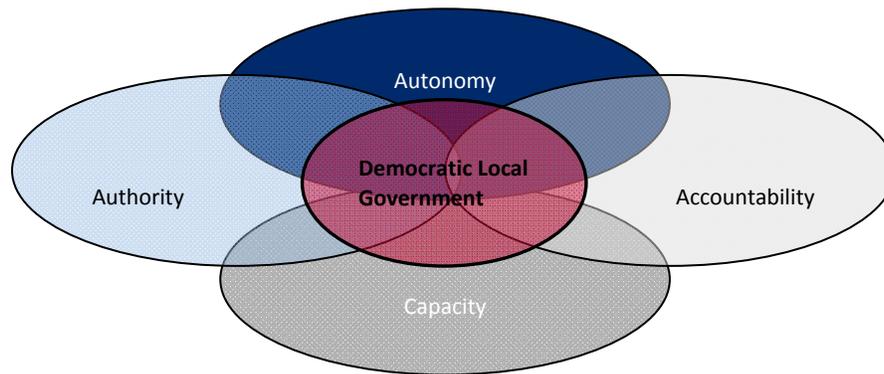
Recommending a Results Framework for decentralization and local governance programming requires first of all the development of a sound Development Hypothesis to guide the logical processes of determining what components are necessary to promote the form and goals for decentralization in a given country context. This section provides general guidance on how to “think through” the elaboration of a Results Framework.

A Development Hypothesis is a narrative description of the specific causal linkages between intermediate results and the AO (Assistance Objective), which can be at the Functional Objective, Program Area, or Program Element level. The hypothesis is based on sound development theory, knowledge, and experience. Generally, the term refers to plausible linkages and not statistically accurate relationships. (ADS 201.3.8.2, 9/2008)

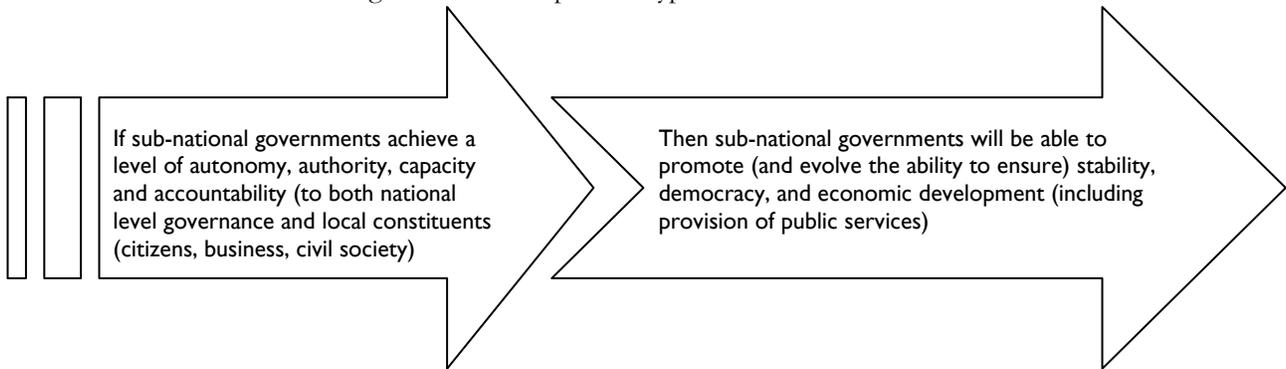
One of the established methods for developing a Development Hypothesis is to build a series of “if...then...” statements to validate the logic and completeness of program design. This can be done in levels, that is, “then” statements at a lower level can be the “if” statements for a higher level of objectives, providing a way to see if all required conditions are present to achieve objectives.

Use of the Established Models

The necessary pre-conditions for successful decentralization have been elaborated thus far and called key characteristics: autonomy, authority, capacity, and accountability. If these four conditions/characteristics are met, what is the result? In our opinion, this would result in legitimate decentralized, democratic local governance. This can be graphically depicted as follows.



This would create the following overall Development Hypothesis:



As per the Assessment methodology, the four key characteristics must be considered in terms of the three Institutional Arenas for Reform; i.e. National Arena, Sub-national Arena, and Civil Society. A well-structured decentralization program often needs to ensure that the four characteristics are met with all three major Institutional Arenas in order to attain decentralized, democratic local governments with the autonomy, authority, capacity, and accountability to promote and ensure stability, democracy and economic development.

National government institutions often have a role to play in terms of helping to build the capacity of sub-national government to take on new or expanded competencies, and have to develop new skills and systems to be able to take on new supportive and/or regulatory roles. In some cases, decentralization may require new technologies at the national level in order just to keep track of the activities of a large number (and possibly levels) of sub-national units. In some instances national government may have the structures and competencies in place but sub-national governments need support to meet new mandates.

Civil society, as a counterpoint or partner to governance structures in a system of legitimate local governance, also fits within this model. While national government can push autonomy, authority, accountability, and capacity down to sub-national levels, for civil society to fulfill its roles as alternative representative of citizen's interests, alternative provider of services, and watchdog over the quality of government performance, requires an equivalent set of competencies.

The following table helps illustrate how broad strategies may be crafted to support the attainment of the key characteristics by each of the three main Institutional Arenas.

Characteristic	National Arena	Sub-national Arena	Civil Society
Autonomy	Ensure through policy that sub-national governments have the freedom to make decisions and respond to their constituent's needs. Establish standards and procedures to monitor compliance by sub-national institutions. Clear lines of authority established.	Sub-national governments have the freedom to set local priorities, raise own source revenue, regulate commerce within their jurisdiction, and have the necessary systems of governance in place to do so fairly independently. Mechanisms are in place for selection or election of local officials, generally autonomy includes the ability of sub-national governments to be able to secure financing or credit and to allocate resources (human and financial) in line with local preferences and needs.	Civil society groups are seen as independent (not co-opted by government) and as a legitimate voice of citizens. Civil society has the legal and financial basis to operate without government intrusion. Mechanisms are in place for consultation with citizens in setting policies, establishing budgets, and managing services and civil society groups are able to represent the preferences and interest of citizens through these mechanisms.
Authority	Transfers through law new or additional, appropriate competencies to sub-national government institutions to carry out new/additional functions. Ensure sub-national institutions have the resources (human and financial) to carry their new/additional functions. Rules for implementation of authorities transferred are established in law or regulations and national government abides by rules in practice.	Sub-national government's authority is enshrined in legislation, regulation, and policy. Their control over their services, finances, and local operations are well defined. They have the ability to adjust their personnel, budgets, and operations in order to fulfill their mandates and responsibilities. They are able to generate income (at least a portion of it) to fund their operations and administrations.	Civil society groups attain legitimacy with constituents by representing their views and/or being able to engage with government with sound analysis and well grounded evidence. Legal framework provides for meaningful citizen engagement in policy decision-making and these mechanisms are used in practice.
Capacity	Central government has in place new modes of providing support to decentralized government. National government staff trained in, and understand their roles vis-à-vis other levels. Able to effectively perform oversight and standard setting responsibilities.	Sub-national governments have the skills and systems in place in order to function effectively, efficiently, and transparently, including management of finances, personnel, records, issues of permit, levy of fines, and procurement. Capacity is not limited to executive functions but also includes the capacity of legislative/elected bodies to set policies, pass resolutions, and oversee the executive.	CSOs have the ability to carry out their functions, be that representation and advocacy, or provision of services. Governments have the capacity to engage with CSOs and work with them in the delivery of services.
Accountability	National government has in place adequate oversight and compliance measures to avoid corruption and enforce a common set of performance standards. Mechanisms in place for intra-governmental dialogue on decentralization and means for resolving disagreements between levels.	Sub-national governments have in place mechanisms to ensure transparency, checks and balances over the abuse of power, and are open to inspection by the public and/or civil society. Accountability also includes mechanisms for renewal or removal of leadership through administrative procedures or the vote.	CSOs are seen by citizens and government as representing legitimate constituencies. They have in place democratic decision making processes, such as an elected board with leadership and staff accountable to that board. CSO hold government accountable and advocate for transparency and efficiency in their work.

Transforming the Development Hypothesis into a Results Framework

The Results Framework is USAID’s basic planning tool in the Missions. While the Foreign Assistance Framework (FAF) provides the general programming parameters (and funding elements) it does not replace ADS 201-203.⁴

What is expected is that the local strategies are developed that are consistent with the FAF. The highest level objective in the Results Framework is the Strategic Objective, now called an Assistance Objective, which is “the most ambitious result that a USAID Mission/Office, along with its partners, can materially affect, and for which it is willing to be held accountable.” These are usually planned for a three to five year timeframe and represent a “developmentally significant result,” which can be directly tied to accomplishment of the Foreign Assistance Functional Objective (Governing Justly and Democratically in this case).

A Results Framework is a planning, communications, and management tool, which conveys the development hypothesis implicit in the AO, illustrating the cause-and effect linkages between outputs, Intermediate Results (IR), and the AO (the final result or outcome) to be achieved with the assistance provided. A Results Framework includes the IRs necessary to achieve the outcome, whether funded by USAID or its partners. It includes any critical assumptions that must hold for the development hypothesis to lead to the relevant outcome. Typically, it is laid out in graphic form supplemented by narrative. (ADS 201.3.8.3, 9/2008)

Below the Assistance Objective are Intermediate Results (IRs), which are defined as “an important result seen as an essential step in achieving the final result or outcome” (ADS 201). Intermediate Results statements are developed at the “results” or “outcome” level. An outcome usually represents a change in institutions, systems, behaviors and/or practices, which in this case can be seen as changes in conditions of autonomy, authority, capacity and accountability.

Based on the above, a Results Framework can be proposed in which decentralized, democratic local government is the basis for the Strategic Objective and the four Characteristics/Dimensions are used to construct Results Statements. This provides consistency with the decentralization models in this Guide (and the Handbook) but is general enough for the Mission to do program design work with the same framework of mind in which the assessment was done.

In the following figure, the left column represents an illustrative and generic framework. The three levels of the framework reflect the three levels of the Development Hypothesis. The right hand column provides a few examples of the types of results that may be desired, as guidance on writing custom SOs and IRs for the unique operating environment in which the USAID is working. In some cases some of the factors are already in place, in others policies may have to be put in place first before capacity building can begin (so one must be cognizant of the potential sequencing implications).

⁴ From ADS 201: It is important to keep in mind that the Foreign Assistance Framework and its Standardized Program Structure is only a classification system, designed to help aggregate types of programs and their corresponding funding. The components of the Framework and Program Structure do not represent results. The Results Framework is designed based on the needs of a particular country as identified through analysis and consultation with official and non-official host country representatives and other knowledgeable development partners.

Illustrative Generic Results Framework Examples for Programming Areas

FAF Objective: Governing Justly and Democratically (reflects the higher level “then statement” of stability, democracy and economic development at the national (democratic systems) level.

Usually stated in terms of decentralization is in place and operating, contributing to improved expression of democracy, increased stability and promoting local economic development.

Linked to...

Assistance Objective: Reflected as a function of legitimacy, especially of decentralized governance units and/or civil society.

National Level: Passage of laws devolving power to lower levels.

Sub-national: Building basic governance systems and procedures that reflect the ability to govern and/or provide services with independence.

Civil Society: Capable of aggregating community priorities and engaging with government on how to address priorities.

Intermediate Result Autonomy: Sub-national governments provided more freedom to govern and solve local problems.

Intermediate Result Authority: Sub-national governments provided with legal and local recognition of their responsibilities.

National Level: Passage of regulations and monitoring systems to ensure compliance.

Sub-national: All local governance actors understand what they are allowed and supposed to do, both vis-à-vis national regulations and internal coordination.

Civil Society: understand the competencies held by the different levels of government and appropriate strategies for engaging with each level; able to advocate for increased responsibilities at the local level; serves as a partner in service provision.

Intermediate Result Capacity: Sub-national government personnel have the skills and systems to operationalize their authorities.

National Level: Systems in place to provide ongoing support for decentralization; national structures move from implementation to support role.

Sub-national: Personnel (elected and administrative) have the necessary skills, systems, behaviors, and tools.

Civil Society: Serve as experts and resources for government in developing policy and legislation; able to conduct trainings or perform other services for government officials.

Intermediate Results Accountability: Top-down and bottom-up mechanisms in place to ensure government operations are rules-based and transparent.

National Level: Policies in place to detect and prosecute corrupt practices, as well as systems and procedures in place to provide oversight and promote transparency and accountability of local officials (through administrative mechanisms, recall, and elections).

Sub-national: Local systems in place that enforce transparency, open communication, and rights of petition (by citizens or civil society) to hold officials and government accountable for its actions.

Civil Society: CSOs provide monitoring and watchdog functions over government; CSOs represent legitimate constituencies and have mechanisms in place for being responsive to their constituencies.

Again, Intermediate Results need to be framed as outcomes, that is, a set of institutions and/or systems, competencies, practices, and behaviors are in place. They can be framed for national level institutions, sub-national institutions, or civil society as a singular IR (meaning you can have multiple IRs for capacity, for example), or all of them subsumed under a single result statement that describes a future desired situation.

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