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DEMOCRATIC DECENTRALIZATION PROGRAMMING HANDBOOK

JUNE 2009

This publication was produced for the United States Agency for International Development by
ARD, Inc.

Prepared for the Office of Democracy and Governance (DG) of the U.S. Agency for International Development (USAID), USAID Contract Number AEP-I-00-00-00016-00.

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ACRONYMS

ANC	African National Congress (South Africa)
ANGR	National Assembly of Regional Governments (Peru)
BiH	Bosnia and Herzegovina
CBO	Community-Based Organization
CSO	Civil Society Organization
CND	National Development Council (Peru)
DCHA	Bureau of Democracy, Conflict, and Humanitarian Assistance (USAID)
DDLG	Decentralization and Democratic Local Governance
DG	Democracy and Governance
IGI	Indigenous Governance Institution
LGC	Local Government Code (Philippines)
LPP	Law for Popular Participation (Bolivia)
M&E	Monitoring and Evaluation
NGO	Nongovernmental Organization
NP	National Party (South Africa)
PRI	Institutional Revolutionary Party (Mexico)
PS	<i>Parti Socialiste (Senegal)</i>
SNG	Subnational Government
TBO	Territorial Base Organizations (Bolivia)
UN	United Nations
USAID	United States Agency for International Development

ACKNOWLEDGMENTS

USAID's Office of Democracy and Governance of the Bureau of Democracy, Conflict, and Humanitarian Assistance (DCHA/DG) would like to acknowledge the work that its staff and the contractor, ARD, Inc., devoted to the preparation of this handbook. Throughout the process of debating and establishing its conceptual foundations, drafting sections for review and comment and finalizing the present version, DCHA/DG, other bureau staff, USAID field officers, and the staff and consultants of ARD contributed their expertise, practical field experience and time and energy to produce a document that will be a valuable resource for development programmers and implementers tackling the complex issues of decentralized governance for many years to come.

The publication of this handbook would not have been possible without the vision and leadership of **Dr. Edwin Connerley** of the Governance Team at DCHA/DG, whose thorough familiarity with the literature on decentralization and related disciplines and his 35 years of field experience brought invaluable insights and guidance to this effort. Dr. Connerley holds a Ph.D. in public administration from the University of Southern California and prior to holding his current position at DCHA/DG; he served as an Associate Professor and Executive Director of the International Management Development Institute, Graduate School of Public and International Affairs, University of Pittsburgh.

We would also like to acknowledge the contributions and substantive comments made on earlier drafts of this handbook by **Pat Isman-Fn'Piere**, Governance Team Leader at DCHA/DG and numerous USAID field officers who so kindly dedicated their time and effort to reviewing the work in progress and helping to make it relevant to the needs of development practitioners.

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ARD, Inc. is a technical assistance and consulting organization founded in 1977. Throughout its 30 year history, ARD has focused on local development issues and people-oriented solutions to the problems communities face in the developing world. Decentralized governance has been a major practice area for ARD over the past 20 years, including research and development initiatives and field-based multi-year projects in all regions of the developing world. In addition to its focus on local governance, ARD specializes in agriculture, natural resources and the environment, information and knowledge management, and infrastructure.

PREFACE

At inception, this document was intended to be a revision of the Office of Democracy and Governance's *Decentralization and Democratic Local Governance Programming Handbook (DDLGPH)*, published in 2000. It has turned out to be something more, and something less, than a revision of that document.

The current document, *Democratic Decentralization Programming Handbook (DDPH)*, conceives decentralization as, above all else, a means to achieve democratization. In doing so, it responds to the mandates of the Office of Democracy and Governance and prioritizes the needs of mission-based Democracy and Governance Officers. It is written by political scientists and, to some degree, prioritizes discussion of the politics of decentralization at the cost of not discussing administrative and fiscal aspects to the same degree. When it discusses the sequencing of activities, the tradeoffs among immediate and more distant goals, or proposes strategies for stabilization or economic growth, this is done based on calculations of likely ultimate effects on democratization.

Though democratization is prioritized, the Handbook takes the position that countries pursue decentralization with various goals in mind. These goals are summarized as “democratization,” “stabilization” and “economic development.” USAID is increasingly involved in countries whose circumstances are not favorable to democratization, whether democratization through decentralization or through other means. In these difficult circumstances, USAID's decentralization programs must be strategically conceived to support stable, sustainable long-term paths to democracy, with full consideration of adverse country circumstances and potential conflicts and tradeoffs among the three prominent goals.

At a conceptual level, *DDPH* does not focus on local governance, or on local public service delivery, to the degree that *DDLGPH* did. *DDPH* views local governance and local public service delivery as means --- means that are more directly and immediately linked to an economic development goal than a democratization goal. This is not to deny that improvements in local public services are desirable, but to argue that improved local public services directly improve citizens' welfare and local economic development, while the effects of improved local services on democratization are indirect, empirically complex and difficult to measure. The fact that *DDPH* does not focus on local public service delivery led us to change the name of the volume.

Despite changes from the previous version, *DDPH* is intended (as was its predecessor) to support USAID programming processes. It is, therefore, detailed, specific and offers frequent developing country examples that illustrate principles discussed, in appropriately placed “text boxes.” Chapters 4 and 5 include detailed descriptions of potential decentralization programming processes and the questions that should be answered in these processes. Though we hope and expect that *DDPH* reads well and proceeds in a logical sequence, we advise readers to apply its contents, chapter by chapter, to accompany the development of a specific project or program. It is a reference book, not meant to be read front to back in a single sitting.

Chapter 6, *Monitoring and Evaluating Program Impact* advocates that USAID missions seek to reliably measure the impacts of decentralization support activities in far more instances than they have in the past. It argues that “experimental design” of decentralization support projects will greatly improve USAID's ability to monitor project impacts and, thus, to learn from project experience. Because decentralization support programs normally target multiple units of subnational government, it is relatively easy to use experimental designs and to evaluate impact in decentralization and local governance projects.

Readers are advised to refer frequently to the appendices to this volume. Appendix A is a glossary, explaining many of the technical terms used herein. Appendix B contains an annotated, categorized bibliography of published materials dealing with various aspects of decentralization and local governance strengthening in developing countries. Appendix C contains a directory of online decentralization and local governance resources. These appendices are valuable resources for the interested reader.

EXECUTIVE SUMMARY

The *Democratic Decentralization Programming Handbook* conceptualizes decentralization 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 invests new actors with public responsibilities. The newly involved actors that decentralization empowers (or “should” empower) include appointed officials in subnational administrations, elected officials in subnational governments, and increasingly engaged citizens themselves.

For the purposes of this Handbook, decentralization is defined as the transfer of power and resources from national governments to subnational governments or to the subnational administrative units of national governments. This definition is useful because it allows unbiased discussion and comparison of two of decentralization’s common forms: deconcentration and devolution.

Decentralization’s promise is often accompanied by shortcomings, perils, and unforeseen consequences. In many cases, decentralization has so far failed to fix the problems it was adopted to resolve. This handbook thus takes pains to illustrate the empirical limitations of decentralization’s promise.

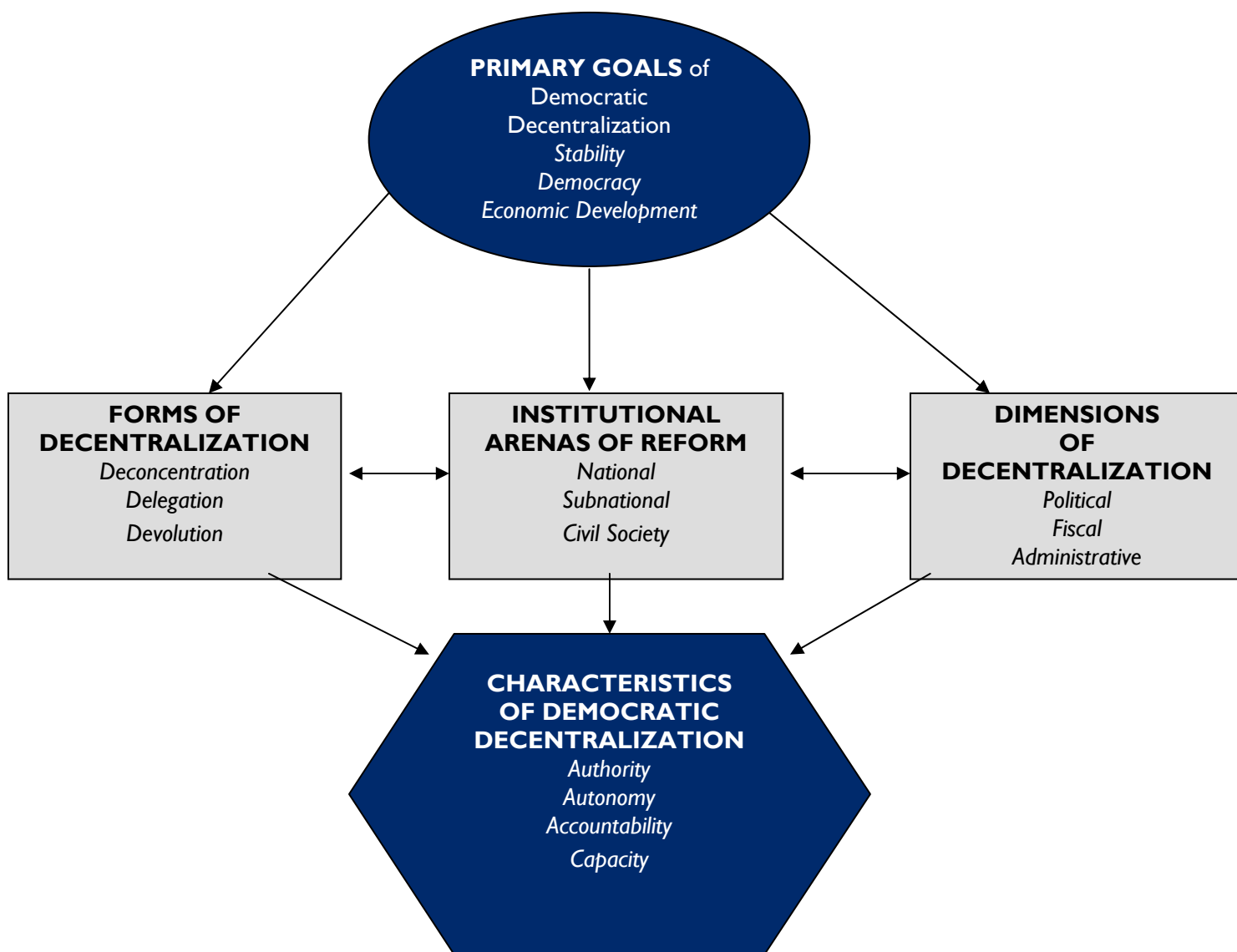
Chapter 1 provides an introduction to key concepts in decentralization, with a particular focus on decentralization’s essential characteristics: authority, autonomy, accountability, and capacity. Chapter 2 describes the primary dimensions and forms of decentralization; while Chapter 3 discusses the three major goals that countries often pursue through decentralization. Chapters 4 and 5 are structured around the major arenas in which USAID is likely to intervene. Specifically, Chapter 4 provides guidance about how to assess the national, subnational, and civil society environment in a given country; and Chapter 5 presents programming strategies that are targeted for each of these three arenas. Chapter 6 describes how USAID can reliably evaluate the impacts of decentralization programs and learn from its experience. Chapter 7 presents concluding comments.

Figure 1 graphically summarizes many of the fundamental propositions offered in this Handbook. These propositions can be stated as follows:

1. Decentralization support processes should and do reflect primary goals;
2. Each of the three commonly found forms of decentralization (deconcentration, delegation and devolution), and combinations of them, may be a legitimate path to democratic decentralization;
3. Programs of decentralization support should consider activities in each of three arenas: National, Subnational and Civil Society;
4. Decentralization can be usefully analyzed in three dimensions: Political, Fiscal and Administrative; and
5. The characteristics of decentralization processes and outcomes can be usefully and comprehensively described in terms of the mix of Authority, Autonomy, Accountability and Capacity present in the various institutions of national and subnational governance.

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, subnational, and civil society).

FIGURE 1. DEMOCRATIC DECENTRALIZATION STRATEGIC FRAMEWORK



“Figure 1 is adapted from ARD Inc. (2009) Democratic Decentralization Strategic Assessment: Indonesia. Washington, D.C. US Agency for International Development”

I.0 OPPORTUNITIES AND CHALLENGES FOR DEMOCRATIC DECENTRALIZATION

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 and more attentive to their demands. This chapter provides a broad introduction to decentralization and important concepts that are the foundation for understanding how to assess needs and develop programs.

The reader should bear in mind that in this document “democratic decentralization” is deliberately used with an uncommon meaning. In this document, contrary to much of the literature on decentralization, both “deconcentration” and “devolution” are regarded as valid forms of democratic decentralization. Further definition of these terms is presented in the following pages.

Benefits of Decentralization

Decentralization can help advance a number of distinct objectives. From the standpoint of promoting stability, strengthening the subnational 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 subnational 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 the range of citizen demands.

Considering these numerous objectives, 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. While decentralization can and should be paired with sectoral reforms in such areas as education and healthcare, it has an advantage over purely sector-based interventions in that it explicitly invests new actors with public responsibilities. The newly involved actors that it empowers include appointed officials in subnational administrations, elected officials in subnational governments, and increasingly engaged citizens themselves. By strengthening the subnational units with which citizens are most likely to interact, decentralization differs from democratization and economic liberalization, both of which have involved mostly national-level changes. For all of these reasons, decentralization holds great promise for enhancing a number of desirable political and socioeconomic outcomes.

If decentralization is one of the most important and promising trends in governance, it is also one of the most surprising. In country after country, national politicians have decided to transfer various resources and responsibilities to subnational actors, demonstrating an apparent willingness to cede power that is rarely seen in politicians of any stripe. The cumulative result of these multiple decisions is that subnational officials around the developing world now have a much greater impact on how people live and how well they live.

Challenges to Decentralization

At the same time, decentralization's promise is often accompanied by shortcomings, perils, and unforeseen consequences. In many cases, decentralization has so far failed to fix the problems it was adopted to resolve. For example, although decentralization has been embraced as a way of improving the quality of services that used to be provided by central governments, in too many cases no significant improvements have been realized and service delivery has actually declined. In still other cases, decentralization appears to have generated new sets of problems, sometimes opening new arenas of conflict between the national government and subnational officials who are now separately elected. In such early decentralizers as Brazil, Colombia, and the Philippines, changes have even been debated that would reclaim for the national government some of the resources and responsibilities only recently transferred to subnational actors. This handbook thus takes pains to illustrate the empirical limitations of decentralization's promise. In some instances, it advocates reforms that keep most governing powers under the purview of national governments, despite the common view that such reforms are of only superficial value.

Notwithstanding its mixed record, decentralization has great potential to improve the quality of governance in the world today. There are sound theoretical reasons to expect that decentralization can help enhance stability in countries suffering from

Locating Decentralization on the Political Spectrum: Left or Right?

One of the more curious aspects of decentralization is the reality that its advocates often occupy very distinct positions on the ideological spectrum. For different reasons, decentralization appeals to political actors on both the right and the left. As a result, it cannot easily be dismissed as either an exclusively right-wing or left-wing political project.

- For the right, decentralization allows government to approximate market-based dynamics. Principally, it does so by promoting interjurisdictional competition among different subnational units that have some policy autonomy. This type of competition allows citizens to “vote with their feet” and sort themselves into locales that match their preferences, while also forcing generally poor-performing governments to face the consequences of citizen defection and relocation. Apart from this desirable competition, decentralization also offers to market advocates the promise of a reduced central state apparatus.
- For the left as well, decentralization appears as a set of reforms that breaks the central government's hold on political and economic power. This division is thought by many to be progressive in nature, insofar as it fractures the cohesion of the presumptive national elite, broadens the political class, and may render future authoritarian reversals less possible. Also, decentralization often connotes—especially when it devolves power to local governments—increases in direct participation for the poor and underrepresented groups. Women, ethnic minorities, and demographic groups outside the main labor force (such as youth and the elderly) may see their political efficacy enhanced by reforms that bring power closer to them.

In a world where national politics are often highly polarized, the ability of groups with distinct ideological preferences to find some agreement on the topic of decentralization is not merely a political curiosity. It means that support for decentralization may offer USAID a unique opportunity to engage with broad-based coalitions that cut across traditional partisan lines and ideological cleavages.

conflict, expand accountability in countries attempting to deepen democracy, improve the quality of public investment and local public services in countries seeking to develop their economies and improve the welfare of citizens. In addition to decentralization's significant potential, it is also the case that the general trend toward decentralized patterns of governance shows no clear signs of abating in the developing world. The question of how to distribute power between national and subnational actors continues to occupy a prominent position in the national policy agenda of most countries. For the foreseeable future, developing countries will live in an era of decentralization.

Toward the goal of ensuring that decentralization delivers on its promise, the overarching purpose of this handbook is to synthesize the improved information that is now available about decentralization in the interest of designing better interventions. Throughout, this handbook is intended to help USAID figure out whether and how to support decentralization in those (increasingly rare) countries that have yet to start down this path, as well as how to support the implementation of decentralization in countries that have already made the decision to decentralize.

1.1 MULTIPLE DIMENSIONS, GOALS, AND ARENAS

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 adopted 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. This is because different types of decentralizing interventions can be introduced toward different goals, and they can be tailored for the different arenas in which they are adopted.

1.1.1 Dimensions of Decentralization

In some cases, decentralization may simply mean that central government agencies give more resources and discretion in the exercise of official functions to their subnational branch offices. In other cases, locally elected governments—which may already exist or might be created as part of the reform process—are formally given a range of autonomous functions and resources (this is the typical western ideal of decentralization, but it is by no means universally desirable or immediately attainable). In some countries, the greater salience of subnational actors results less from the center's explicit transfer of power than from a series of bottom-up changes. These changes may result from local civil society organizations that have become better organized, as well as from mayors and councilors who have become more energetic in the exercise of their functions.

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. Chapter 2 provides a systematic treatment of these three dimensions. Clarity on how these dimensions differ is important because in practice, countries adopt different combinations of political, fiscal, and administrative decentralization in the pursuit of various goals and objectives, including continuing central control of “decentralized” governments. It is important to note at the outset that changes in any one dimension do not necessarily require changes in the others, and that none of these dimensions is more significant than the others. As the decentralization trend has gained speed, there has arisen a tendency to consider the political dimension most significant, and to conclude that genuine decentralization cannot happen in the absence of

political decentralization. This handbook strikes a more neutral tone in its description of these three dimensions.

Non-simultaneous Change Across Decentralization's Three Dimensions

Although all decentralizing changes in the world can be categorized as political, fiscal, or administrative, countries tend not to give equal weight to each of these dimensions when they set about decentralizing. Instead, change in some dimension(s) is typically prioritized in the absence of significant change in other dimensions, often for political reasons. A number of combinations are possible. Consider, for example, the relative importance given to different dimensions of decentralization in the following countries:

In **Cambodia**, the most important decentralizing change occurred in the political dimension with the 2002 introduction of elections at the commune level. While provincial-level agencies remain accountable to central agencies, elected communal councilors now have direct political authority over their constituents. Changes in the administrative and fiscal dimensions of decentralization, however, have lagged. Although a rudimentary administrative structure has been set up, communal governments have little independent revenue control, enjoy few formal functions, and are almost entirely dependent on intergovernmental transfers.

In **Chile**, a very different combination of political, fiscal, and administrative changes can be identified. In the aftermath of the 1973 military coup, President Augusto Pinochet replaced democratically elected mayors with political appointees—largely retired colonels. Having eliminated the political autonomy of subnational officials, Pinochet then transferred responsibility to the municipalities for important services including healthcare and education. At the same time, Pinochet kept the municipalities on a tight fiscal leash by denying them access to significant revenue bases. Although re-democratization in 1990 resulted in change in the political dimension (resulting in the reintroduction of mayoral elections in 1992), Chilean revenues to this day remain quite centralized.

In **Bolivia**, political and fiscal decentralization in the mid-1990s earned the country a reputation for bold and innovative practice in the area of decentralization, while administrative measures have been limited. Not only were elections introduced for an expanded set of municipal officials, but local civil society groups were given formal decision-making roles. The constitution was altered to compel the national government to share 20 percent of its revenues with municipalities, rather than letting the capital (La Paz) decide every year on a discretionary basis how much revenue to send and where to send it. The administrative dimension, in contrast, has shown much less dynamism. In part this is due to the resistance of central state bureaucrats in such sectors as health and education, who are loathe to give separately elected municipal authorities control over the hiring and firing of doctors and teachers. It is also due in part to the huge challenges of building administrative capacity from scratch, as in the case of the 300 new municipal governments that were created by decentralizing legislation in 1994.

In **Uganda**, decentralization in the 1990s was broadly implemented across all three dimensions: subnational elections were held for local government councils to which a substantial share of national resources was transferred, major service responsibilities were devolved and a significant local administrative architecture was provided. Own-source revenues, however, remain weak, and service delivery and fiscal responsibility weaknesses led the center to impose substantial administrative controls that have compromised subnational autonomy.

1.1.2 Goals of Decentralization

Not only does decentralization occur in multiple dimensions, but it can also serve as a mechanism toward multiple goals, including stability, democracy, and economic development. For example, when it prevents conflict or reduces the destabilizing effects of those conflicts that occur, decentralization can improve stability. When it expands the range and quality of the spaces in which citizens can participate and hold government accountable, decentralization can enhance democracy. When it improves the quality of the decisions over how public resources are deployed, decentralization can promote economic development and improve citizens' welfare. To make the case for decentralization, Chapter 3 presents key hypotheses about the positive impact that it can have on stability, democracy, and development. Chapter 3 also describes the major obstacles that interrupt these hypothesized relationships and, in so doing, prevent decentralization from achieving its potential.

While decentralization can theoretically be used as means toward each of these ends, there is no question that the impetus to decentralize in any particular case is inherently political. Simply put, central authorities decide to decentralize when it is in their perceived interests to do so. In some cases the government is pushed to act by a major political or economic crisis. In other cases, it is forced to respond to the demands of activist subnational governments or an increasingly aware and vocal public, which may in part result from activities undertaken by NGOs or international actors to promote the empowerment of civil society. Domestic power struggles can also be an important motivation to pursue decentralization. For example, decentralization may represent an opportunity for a ruling party to consolidate power or for an opposition party to unseat centralist incumbents by appealing to popular support for decentralized rule.

Field officers and project implementers should pay attention to both the theoretical rationales for decentralization and the more parochial concerns that are likely to dominate in the short-term calculations of particular actors.

Examples of Goal-driven Decentralization

When they decide to decentralize, national leaders typically pursue a variety of goals, some of which can be quite lofty and some rather parochial. Although many different objectives can be at play, in most cases it is possible (and, where possible, also useful for the subsequent design of decentralization programming) to identify those goals that seem to be most pressing. For example, different goals dominated the decision to decentralize in the following cases:

In **Colombia**, national decision makers adopted a variety of decentralization measures in the late 1980s and early 1990s largely in the attempt to reestablish stability and pacify the country's increasingly successful rebel insurgency. According to the logic of this "pacification via decentralization" strategy, the national government introduced mayoral and gubernatorial elections and transferred important fiscal revenues to these offices in the hopes that insurgent leaders would surrender the armed struggle and run for office instead. Given the loss of power represented by decentralization, it would be difficult to understand the willingness of national politicians to endorse decentralizing policies in the absence of such a worsening in the armed conflict. However, the decision to decentralize was also shaped by short-term political factors, including the fact that the president's party at the time had little chance of holding onto the presidency and thus greater interest in expanding political opportunities at the subnational level.

In **South Africa**, decentralization was essential to the goal of democratization. Indeed, without decentralization, the transition from apartheid to democratic governance may have proved impossible.

In the late 1980s and early 1990s, the apartheid-era National Party (NP) contemplated and ultimately decided upon the release of Nelson Mandela, the lifting of the ban on the African National Congress (ANC) party, and the full democratization of South Africa with multiracial elections. The transition proceeded via lengthy and conflicted negotiations between the NP and the ANC on a new governing framework for South Africa. During those negotiations, federalism and decentralization emerged as central issues. The NP recognized that it would lose badly in national democratic elections, but could dominate certain provinces. It thus demanded—as a condition for democratization—guarantees that provinces would be empowered and provided with substantial resources. Federalism was also demanded by the Zulu nationalist Inkatha Freedom Party. With the goal of democratizing South Africa hanging in the balance, the ANC and NP ultimately agreed to a constitution with guarantees for both provincial and local governments.

In **India**, rather than stability or the transition to democracy, it was the attempt to improve the country's development performance that loomed large in the decision to decentralize in the early 1990s. One of the key concerns that motivated the central government committee charged with designing decentralization was the very low level and quality of local public goods. Until 1993 it was the state governments in India—whose inhabitants in many cases number in the several hundreds of millions—that were in charge of providing most public goods, including sanitation, health services, basic education, roads, and streetlights. Decentralization to rural local governments, where much of India's population is concentrated, was particularly significant. With the passage in Congress and ratification by the states of Amendments 73 and 74 to the federal constitution, India transferred to rural governments' responsibility for 29 different expenditures, along with greater fiscal resources. In order to focus public revenues on the basic needs that are so critical for development, India's decentralizing legislation also included rule changes that greatly expanded the participation of women in local planning decisions.

1.1.3 Arenas of Decentralization

Whatever the underlying motivations for decentralization, it is important to understand how various stakeholders in a particular country are likely to benefit or suffer under decentralization. For example, subnational officials who gain from enhanced powers and resources would be expected to support decentralization. Central agencies that lose their often-considerable powers and resources will likely oppose it. Community organizations that might benefit from a close association with newly empowered local governments will tend to view decentralization favorably. In contrast, organizations that see resources being diverted from community-oriented programs to formal intergovernmental transfer systems will almost certainly resist it.

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 subnational 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 subnational 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 subnational arena, decentralization means that subnational 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 subnational 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 subnational entities are unambiguously needed to deliver the potential benefits of decentralization, an engaged and empowered citizenry is absolutely critical.

1.2 ESSENTIAL CHARACTERISTICS: AUTHORITY, AUTONOMY, ACCOUNTABILITY, AND CAPACITY

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. The handbook uses four characteristics—authority, autonomy, accountability, and capacity—to provide analytical coherence to what is empirically a complicated and often incoherent phenomenon.

1. **Authority.** Subnational governments or subnational administrative units of the national government must be given authority to undertake specific functions. For decentralization to be meaningful, subnational administrative units or governments must do something to 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 subnational governance, authority may be conferred through subnational 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 subnational 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 subnational administrative units or governments be given some degree of autonomy over functions they now have the authority to undertake. 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 subnational actors. Autonomy provides subnational 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 subnational 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 subnational 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, subnational 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 subnational departments), which are critical for effective performance.

4. **Capacity.** Effective decentralization requires that subnational administrative units or governments have adequate capacity to use their authority and autonomy to be responsive to local people. If subnational 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 and democratic local governance are to take root and flourish. Even central agencies must often develop new capacities to support the transformation of their role from controlling subnational jurisdictions to enabling, coordinating, and legally overseeing them.

Obviously this treatment of the four characteristics is highly simplified. The relationships among authority, autonomy, accountability, and capacity are complex and can involve substantial tradeoffs. Nevertheless, these four characteristics capture much of what is most important about decentralization. For that reason they are referenced repeatedly in the chapters that follow, providing a thread that links the discussion of decentralization's multiple dimensions, goals, and arenas. Summarizing the main thrust of this handbook, 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 development) in each of its three major arenas (national, subnational, and civil society).

Questions for Review – Chapter 1

You may test and reinforce your understanding of selected concepts presented in this chapter by responding to the following questions before reading Chapter 2. Answers to questions will be found on the pages indicated with each question.

1. **What are some examples of the main benefits of decentralization? (p. 1) What were the motivations behind decentralization in the countries with which you are familiar?**
2. **Why is decentralization considered to be compatible with both political and economic liberalization? (p. 1)**
3. **What are the three basic dimensions of decentralization and in what three arenas can decentralization programming be introduced? (pp. 3 – 7) Consider a decentralizing change that you have observed in a given country and classify it according to its dimension and arena.**
4. **Describe the four key characteristics of decentralization. (pp. 7 – 8) In a country with which you are familiar, how have these characteristics changed as a result of decentralization?**

2.0 WHAT IS DECENTRALIZATION?

The first chapter provided a broad introduction to decentralization, presenting the motivations behind this set of reforms and the important changes decentralization can produce in a country's economic and political life. Chapter 1 also examined conceptual underpinnings of the decentralization enterprise, linking it to the other major liberalizing reforms of recent years, including political democratization and economic liberalization. Building on the understanding of decentralization as a reform designed to increase citizen choice and disperse power; this chapter addresses what decentralization is in a narrower, definitional sense.

Decentralization is the transfer of power and resources from national governments to subnational governments or to the subnational administrative units of national governments. Decentralization is often regarded as a top-down process driven by a unitary or federal state in which the central government grants functions, authorities, and resources to subnational levels. But impulses for decentralization can also originate from these lower levels. Decentralization encompasses a wide range of different political and economic systems, whose properties vary widely. This diversity makes it all the more important to define terms precisely and use them as consistently as possible.

2.1 FORMS OF DECENTRALIZATION: DECONCENTRATION, DELEGATION AND DEVOLUTION

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

1. **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 subnational 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 of decentralization for those services that should not be devolved or should not be fully devolved (as per the principles outlined above). 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.
2. **Delegation** constitutes a greater degree of change in the distribution of power relative to deconcentration because it shifts responsibility for specifically defined functions to subnational governments or subnational administrative units. Delegation can be used as a means of building the capacity of subnational governments and administrative units in preparation for subsequent moves toward devolution. In addition to multipurpose subnational 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 subnational governments.

3. **Devolution** is the most expansive form of decentralization in that it requires subnational governments to hold defined spheres of autonomous action, which typically means the use of subnational 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 subnational 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).

2.2 DIMENSIONS OF DECENTRALIZATION: POLITICAL, FISCAL, AND ADMINISTRATIVE

This handbook distinguishes between subnational governments and subnational administrations. Subnational governments are primarily accountable (in theory, if not always in fact) to a territorially defined subset of the country's citizens, and their prerogatives tend to be established in the constitution and in legal frameworks. In contrast, subnational administrations are primarily accountable to hierarchical superiors in the national government, who control the careers of subnationally located officials and who can modify the prerogatives of these officials by administrative regulations. Decentralization can take place in either case; it does not necessarily require the existence of full-fledged subnational governments.

The term decentralization is commonly disaggregated into three main dimensions—political, fiscal, and administrative—within which decentralizing changes take place. No one dimension of decentralization is more significant than another. Each can be adopted separately, or they can be combined. As the following discussion demonstrates, decentralization in each of its three dimensions involves changes in the four characteristics that are presented in Chapter 1: authority, autonomy, accountability, and capacity.

2.2.1 Political Decentralization

Political decentralization is the transfer of political *authority* to subnational governments. This transfer takes place through constitutional amendments and electoral reforms that create new (or strengthen existing) spaces for the representation of subnational polities.

Elections for important subnational offices are the hallmark of political decentralization and the shift from appointed to elected subnational officials is the most common form taken by decentralization in this dimension. In politically centralized systems, subnational officials are appointed by the national government and therefore can be held accountable by voters only indirectly (if at all). By giving subnational officials less cause to worry that their own careers will suffer if they fail to conform to central preferences, elections increase the potential *autonomy* of subnational governments. By giving subnational officials incentives to prioritize concerns of local constituents, elections increase the *accountability* of subnational governments to these constituents. In a decentralized polity, elections are held not just for subnational executive offices (such as mayors, governors, and chief ministers), but for representative positions as well (such as municipal councilors and provincial legislators). Elections can also be held for single-purpose subnational governments (such as water districts and school boards) and not just multipurpose ones.

While political decentralization changes the authority, autonomy, and accountability of subnational governments, it has a less direct impact on *capacity*. By itself, political decentralization does not expand the capacity of the subnational governments that are now elected. The introduction of elections, however, may create incentives for subnational officials to invest in building capacity, which is necessary for them to be able to deliver on campaign promises.

It is also important to note that the national government does not disappear in a decentralized polity, and that political decentralization does not absolve subnational officials from worry about upward accountability. Separately elected decision makers in subnational governments 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).

This definition of political decentralization brings two important points into focus. First, it makes it clear that political decentralization is a necessary (though not sufficient) condition for devolution, which is the transfer of resources and responsibilities to subnational governments that are not under the direct, hierarchical control of the national government. Devolution cannot occur without political decentralization. Second, according to this definition, countries that have subnational administrative units but not subnational governments cannot experience political decentralization, which requires the use of elections to fill subnational governmental offices. The authorities of subnational elected officials in devolved governments tend to be (and in our view should be) broader than those granted to appointed subnational officials in subnational administrations. The exercise of core governance functions, such as deciding bases and rates of taxation, are generally reserved to elected officials in subnational governments.

Several principles have emerged from the accumulating experience with democratic political decentralization in developing countries:

- Where subnational elections have been introduced, electoral rules should be written in a way that allows subnational electoral contests to focus on subnational issues. For example, holding national and subnational elections at different points in time, or allowing voters to vote for different parties at the subnational and national levels, are two ways of preventing national issues and personalities from dominating local races.
- As at the national level, the elected officials who occupy executive and representative bodies at the subnational level have different relationships with constituents and different governing roles to play. Differentiating and strengthening these separate bodies multiplies the institutional spaces in which constituents can advance local interests.
- When subnational elections are in place and are competitive, constituents have an enhanced ability to hold subnational elected officials accountable. In general, more competitive electoral environments make candidates and officials more responsive to citizen demands, fostering democratic local governance.

Though critical, elections alone can be a very crude mechanism to hold subnational officials accountable for the behaviors that are believed to lead to the benefits of decentralization. The following mechanisms can also enhance local accountability and, thus, political decentralization:

- Recalls enable subnational constituencies to remove elected officials who have lost the support of the local population.
- Plebiscites and referenda allow subnational electorates to play a more direct role in decision making.

- Open council sessions, town hall meetings, and citizen surveys all produce types of information about citizen preferences that are not commonly revealed by elections alone.
- Freedom of information acts make it possible for citizens to collect and publicize information about the decisions and behavior of elected officials.

In addition to such mechanisms, inputs from civil society powerfully shape the exercise of political authority by subnational governments. Even where separate elections are not held for subnational officials, the scope and depth of civil society typically has a direct impact on how appointed subnational officials behave. Where subnational elections are in place, several general observations can be made about the impact of civil society on political decentralization:

- Civil society organizations expand the participatory options that individual citizens can pursue.
- Organizing efforts by civil society groups decrease the costs facing subnational officials—elected or appointed—of acquiring information about local preferences.
- Organizing efforts by civil society groups can increase the costs facing subnational elected officials of privileging national over local concerns.
- By producing information about choices made by subnational elected officials and bureaucrats, civil society groups can help voters hold these actors accountable.

It is important to note that, because civil society organizations partner with subnational governments or administrations in providing services, their actions are relevant not just for the political dimension of decentralization, but for the fiscal and administrative dimensions as well.

Political Decentralization in Bolivia

Most countries in Latin America have introduced changes that transfer political authority downward, but it would be hard to find an experiment with political decentralization that is as innovative as Bolivia's 1994 Law for Popular Participation (LPP). Before 1994, the vast majority of the country's rural population (along with most of its territory) had no access to local government because only urban centers that served as provincial and regional capitals were recognized as municipalities. In response, advocates of decentralization divided up all of the national territory into 311 new municipalities to ensure that each Bolivian citizen would enjoy municipal representation. In addition to reconfiguring the very structure of municipal government, the LPP also stipulates that parties present lists of candidates for municipal councils, with mayoral candidates listed first. If no party receives an absolute majority of votes, the municipal council then picks the mayor from the top two vote getters. In an attempt to prevent corruption and misconduct, the LPP enables a municipal council to recall its mayor through a three-fifths majority vote (in a so-called "constructive vote of censure").

In the attempt to marry the institutions of representative democracy with long-standing indigenous institutions, Bolivia's LPP also granted legal standing to traditional grassroots organizations that it labeled "territorial base organizations" (TBOs). These TBOs won the right to elect representatives to committees that have the authority to approve the spending decisions of municipal authorities. This was important because the LPP simultaneously introduced change along the fiscal dimension of decentralization, transferring 20 percent of national tax revenues to the municipalities. Thus the LPP significantly expanded the direct oversight role that civil society can play.

Political decentralization has had enormous consequences for Bolivia, some of them desirable and some less so. On the positive side, the LPP amounts to an undeniable expansion in democratic space by creating new opportunities for Bolivians who had difficulty accessing national-level politics. In a political system dominated by highly clientelistic parties under the exclusive leadership of non-indigenous Bolivians, the LPP made it possible for new indigenous parties to emerge at the local level. One such party, the Movement Toward Socialism, used its electoral success in the new municipalities to launch a successful bid for power at the national level. In this sense, political decentralization has served as a training ground for a whole generation of new indigenous leaders. On the negative side, municipal councils have abused the recall mechanism by engaging in the widespread removal of mayors for political reasons rather than for misconduct. Given the fragmentation of the party system, most mayors are not elected by an absolute majority and are chosen instead by municipal councilors. Highly dynamic interparty alliances between these councilors have led to high levels of turnover in the office of the mayor, with as many as 30 percent of all mayors being recalled in 1997. Designed to enhance accountability, the innovative recall procedure has instead undermined stable political authority at the local level.

2.2.2 Fiscal Decentralization

Fiscal decentralization is the expansion of revenues and expenditures that are under the control of subnational governments and administrative units. Some define fiscal decentralization as occurring mainly on the revenue side, with respect to tax assignment and transfers of revenues between levels of government. But the definition used here, from the public finance literature, better captures the need to address the so-called “assignment problem”—matching functional responsibilities to financial proceeds across the various levels of government. Fiscal decentralization, as defined here, directly alters the *authority* of subnational officials when it expands their right to collect additional tax revenues or when it legislates a formal subnational role in expenditure policy. By letting subnational officials control more substantial revenue flows, fiscal decentralization enhances their *capacity* to actually perform the roles they have been formally authorized to play. Where subnational governments exist, fiscal decentralization gives these governments greater *autonomy* from the national government so that they can make their own governing choices and act independently of the national government. Fiscal decentralization also affects *accountability*. When voters know that subnational officials have been given control over significant own-source revenues and expenditures, it becomes more important to hold them accountable for the important taxing and spending decisions they now make.

On the expenditure side, fiscal decentralization refers to the transfer of additional responsibilities to subnational governments, often including responsibilities for some of the more important services governments can provide: healthcare, education, and infrastructure. Where citizen preferences for services are heterogeneous across subnational units, fiscal decentralization enables a more efficient matching between preferences and service provision. In contrast, services should be assigned at a higher level in the presence of significant scale economies and externalities. Subnational governments should face a binding hard budget constraint in order to improve the quality and transparency of subnational spending decisions.

On the revenue side, the most common types of fiscal decentralization include increasing the transparency and stability of transfers, endowing subnational governments with the power to collect their own taxes and to set the rates of these taxes, and giving subnational governments the right to borrow with greater

independence from the national government. A number of principles should inform revenue decentralization:

- Increasing revenue transfers and transferring tax authority are both important types of fiscal decentralization, but the latter has a more positive impact on accountability: paying more of their taxes at the subnational level may encourage taxpayers to hold subnational officials accountable for the spending of these revenues.
- At the same time, the assignment of some tax bases to subnational levels (for example, taxes with mobile bases and taxes structured for redistribution) can be inappropriate and potentially lead to great inefficiencies.
- The design of intergovernmental transfers should be based on a number of principles, including rule-based definitions of transfer fund pools, transparent and objective transfer allocation formulae, and incentives for subnational governments to raise local revenues.
- Local government borrowing should be based on an assessment of a subnational government's creditworthiness and the economic viability of specific development projects for which capital financing is being sought.

Fiscal Decentralization in China

The transfer of fiscal authority to subnational governments has played an important and often overlooked role in the stunning economic transformation that China has experienced in recent decades. Fiscal decentralization gave reform-minded provinces the space they needed to shift away from policies of state socialism and toward a more pro-market orientation. Once such provinces as Guangdong made effective use of their new powers to produce substantially higher rates of economic growth, other provinces followed suit.

Particularly critical in the Chinese story is the “fiscal contracting system” that national leaders devised in the early 1980s. According to these rules, lower-level governments contracted with higher-level governments over the terms of revenue sharing. Unlike most developing countries, where the collection of tax revenues is highly centralized and the national government transfers revenues downward, Chinese subnational governments enjoy significant tax-collecting authority and share revenues upward. While precise fiscal-contracting rules varied for different provinces, in most cases provinces were required to share with Beijing a fixed amount of revenues, but were granted the right to keep for themselves the revenues they collected over this amount. The design of fiscal decentralization thus created strong incentives for provinces to take tax collection very seriously. More generally, fiscal contracting encouraged subnational authorities to do what they could to foment local economic prosperity because more prosperous local economies would translate directly into greater revenues at their disposal. Along with Beijing's ability to impose a hard budget constraint, fiscal decentralization created the expectation that the provinces were primarily responsible for economic development in their jurisdictions. This expectation in turn generated a healthy competition between provinces in the attempt to create investor-friendly local environments.

2.2.3 Administrative Decentralization

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 subnational governments

and/or subnational administrative units. Administrative decentralization refers to the institutional architecture—structure, systems, and procedures—that supports the implementation and management of those responsibilities under the formal control of subnational actors. It encompasses, among others things, subnational departmental structures and responsibilities; human resource requirements and management systems; and planning, monitoring and evaluation of service arrangements. Administrative decentralization may or may not include improving capacities for budgeting, financial management and financial control, depending on the degree of fiscal decentralization in the country in question. Administrative decentralization also includes mechanisms for working with higher, peer, and lower levels of government or administration, as well as mechanisms for working with key local nongovernmental actors, such as traditional authority structures and private sector partners.

Administrative decentralization alters each of the four critical elements of decentralization. The impact on *accountability* is particularly important: under deconcentration, subnational bureaucrats remain accountable to national officials, whereas under devolution it is desirable that they become accountable to subnational elected officials for the quality of their performance. With respect to *authority* and *autonomy*, when control over personnel decisions is transferred from national to subnational officials, not only do the latter gain additional authority over government employees, but their *autonomy* from the national government is also enhanced. Administrative decentralization also directly influences the *capacity* of subnational governments and administrations by strengthening the systems and procedures that allow these units to perform their assigned tasks.

Given the great scope of administrative decentralization, it is difficult to cover the range of activities involved, but a few basic principles illustrate how to think conceptually and pragmatically about it:

- Structures and procedures should be as simple as possible without sacrificing the ability of subnational governments to meet their basic mandates.
- Structures and procedures should be rule-based and transparent, but with adequate discretion in implementation given to accountable managers.
- Subnational governments and administrations should have an appropriate degree of control over subnational employees; generally this means at least the basic autonomy to hire and fire staff (within the bounds of established procedures defining a merit system), although autonomy can be more restricted in deconcentrated systems and greater in more fully devolved systems.
- Managers and staff should be subject to incentives and performance review that encourage them to meet their responsibilities effectively.
- Mechanisms for interaction with external actors should be structured in a way that meets the specific goals of the relevant relationship (for example, to report to or make requests to higher levels, obtain information and feedback from citizens, partner with traditional authorities or other subnational governments, or procure goods and services from the private sector).
- Relations between appointed and elected subnational officials should be structured in a way that balances the technical role of staff with the political roles of executives and councilors.

Administrative Decentralization in Indonesia

Indonesia was partially decentralized even as a Dutch colony given the substantial size of the country and the dispersion of its constituent islands. As in many ethnically diverse former European colonies, building national unity through strong centralization was the post-independence focus, laying the base for the authoritarian Suharto regime. There was a degree of administrative decentralization even during the Suharto era, but central and provincial oversight and control of local governments was strong and their accountability was primarily to these higher levels.

After the fall of Suharto and the move toward greater devolution of authority to newly elected subnational governments, Indonesia eliminated major hierarchical relationships between local governments and higher levels, transformed central and provincial government field staff into local government employees, and gave local governments more significant functions, resources, and budgetary and managerial discretion. A great challenge has been to develop productive working relationships between elected local councilors and professional staff members, some of whom likely retained strong relationships with their former managers at the provincial and central levels.

Although Indonesia has made notable progress in administrative decentralization, some weaknesses in system design and continued concerns about local government performance have produced a degree of backtracking on the original reforms. New legislation passed in 2004 strengthened the administrative oversight role of provinces and somewhat diluted local government revenue powers, independent budgeting authority, and control over the local government civil service. It remains to be seen if and how higher-level controls might be relaxed again as local governments gain more experience and improve performance in revenue generation, service delivery, and governance.

2.2.4 Differentiating and Integrating Dimensions

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. Neither does it mean that whatever movement is occurring in other dimensions is of a decentralizing—not a centralizing—nature. Countries can simultaneously decentralize and recentralize in different dimensions, and there may be good reasons for them to do so, if conditions are not propitious for simultaneous decentralization in all three dimensions. As discussed in the next chapter for example, where stability is in question, national officials may wish not to adopt political or fiscal decentralization, and instead limit reforms to the administrative dimension. More generally, field officers and project implementers should remember that the level of political, fiscal, or administrative decentralization is not static. Countries will legitimately expand and contract the extent of decentralization based on the social, economic, and political realities they are facing.

While it is important to keep the three dimensions analytically distinct, comparing change across these dimensions is also critical. For example, acts of fiscal decentralization might seem impressive at first, but they appear substantially less so when one discerns that the level of administrative decentralization is low, in which case subnational officials have resources but not the control over administrative personnel they need in order to translate fiscal authority into specific outcomes. As another example, if elected mayors lack fiscal resources and administrative powers, this makes it harder for them to establish and defend their independence from traditional party bosses, thereby imperiling the logic of political decentralization. Ways to assess the political, fiscal, and administrative dimensions of decentralization are discussed in greater detail in Chapter 4.

Table 2.1 provides an approximate summary of this discussion by describing the presumed core impact of each type of decentralization on the four characteristics of authority, autonomy, accountability, and capacity. In reading Table 2.1, one should be aware of an embodied assumption that the source and type of authority characteristic of a subnational governance situation is, to a great degree, determinate of appropriate autonomies, accountabilities and capacities in that situation. Authority has a “first among equals” status in this discussion. Democratic political authority, derived from free and fair elections, implies greater autonomies and systematically differing accountabilities and capacities than authority derived from managerial discretion or expert competence. In accordance with that assumption, it follows that the degree of political decentralization influences appropriate fiscal and administrative authorities, autonomies, accountabilities and capacities. In other words, the content of the upper left hand cell in Table 2.1 greatly influences the content of all other cells.

TABLE 2.1. DIMENSIONS AND CHARACTERISTICS OF DEMOCRATIC DECENTRALIZATION

	Political	Fiscal	Administrative
Authority	Subnational officials receive the authority to govern through elections rather than via appointment by the national government.	Subnational officials have the authority to levy taxes and make spending decisions.	Subnational officials have the authority to plan and manage the provision of an expanded range of services.
Autonomy	Subnational officials gain autonomy from national governments because they hold distinct electoral mandates and because certain autonomies have been defined in law or institutionalized in long accepted practice.	Subnational officials can act autonomously (subject to national law and regulation) from the national government to the degree that they can make their own decisions about revenues and expenditures.	Subnational officials are able to hire and fire subnational government employees (subject to civil service rules), giving officials some degree of autonomy relative to the national government.
Accountability	Subnational officials become accountable to local constituents via elections and civil society forums, but also remain accountable to the national government vis-à-vis national laws and standards.	Subnational officials are held accountable by subnational voters and civil society groups for the greater fiscal resources under their control.	Subnational officials hold subnational bureaucrats accountable for the quality of service provision.
Capacity	Subnational officials face electoral incentives to build the capacity of subnational governments so that they can provide valued services.	Subnational officials understand the likely economic consequences of tax and expenditure decisions.	Subnational officials are able to perform their assigned roles because they sit atop structures with sufficient institutional capacity.

This version of Table 2.1 represents a relatively devolved version of democratic decentralization. An alternative version of this table in which the upper left hand cell contained “Subnational officials receive the authority to govern via appointment by the national government” would describe democratic

decentralization through deconcentration and the contents of the remaining cells would be substantially different from the content presented here. For example, it is unlikely that appointed subnational officials would have the authority to levy taxes and the range of allowable spending decisions might very well be restricted. In the absence of subnational elections, the autonomies of subnational officials would be reduced from those portrayed here and any remaining autonomies would be narrowly based in claims of administrative convenience or particular professional expertise. Primary accountabilities would be through administrative hierarchies rather than to subnational voters and civil society groups.

Deconcentrated administration is not necessarily less democratic than devolved government. Deconcentrated administration in a competitive national democracy should be recognized as a legitimate form of decentralization. When national-level “democratic deficits” are present, potential solutions include improved national-level competitive politics, which may very well offer

Federal, Unitary, or Somewhere in Between?

A country’s federal or unitary identity is usually the product of complicated and hard-fought political struggles. These labels consequently have deep historical and symbolic meanings that can be quite specific to the country in question. Similar labels may resonate differently in different contexts. For example, in debates over the design of the new Afghan constitution in 2002, federalism was widely discredited as an option because it was seen as a device that would favor regional warlords. In Bolivia, memories of the so-called “federal war” between regions in the late 19th century have undermined the appeal of federal designs, even as the national government opted after 2005 to introduce intermediate-level governments and to strengthen their representation at the center.

As a result, the adoption of decentralization is a far more common event among countries today than the explicit shift from a formally unitary identity to a formally federal one. Decentralization and federalism, however, are not fully separable phenomena. Around the developing world, various forms of decentralization are undeniably moving unitary countries toward federalism, even if they decline to embrace the label. Specifically, when decentralization in unitary countries strengthens not only municipal and other local governments but also intermediate-level governments, it can shift governing dynamics in an unmistakably federal direction. Thus, although scholars of federalism focus on (and disagree over) categorical differences between federalism and unitarism, thanks to dynamic programs of decentralization, more and more countries are occupying a gray zone between these two types.

Consider the following examples. In the Philippines, decentralization in 1991 introduced automatic revenue sharing with provincial governments, villages, barangays, and cities. Although provinces have no formal representation in Congress, governors can and do use their enhanced powers to influence the voting behavior of national legislators within their provinces. In Indonesia after Suharto’s fall in 1998, the military and other national actors who were concerned about national fragmentation were able to veto federalization centered on provincial governments. Nevertheless, decentralization has increased the political autonomy and statutory authority of provincial governments, which have proliferated in number since the adoption of decentralizing legislation. Across Latin America, due to the cumulative effects of sometimes gradual changes, decentralization has firmly shifted many unitary countries toward federalism—even as they continue to insist on their unitary identities. Colombia, Peru, Bolivia, Uruguay, Chile and others have increased the autonomy of elected subnational officials over the past twenty years.

One important implication of this trend is that field officers and programmers should not rule out actions to support intermediate-level governments and administrative units simply because a country uses the “unitary” label to describe its formal constitutional structure.

advantages *vis a vis* devolutionary initiatives in, for example, incompletely formed or fragile states.

2.3 FEDERAL VERSUS UNITARY SYSTEMS

Decentralization in the three dimensions discussed above can occur in countries that are organized along either federal or unitary lines. Two features are essential in determining whether a country is federal: (1) the existence of at least two tiers of government, which share governing authority over citizens; and (2) the representation of subnational governments (typically, these are intermediate levels of government and not the lower or lowest levels of government) in the national legislature. In unitary countries, subnational governments may be elected and recognized in the constitution, and many unitary countries have moved to establish or strengthen governments at the local and intermediate levels. By definition, however, these governments do not enjoy representation in the national government. In some federations, powers not specifically assigned by the constitution (residual powers) are retained by subnational governments, while in other more centralized federations these powers are reserved for the national government. Federalism is more common in countries that are large in terms of population and territory.

While federations are typically more decentralized than unitary countries, federations can be quite centralized and unitary countries can in fact be highly decentralized. In recent years, the wave of decentralization in unitary countries has substantially strengthened the influence of subnational governments, if not their formal representation at the center. That decentralization is by no means limited to federations is important because the great majority of the countries in which USAID operates are unitary by design. In fact, by the definition provided above, only the following developing countries qualify as federations: Argentina, Brazil, India, Malaysia, Mexico, Nigeria, Pakistan, and Venezuela.

With respect to the federal-unitary distinction, the most important point to make here is that the guidance offered in this handbook about the multiple dimensions, goals, and arenas of decentralization is valid for both federal and unitary states. A country's unitary design does not prevent it from adopting decentralization, even if the absence of intermediate-level governments in most unitary systems does limit the degree of political and fiscal decentralization that can occur at this level (though not at lower levels).

2.4 CONCLUSION

Understanding the distinct logic of decentralization in its political, fiscal, and administrative dimensions and its deconcentrated, delegated and/or devolved forms can be tricky. These conceptual distinctions are important, however, because different contexts require different types of decentralization, at different speeds, and in different sequences. The reality that decentralization can occur in multiple dimensions is one of its most useful aspects. Among other things, this means that field officers and project implementers can try to introduce those decentralizing changes that make the most sense for the specific goals at hand. A more in-depth discussion of the goals that have motivated so many leaders to adopt decentralization is the subject of the next chapter.

Questions for Review – Chapter 2

You may test and reinforce your understanding of selected concepts presented in this chapter by responding to the following questions before reading Chapter 3. Answers to questions will be found on the pages indicated with each question.

- 1. How does political decentralization affect each of the key characteristics of authority, autonomy, accountability and capacity? (pp. 10 – 11)**
- 2. What are some of the principles that should guide political decentralization? (pp. 11 - 12)**
- 3. In your own words, describe fiscal decentralization. (p. 13)**
- 4. What are some of the benefits and challenges of fiscal decentralization? (pp. 13 - 14)**
- 5. What are the differences between deconcentration, delegation, and devolution as the three main forms of administrative decentralization? (pp. 9 - 10)**
- 6. Why is it important to measure a country's level of decentralization in all three dimensions? (p. 16)**
- 7. Does it matter if a country is federal or unitary in design when its leaders decide to decentralize? (p. 19)**

3.0 WHY DECENTRALIZE?

The previous chapter summarized the definitions, dimensions, and characteristics of decentralization. Chapter 3 focuses on the reasons that decentralization makes for worthwhile programming. If the previous chapter demonstrated that decentralization comes in many shapes, this chapter builds on the understanding that decentralization is not an end in itself. Decentralization succeeds when it promotes other desirable ends.

But what are the overarching goals that decentralization can help attain, and how exactly can it assist in achieving them? This chapter addresses the goals of decentralization in three sections. The first highlights the three most common goals that motivate the decision to decentralize: to enhance stability, democracy, and economic development. The second section discusses the challenges involved in using decentralization to attain these goals. The third section shows how the three goals of decentralization can be reflected in programming actions, most notably in assessments of the country environment and in specific strategies and tactics.

3.1 THREE PRIMARY GOALS OF DECENTRALIZATION

We live in an era when overly centralized patterns of governance receive much of the blame for many of the world's ills. In numerous countries, growing numbers of citizens and policymakers now believe that decentralizing changes can make their societies more stable, more democratic, and better developed economically. At the same time, it is widely recognized that a central government's ability to establish the rule of law and the basis for social order is a first-order priority, especially in unstable countries in the process of state building. Accordingly, while field officers and project implementers must be attentive to the promise of devolving powers to elected subnational governments, they should also recognize that devolution is not a panacea and that deconcentrating power to local branches of national government may be preferable in some contexts.

3.1.1 Stability

USAID increasingly operates in conflict-ridden environments and fragile states where the most fundamental goal is the very stability of the state. 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 compromised. This section lays out the case for decentralization as a stability enhancing measure, a case which is then qualified by arguments presented in the constraints section later in the chapter.

Decentralization can reduce conflict by opening up new avenues for political participation and by giving people more opportunities to influence government. Because subnational 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 solving conflicts than 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.

In addition to proactively heading 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 of 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 subnational 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 subnational 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 subnational 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, subnational 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 subnational 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 subnational units feel that they can hold their local representatives *accountable*, this experience can inhibit the rise of more destabilizing demands. Finally, where subnational 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.

Post-conflict Decentralization in Cambodia

Cambodia offers one example of a country in which decentralization has helped to restore citizen trust in government after years of armed conflict and political turbulence. Subnational administrative units have existed in Cambodia since the French colonial era. Provinces and districts performed functions on behalf of the center, while communes were largely vehicles for communicating with local people through appointed commune chiefs. The entire system deteriorated during the protracted conflicts of the Khmer Rouge era, the Vietnamese occupation, and civil war. Following a UN-brokered peace agreement in 1991, national elections in 1993 resulted in a fragile two-party power sharing arrangement. This collapsed in a 1997 power consolidation by Hun Sen and his Cambodia People's Party, which then narrowly won elections in 1998 and 2003.

As the new regime stabilized and saw the need to focus on more developmental concerns, it decided to build on substantial donor efforts to promote participatory service delivery at the commune level. Commune governments came to life with newly elected councils in 2002. Although a dramatic step in the prevailing environment, decentralization has in fact been relatively limited. Communes do have separate budgets (unlike provinces), but they enjoy few formal functions or their own resources. The system is based on small discretionary intergovernmental transfers institutionalized into the national

budget and allocated with an objective formula. Legality controls on local planning, governance, budgeting, service delivery, and financial management help to ensure responsible resource use. In addition, the system is linked to a substantial program of capacity building and technical assistance based at the provincial level. Supporters of this limited approach consider it to have been the most appropriate way to begin reform in a post-conflict environment, where citizen trust of government and local capacity are low. By strategically providing communes with modest resources for new services prioritized through local participation, a process of building local government credibility and capacity has been put into motion.

Despite progress, decentralization in Cambodia has a long way to go. The government recently announced its intention to expand reforms to other subnational levels of administration. The details, however, have not been defined, so it remains unclear how Cambodia's modest experiment with post-conflict decentralization will evolve.

3.1.2 Democracy

Decentralization can create more transparent political institutions, inculcate stronger citizen support for government, and improve democratic participation. Given the growing dissatisfaction 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 subnational government, decentralization offers citizens a greater stake in democracy's success. Citizens who value their participation in subnational government are less likely to support non-democratic regime changes at the national level because authoritarian governments typically deny subnational governments significant independence.

Political decentralization in the form of subnational elections expands the number of opportunities in which people can practice democratic citizenship. In long-standing democracies where subnational 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. Subnational elections 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 subnational 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 subnational 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. 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 subnational 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 subnational 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 subnational governments

in at least some fields, these governments can prioritize local preferences, as revealed in elections and other citizen forums. Democratic theory suggests that *capacity* also provides a critical link in the relationship between voters and their representatives, who command subnational governments that can actually be used to provide services demanded by voters.

Decentralization in the Philippines' Transition to Democracy

The Philippines represents one of the most dramatic examples of decentralization in Asia and offers a powerful illustration of how decentralizing measures can be designed to advance and consolidate transitions to democracy. In his nearly two decades in power, dictator Ferdinand Marcos aggressively centralized decision making not just in the national government, but in a handful of cronies in Malacañang Palace. When the People Power movement dislodged Marcos in 1986 and replaced him with Corazon Aquino—a political widow and non-politician—a historic opportunity emerged for decentralization. Aquino saw in decentralization a way of dispersing power and rendering less likely any future reversion to authoritarian rule. Redemocratization was Aquino's chief legacy as president, and the 1991 Local Government Code (LGC) served as her most effective tool toward this end. In a more parochial vein, the adoption of term limits in the new 1987 Constitution gave national legislators cause to anticipate future careers as governors and mayors, and therefore to endorse Aquino's proposals.

The LGC introduced sweeping changes in all three dimensions of decentralization. With respect to administrative decentralization, subnational governments have received approximately 70,000 personnel who formerly worked in the Manila-based Departments of Agriculture, Education, Culture and Sports, Environment and Natural Resources, Health, Public Works and Highways, Transportation and Communication, and Social Welfare. On the fiscal side, the LGC required the national government to transfer 40 percent of its revenues to subnational governments, a huge change in a country where all transfers had historically been negotiated on an ad hoc basis. Fiscal decentralization ensured that separately elected subnational officials would have important decisions to make. With respect to political decentralization, the LGC reserved a quarter of all seats on Local Development Councils for NGO members and gave NGOs full participation in oversight committees that monitor subnational spending decisions. The idea was not simply to transfer power from national to subnational political elites, but to broaden the set of actors who make decisions at the subnational level.

If decentralization was designed to push forward the democratic transition, the LGC has only partially succeeded. On the one hand, the LGC has certainly expanded the space for democratic participation at local and intermediate levels. Important cases of successful democratic local governance—honored every year in the Galing Pook Foundation Awards—have emerged as the direct result of decentralization. On the other hand, evidence also suggests that decentralization has reinforced the basis of rule by traditional family clans in much of the Philippines. In localities under the domination of these clans, fiscal and administrative decision making has strengthened the hand of groups who do not hesitate to use violence or the threat of violence to enforce their continued rule.

3.1.3 Economic Development

Historically, the most commonly cited reason to decentralize is its purported impact on economic development. Subnational 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 subnational 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. Subnational 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. Subnational 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 subnational 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 subnational 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 subnational 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 a degree of *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 subnational 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 lynchpin: only subnational units that have institutionalized procedures and capabilities can have a positive developmental impact.

Decentralization, Development, and Political Self-Interest in Senegal

Governments that engage in decentralization often do so in order to promote economic and social development. Even in those instances where stability or democracy is deemed the primary goal, the logic of decentralization often operates with the presumption that improved service provision and enhanced economic development will be the mechanism that turns citizens into political and economic stakeholders. Particularly in countries that are already stable and relatively democratic prior to pursuing decentralization, development is often the principal, stated goal. In Senegal, for instance, development was a stated goal in decentralizing reforms in the mid-1990s.

Senegal is a relatively stable country, apart from a long-smoldering but self-contained conflict in the southern region of Casamance. The country deepened and consolidated democracy in conjunction with decentralizing reforms during the 1990s. With respect to decentralization, fiscal and administrative reforms at the time were designed primarily to move responsibility for nine major social service areas

from the central government to subnational levels. The central achievement of the decentralization laws of 1996 was the creation of a Decentralization Fund designed to compensate subnational governments for the number of social service responsibilities transferred to them, including health and education. However, though development was the stated aim of reform, subnational officials viewed the change as leading primarily to unfunded mandates and attempts by the central government to decentralize problems instead of solutions.

The Senegalese case accordingly illustrates that decentralization will often be undertaken by politically self-interested actors; that is, the true goals of decentralization may be more narrowly political than an ideological commitment to loftier goals. Senegal's decentralization served the interests of the ruling party of the time, the Parti Socialiste (PS). As in other countries (such as Mexico under the Institutional Revolutionary Party [PRI]), decentralization was in part an effort by the dominant party to shore up its political bases as democratization progressed at the national level. Donors supported increased participation in subnational governance as the PS decentralized, but the party's main objective was not to use decentralization as a democratizing tool. To the present, central government officials and their deconcentrated counterparts retain considerable power to make subnational personnel decisions and allocate resources.

3.2 CONSTRAINTS THAT COMPLICATE SUCCESSFUL DECENTRALIZATION

There are good theoretical reasons to expect decentralization to enhance stability, democracy, and development, and there is some empirical evidence from countries around the world that supports these theoretical claims. At the same time, it is clear that decentralization often fails to deliver on its promised benefits due to a series of constraints that interrupt the causal relationships described in the previous section. Of particular importance are constraints on state strength, political and institutional constraints, and resource constraints, in addition to possible tradeoffs among the three goals above. Identifying these constraints is important because they shape how actors on the ground will respond (or fail to respond) to formal decentralizing changes.

3.2.1 Constraints on State Strength

Even when decentralization takes its most expansive form—devolution—the national government still has important responsibilities that it must perform and that no other actor can perform. Specifically, the national government must be strong enough to defend civil liberties, political rights, and the rule of law throughout the national territory, including the enforcement of property rights and contracts. It must also protect the territorial integrity of the state, including subnational governments in border regions. In a decentralized system, subnational governments and administrations may have the right to choose which services to provide and how high or low to set tax rates, but they do not have the right to act outside the law. This is significant because decentralization substantially raises the stakes of illegal behavior on the part of subnational officials by transferring to them additional revenues, assets, and responsibilities.

In many developing countries, state actors at the center cannot defend the rule of law throughout the national territory. In this sense, ironically, decentralization may fail to deliver on the promises that are enumerated above precisely because of a prior failure to centralize authority in the state. 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 subnational jurisdictions is uneven, with a strong state presence in some subnational regions and the virtual absence of the state in others. Precisely because the rule of law enables the definition and enforcement of a robust intergovernmental framework, without which it is impossible to clarify the rights and responsibilities of subnational governments, the “unrule of law” can be devastating for decentralization in several ways. While stability, democracy, and development may be compromised by many actors (both public and private), the potential for decentralized subnational governments themselves to compromise these goals is of particular interest. Examples of these phenomena include the following:

- With respect to *stability*, insufficient state strength means that the national government may be too weak to prevent and punish illicit and destabilizing behaviors by subnational governments linked to separatist movements or to outlaws, bandits, or profiteers.
- With respect to *democracy*, authoritarian enclaves at the subnational level can be reinforced by decentralization if the national government is unable to prevent undemocratic and illegal practices within these jurisdictions.
- With respect to *development*, the inability of the national government to enforce the rule of law may enable local actors to misappropriate the subnational resources that are meant to be spent on service provision.

3.2.2 Political and Institutional Constraints

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 subnational actors respond to decentralization. In many countries, rigid party discipline and national control over subnational candidate selection conspire to limit the scope of political decentralization. Even where subnational elections have been introduced, candidates may be less responsive to local concerns if their parties force them to privilege the concerns of national patrons.

Frustration with subnational officials who remain unresponsive to local concerns—even where they are elected and not appointed—increases the significance of non-electoral mechanisms of accountability. As discussed above, civil society participation and community empowerment are crucial when promotion of democracy is the goal of decentralization. Yet 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.

Better organized groups routinely have an easier time participating in and deriving benefits from decentralized policymaking. Throughout the world, evidence has mounted of elite capture, instances in which the most powerful local citizens dominate subnational governments and appropriate the greater resources that decentralization has placed under the control of these governments. Civil society groups that over-represent some subset of interests may be just as unaccountable to marginal populations as the subnational elected officials who prioritize the concerns of national party leaders.

Another set of constraints has to do with dynamics within the national government and between the national government and external donors. When a national government decides to decentralize, internal rivalries, turf wars, and intra-bureaucratic struggles for power and resources often limit the coherence of the government’s overall decentralization strategy. These intra-bureaucratic struggles can be exacerbated when different donors work with different ministries. Typically, officials in sectoral, finance, and interior

ministries will have different overarching goals and institutional incentives to prefer different types of decentralization. Many national bureaucratic agents do not support decentralization at all and will do everything they can to maintain control over their prior mandate and its associated resources.

3.2.3 Resource Constraints

Numerous resource constraints in developing countries, at both the national and subnational levels, can render decentralization substantially less effective than it has been in resource-rich countries. Many subnational governments and administrations simply do not have sufficient capacity to play the enhanced roles that they are expected to play in decentralized systems. With respect to administrative decentralization, not all subnational governments and administrations are capable of providing the more technically challenging services that they are assigned. With respect to fiscal decentralization, limited productive assets restrict the amount of revenues that can be extracted in many subnational areas. Thus, where fiscal decentralization takes the form of devolving taxing authority without increasing redistributive revenue transfers, inequalities in the level and quality of service provision between subnational jurisdictions are likely to worsen. There are numerous examples of the ways in which resource constraints can render decentralization an ineffective strategy for stability, democracy, and economic development:

- Decentralization may actually promote instability if it raises the expectations of local populations only to dash these hopes when subnational officials fail to deliver.
- Likewise, although democracy should not be conflated with service provision, when democratically elected subnational governments in resource-poor regions are consistently unable to provide public goods and services, this may decrease support for democracy.
- Finally, by limiting the ability of subnational governments and administrations to provide high-quality services, resource constraints may prevent decentralization from promoting economic development. Particularly in rural regions, decentralization's development goals are often undercut by insufficient tax bases, low levels of human capital, and the weakness of the local private sector.

In the many historically centralized states of the developing world, resources have been especially scarce for subnational governments, resulting in less capacity to make and implement policy decisions. Subnational government revenues may also be less robust and more uncertain in the present, relative to those of national administrations. Ensuring the quality of service provision may thus be most feasible when working with deconcentrated national government entities. On the other hand, decentralizing responsibilities may be necessary to provide subnational governments with opportunities to strengthen their capacity. Absent such opportunities, the low capacity of subnational governments can become an indefinite justification for continued centralization, which in turn further limits the capacity of subnational governments over the long run.

3.2.4 Constraints from Tradeoffs and Conflicting Goals

The relationships between stability, democracy, and economic development can be quite complex, and a given decentralizing reform may have simultaneously positive and negative impacts on these different goals. Where programmers use decentralization to pursue a particular outcome, they should also analyze how decentralizing interventions are likely to affect other outcomes as well. Tensions may arise between democratic goals and developmental goals, between stability and democracy, or between stability and

development, at least in the short term. Consequently, it may be necessary to prioritize one goal over another. These examples highlight possible tradeoffs or conflicts between the goals of decentralization:

- The introduction of subnational elections may expand democratic choice and at the same time prove to be destabilizing when groups previously on the margins of the political system are integrated into the political process. Here democracy is enhanced but at a cost (perhaps acceptable) to stability.
- Similarly with regard to introducing subnational elections, voters may support subnational elected officials for including them in the clientelistic networks through which goods and services are distributed, even if long-term economic development demands that resources be devoted to other uses. In this case, political decentralization has expanded accountability (and perhaps deepened democracy) but at the same time threatened economic development.
- As a third example, the need to quickly reestablish services in post-conflict settings may suggest that subnational branches of national government agencies—rather than new, democratically elected subnational officials—should initially be in charge of service provision. In this case, stability trumps local democratization as the more important goal.

Due to the complicated relationships and tradeoffs between stability, democracy, and development, it may be impossible for decentralization to provide progress toward all three goals at once. For this reason, USAID should engage in a frank assessment of how these goals relate to each other and which, if any, should take precedence in the country in question. Clarity about goals will improve the likelihood of designing decentralization programming that is appropriate for those goals. Simply put, USAID's goals for the country should directly inform the types of decentralizing changes that are supported.

3.3 FROM WHY TO HOW: APPROACHING STRATEGIES AND TACTICS

Summarizing this chapter so far, decentralization can help countries achieve important goals (stability, democracy, and development) by introducing a variety of changes in four key characteristics (authority, autonomy, accountability, and capacity). Unfortunately, in practice, numerous constraints may thwart the positive impact that, in theory, decentralization can have on these goals. Having described key goals and common constraints, the next step is to suggest how field officers and project implementers might determine which goals are most pressing in a country. This preliminary assessment of the relative urgency of different goals will lead to the more systematic assessment described in the next chapter.

3.3.1 Instability and its Impact on the Decentralization Menu

To determine which goals take precedence in a given country, the level of stability should be measured first. Examples of unstable states include those that are failing, have failed, or are recovering from failure. Most countries that are emerging from periods of intrastate conflict also have low levels of stability. Other indicators include the existence of significant separatist movements, ethnic cleavages that frequently erupt into violence and nonstate militias that can effectively counter the national military. Field officers and project implementers also may look for evidence that the state does not control all of its national territory, or that its representatives (such as police officers, prosecutors, and auditors) cannot effectively perform their services throughout the country.

In most unstable states, stability will take precedence over other goals including democracy and development. The primacy of stability does not mean that it is inherently more important than other goals,

but instead reflects the reality that both democracy and economic development require stability. Stable states are desirable because they do a better job of protecting human life than do unstable states. Additionally, instability directly and negatively affects civic participation (upon which democracy depends) and public and private investment decisions (upon which economic development depends).

When stability is not in question, the menu of decentralizing options becomes relatively expansive. In contrast, when decentralization serves as a means to stabilize an unstable country, the preferable option is usually the *deconcentration* of power to locally based entities that remain under national government control. The reasons for this are more fully explained in the conclusion of this chapter. But one especially salient reason derives from the high stakes nature of decentralization in unstable countries and the possibility that devolution programming may have irreversible and counterproductive consequences. These realities provide one reason to favor gradualism in the transfer of resources and responsibilities to subnational actors.

3.3.2 Democratic Practice at National and Subnational Levels

There are important deficits of democracy and development in most of the countries in which USAID operates, even where stability is not a major concern. In countries that appear to be making development progress, but where democratization is lagging or suffering reversals, field officers and project implementers may want to privilege democracy as the goal toward which decentralizing interventions are adopted.

Some assessment of the extent and quality of democracy should first be conducted. It is critical to conduct this assessment at both the national and subnational levels as the quality of democracy can differ radically at different levels within the same country. For instance, in many countries (Brazil and Mexico in the 1980s, prior to their democratic transitions at the national level, to name two), authoritarian leaders have restricted democratization at the national level, but have been less hostile to political liberalization at the subnational level, which they deem to be less threatening. Morocco is another example of a country whose local political system is considerably more open than its national-level politics. Support for political decentralization in such settings may set the stage for more ambitious political reforms at the national level at a later time.

On the other hand, many countries have experienced transitions to democracy at the national level, but continue to restrict democratic practice at the subnational level. This occurs because national governments insist on their right to appoint subnational officials, or because entrenched authoritarian enclaves subvert subnational democracy. This too presents opportunities for programming, which may be designed to support subnational elections, undermine authoritarian local practices, or promote forms of local participation in those cases where subnational elections are ill advised.

3.3.3 Development and Intra-country Variation

In many developing countries, the wave of democratization in the last quarter of the 20th century has substantially strengthened the practice of democracy at the local and intermediate levels. Indeed, in some countries, democracy, transparency, and accountability appear to be more robust in certain subnational regions than they are at the national level (examples range from Kerala in India and the Cross River State in Nigeria to the city of Porto Alegre in Brazil). In such cases, it is the potential of decentralization to advance development rather than democracy that should receive the attention of USAID. In practice, this may mean paying more attention to the fiscal and administrative spheres of decentralization relative to the political sphere, and to capacity-building efforts designed to improve subnational service provision.

One preliminary task that is critical to the pursuit of economic development through decentralization is an assessment of intra-country variation in the level of development across different subnational regions. A development assessment that is attentive to economic and social geography should enable programmers to tailor decentralization for subnational regions at different levels of development. This may include programming that treats different regions asymmetrically, proposing or supporting reforms that would be enacted only in locations that meet certain criteria (e.g. existence of the rule of law). Such asymmetric approaches allow USAID to select from a menu of targeted programming options, conditioned upon specific program goals.

3.4 CONCLUSION: DECONCENTRATION OR DEVOLUTION?

This chapter has reviewed the goals of decentralization and the constraints that often hinder the achievement of these goals. Chief among these constraints is the absence of a strong, capable central government. The central government's endowment with the qualities of authority, autonomy, accountability, and capacity will be just as important as their presence on the subnational level. Central governments must be able to establish rules and regulations to oversee the economic and political behavior of subnational actors. For USAID programming, the strength of a country's central government will be a key determinant of whether the applicable form of decentralization is deconcentration or devolution.

The choice between deconcentration and devolution should be conditioned upon the relative salience of the three goals discussed in this chapter. Whether deconcentration or devolution will enhance or undermine the goal of stability remains controversial. Some scholars advocate for federal and decentralized institutions that divide power territorially in the belief that investing multiple-identity groups as stakeholders in power politics defuses secessionism and violence, particularly in ethnically charged environments. In this scenario, devolution would lead to the stability USAID seeks to promote. On the other hand, devolution can also exacerbate and reify existing cleavages in society, thereby possibly undermining stability. Where this is true, deconcentration may be desirable precisely because it leaves most governing authority with the central government. In this light, USAID must make tough choices as to how best to promote stability.

This handbook strikes a pragmatic, albeit theoretically informed, approach to this question. Supporting deconcentration—despite references to this as a more limited form of decentralization—can be the most appropriate programming approach in countries where stability is the primary goal of democratic decentralization. Conversely, as we see below, devolution will be the more appropriate aim in environments that are characterized by social stability yet have low levels of economic development and democratic deficits in governance.

Why does deconcentration constitute a best practice for programming in unstable situations? This pragmatic conclusion emerges for several reasons:

- **Resources.** USAID will typically not be able to leverage the resources on its own to support devolution in non-propitious programming environments, such as societies in conflict or in an immediate post-conflict situation. Where resources are scarce, deconcentration may be the only feasible approach to creating stability, since devolution multiplies the number of intervention points and thus increases the costs of learning, action, and monitoring.
- **Political incentives.** In countries where stability is the preeminent goal, central governments will be most reticent to devolve power. Put one way, there will be little political will to decentralize. Put another, the incentives facing national leaders will strongly lead in the direction of attempts to

consolidate state authority and the rule of law at the center, with the division and devolution of power unlikely to gain favor as a strategy among important decision makers.

- **Sequencing possibilities.** Deconcentration may be a lower-risk strategy than devolution. Under the do-no-harm principle, deconcentration represents an approach that can subsequently be modified toward devolution as democracy emerges as a more realistic goal. However, the reverse sequence—devolving power and then bringing this power back under the purview of centrally appointed officials—will be more difficult. To the extent that deconcentration efforts focus on subnational capacity building, they will facilitate subsequent devolution, when it becomes feasible.

For these reasons and given the ambiguous empirical evidence on devolution's contribution to stability, deconcentration may take precedence in those countries where stability is the principal goal of USAID programming.

Unstable environments may represent only a small proportion of USAID's partner countries, but these unstable countries are often especially vital to USAID's portfolio of activities. Indeed, some of USAID's most substantial investments necessarily come in those societies in the process of social, economic, and political reconstruction. These USAID sites will be some of the largest, both in terms of personnel and budgets. For instance, work in Iraq and Afghanistan as of 2008 must first ensure stability and the rule of law as prerequisites to the Agency's other goals of promoting democracy and development. From USAID's perspective, the size and importance of these countries necessitate a full appreciation of what deconcentration can offer.

By contrast, the majority of USAID programming countries are stable, albeit weak on indicators of economic development and often in terms of democracy as well. Given a baseline level of stability, the most salient actions become those to promote democracy and economic development. In stable environments where democratization is the principal goal, programmers should encourage the practice of devolution. Logically, such programming must emphasize subnational *authority* and *autonomy*, among other qualities. To deepen democracy, decentralization must ultimately empower officials responsible to an electorate. In nearly all cases, this means supporting political decentralization that leads to the *accountability* of subnational elected officials to constituencies in their districts, provinces, or localities. As was the case with stability above, exceptions will exist to this general rule (such as in cases where national democracy is robust yet subnational elections are easily captured by local elites). Yet, even with these exceptions, the crux of devolution is the deepening of democracy at the subnational level.

If stability is best approached through deconcentration and democracy through devolution, then the goal of economic development demands a more nuanced statement. Economic development may be best served by deconcentration (where this will result in the most efficient provision of locally demanded public services), or it may demand devolution (where the goal is local economic stimulus through competition among subnational governments). By the former logic, deconcentration may be the most apt solution for promoting economic development where subnational administrations of the central government have higher *capacity* for service provision than do subnational elected governments. In these cases, devolution would have the perverse effect of hampering development by lowering the quality of public services and the pace of human capital development. By the latter logic, accountable local officials and vibrant local debate on priorities is crucial for promoting local economic competitiveness. *Accountability* here must flow between citizens and their officials, and not solely up to the national level. Long-standing arguments linking federalism and decentralization to development presume some level of subnational autonomy. For decentralization to promote economic dynamism through a competitive market-based dynamic, subnational governments or

administrations must have sufficient decision-making *authority* to shape revenues and expenditures differently from neighboring jurisdictions. They must also have the *autonomy* to make public spending choices that are determined by local preferences. Depending upon country circumstances and the goals of central government, deconcentration and devolution can each have a place in promoting economic development.

While separate treatment of the potential goals of decentralization is useful for analytic and didactic purposes, partner governments and USAID missions generally seek some prioritized mixture of two or more goals in the design of projects. Therefore, the following chapters of this handbook are organized in terms of the most common principle arenas of project activities: the national government arena, the subnational government arena and the civil society arena.

Questions for Review – Chapter 3

You may test and reinforce your understanding of selected concepts presented in this chapter by responding to the following questions before reading Chapter 4. Answers to questions will be found on the pages indicated with each question.

- 1. Describe the three primary goals of decentralization. (pp. 21 – 25)***
- 2. What are the specific reasons that lead people to believe that decentralization can enhance each of these goals? (pp. 21 – 25)***
- 3. Why is insufficient state strength a constraint on decentralization? (pp. 26 - 27)***
- 4. Give examples of how decentralization can be threatened by political and institutional constraints. (pp. 27 - 28)***
- 5. In a country with which you are familiar, how might resource constraints represent a challenge to decentralization? (p. 28)***
- 6. Give examples of how the three goals of decentralization—stability, democracy and development—may either support one another or come into conflict. (pp. 28 - 29)***
- 7. What is the impact of instability on the relative merits of deconcentration and devolution? (pp. 29 - 31)***
- 8. How might decentralization programmers respond to the common reality of intra-country variation in the level of economic development? (pp. 30 - 31)***

4.0 ASSESSING THE ENVIRONMENT FOR DECENTRALIZATION REFORM

This chapter shifts from the question of why decentralization is a promising area for programming to the question of how successful programming can be designed and implemented based on a sound assessment of the environment for decentralization reform. The next chapter then suggests strategic approaches and implementation activities appropriate to the country context and prioritized by goal(s) (stability, democracy, and development) highlighted in this handbook.

This chapter draws upon the preceding conceptual framework to develop an assessment framework that programmers can use to analyze essential characteristics of the decentralization process. The assessment framework is designed to help programmers define a country-appropriate program for the goal(s) selected and subsequently to select specific interventions. The framework can be used to develop programmatic recommendations that target the critical decentralization deficits in a country and that identify primary actors and rules in each of decentralization's three arenas (national, subnational, and civil society). Chapter 5 then describes how the findings from the assessment can lead to strategic and programmatic recommendations, as well as ways to leverage existing local capacity and investments by other international donors.

A decentralization assessment may follow upon and deepen the findings of a democracy and governance (DG) assessment that may have been carried out in the development of mission strategies. The DG assessments will have provided an analysis of the broader political dynamics within which the decentralization process is occurring, and can offer valuable insights into the structural determinants—both motivating elements and constraints—of the reform process. A DG assessment will have identified important country characteristics that affect decentralization, such as regime type, the presence of conflict vulnerabilities, and the central DG and developmental challenges facing a host country. The decentralization assessment framework presented here is divided into four steps to assist practitioners in dealing with the complexities of decentralization in various political and post-conflict settings. It is not meant as a prescriptive, cookie-cutter approach, but rather as a way of identifying who the key reformers (and possible opponents) are and where the key decentralization deficits lay. Rather than exhaustively documenting each of the three main arenas in which decentralization unfolds, this framework will offer means of assessment of sufficient depth to allow for meaningful, concrete recommendations regarding targets of intervention. The four steps are as follows:

1. A concise contextual analysis of the political dynamics that have prompted the adoption of decentralization reform.
2. An analysis of the four essential characteristics of decentralization as presented in Chapter 1: authority, autonomy, accountability, and capacity. This first step 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, subnational, 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 overall national policies regarding decentralization and the rules that shape public administration at subnational levels,—including the status of subnational capacity and performance. This step also reviews the civil society arena, including the strengths and characteristics of the rights of citizens and nongovernmental organizations.

While the assessment framework is structured around the four steps, research related to the steps is likely in practice to be carried out simultaneously. However, for planning and presentation purposes, it is recommended that the findings of the analysis be structured as follows:

4.1 STEP 1: 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 DG assessment.

This opening section should allow the reader to be able to answer the following questions:

- 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 subnational public sector entities)?
- Are there particular political problems (such as regional or ethnic tensions) that the government seeks to resolve through decentralization?
- What are the principle goals sought by proponents of decentralization?
- Is there evidence of broad political support for decentralization or do important political actors question the merits of decentralization?
- Are there any important differences in vision among key parties (such as national government agencies, major political parties, or powerful interest groups)?

Bosnia and Herzegovina –From Stability to Sustainability

Since the 1995 Dayton Peace Agreement ended the war in Bosnia and Herzegovina (BiH) and established its independence, the new country has undergone extensive reform across all dimensions of decentralization. During its first decade as an independent state, the process of state development was designed to achieve all three primary goals of decentralization: stability, democracy and development.

The Constitution of BiH reflects the devolution form of decentralization intended to mitigate ethnic tension by creating more autonomous governance based on the spatial concentration of cultural and ethnic groups. By establishing strong autonomous regional entities under a relatively weak central government, a fragile, but manageable structure provided the means to end the most destructive war in Europe since World War II. Though in many post-conflict environments devolution can be a riskier strategy than deconcentration, in BiH the decision to transfer significant degrees of fiscal and administrative authority to subnational governments (e.g. devolution), rather than strengthen subnational branches of national line ministries (e.g., deconcentration) has helped to promote stability. While devolution has contributed to a weak central government, more importantly it has increased the willingness of different ethnic groups to accept membership in a multi-ethnic polity.

In the past decade, dramatic changes in political and civil society at the subnational level have eroded support for the radical elements that provoked the conflict of the early 1990s. By strengthening support for more accountable democratic governance, these changes have also improved the prospects for the country's integration into the European Union. Decentralization initiatives to increase the authority and capacity of local and regional governments have contributed to the process of democratization in a variety of ways. As in many countries, municipal governments in BiH are the most accessible and are consistently ranked by citizens as the most trustworthy level of government. Since the end of the war, public opinion surveys have shown a steady increase in public satisfaction with local and regional governments, and the positive perception of these governments is helping to advance the goals of democratization.

Notwithstanding clear achievements in the initial goals of decentralization, the cumbersome administrative divisions originally created by devolution for the sake of stability now increasingly hamper the achievement of economic growth. Only about 8% of all public revenues reach municipalities in BiH, dramatically lower than regional standards. Correspondingly, redundant and dysfunctional administrative divisions provide a rich resource for political patronage and corruption widely recognized as a leading constraint on foreign investment and other economic growth opportunities. In 2005 salaries for government employees – including those employed by subnational governments – amounted to 14% of total GDP. Despite diverse views on the appropriate structure of subnational government, virtually all major political actors agree that the present structure of government in BiH is inefficient, unsustainable and presents a major impediment to economic growth.

Thus a major challenge facing the design and implementation of decentralization in Bosnia and Herzegovina is to strike an effective balance between the three goals of stability, democracy and development. In the future, decentralization programming in BiH should be designed to enhance the prospects for sustainable economic growth without compromising the important previous gains in terms of stability and democratization.

4.2 STEP 2: ESSENTIAL CHARACTERISTICS OF DECENTRALIZATION

The purpose of step 2 is to be able to identify the areas in which a country's decentralization process most needs improvement. In order to succeed, all decentralization reforms must take into account the status of the four key characteristics described in Chapter 1: authority, autonomy, accountability, and capacity. The main thrust of this handbook is that USAID should focus its decentralization support on achieving an appropriate match of the types and levels of authority, autonomy, accountability, and capacity with the intended goal of decentralization.

Step 2 of the assessment should therefore examine the four essential characteristics of decentralization, as follows:

Authority. Regardless of the intended goal of decentralization, the national arena is where decisions to redistribute authority are likely to 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 subnational governments and administrative units play vis-à-vis the provision of benefits to citizens or residents. Key questions include the following:

- Does the national decentralization framework authorize subnational 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 subnational governments actually adopted service or other public functions (dispute resolution or land titling, for example) for which they have been assigned or allowed responsibility?

Autonomy. Reinforcing and protecting the autonomy of subnational units to exercise their authority not only helps them to act more independently but also constrains the national government from unduly interfering. Questions addressed in regards to this fundamental decentralization characteristic revolve around the extent to which subnational officials have the discretion to make decisions based on local considerations. Key questions include the following:

- Do subnational governments and administrative units have autonomy in making subnational decisions? (They cannot be held truly accountable for meeting citizens' preferences unless they can make decisions.)
- How much subnational discretion exists relative to specific functions?
- Do subnational governments and administrative units have some degree of control over the hiring, firing, and management of local employees?
- Have subnational 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 subnational governments generally been?

Accountability. Deepening accountability demands different actions in different arenas, depending on whether deconcentration or devolution has been adopted. In the former case, subnational bureaucrats remain primarily accountable to national actors (although some customer satisfaction mechanisms that

connect to citizens may be productive), and programming may be useful at both national government and subnational administrative unit levels. In the case of devolution, subnational employees should, in theory, be formally and practically accountable to elected subnational governments. Programming in the civil society arena may render these governments and their employees more accountable to local voters. Questions addressed in regard to this characteristic of devolutionary decentralization should assess the extent to which subnational public officials are held accountable for their performance and the mechanisms and processes through which it is achieved. Subnational officials should be accountable to citizens and to other governmental entities (such as subnational assemblies or the central government). Key questions include the following:

- Are competitive subnational elections regularly held?
- 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 subnational governments and administrations?
- Is there central government oversight of the administrative functions of subnational governments and administrations?

Capacity. Finally, capacity building typically needs to take place in all three arenas, i.e., to help national governments, subnational units, and citizens play their new roles. The adoption of decentralization can effect rather sudden legal changes in the authority, autonomy, and accountability of subnational governments. But building the capacity of all actors to function effectively in this new environment typically takes a long time. Subnational governments need additional capacity, but this is also true for national government actors whose roles change under decentralization and for civil society actors who are unaccustomed to working with subnational governments and administrative units. 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). Key questions include the following:

- How well are subnational administrations/governments performing their functions in terms of objective measures (such as the quantity, quality and unit costs 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 subnational 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 subnational units (supply driven versus demand driven)?
- What types of capacity building and technical assistance efforts and resources are available to subnational 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?

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 the goal(s) sought.

4.3 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 help prioritize the targets for intervention that emerge from step 2. Step 3 identifies 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?

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. The national government is never a monolithic actor. 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 subnational 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 subnational locations (whose cooperation is especially necessary for the success of this strategy). 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 subnational 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 subnational 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 subnational 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. Step 3 begins with the identification of the key actors and institutions and how their interests are likely to be affected by decentralization. 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?
- Has the central government taken serious steps to implement decentralization?
- Do key institutions have similar or competing visions of decentralized governance and the systems or procedures for working with local governments and civil society?
- How well do key institutions work together and how does this affect the design and implementation of decentralization reforms?
- Have associations of subnational 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 subnational governments or administrative units? Have these structures been affected by decentralization?

The results of 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.

4.4 STEP 4: INSTITUTIONAL ARENAS OF REFORM

The preceding feasibility analysis enables programmers to identify key elements of decentralization and to prioritize them according to where the impact of assistance will likely be greatest and most readily absorbed. Step 4 turns to the institutional arenas and rules that structure the decentralization process. This will help to identify concrete points of intervention. There are three arenas in which programming can take place: the national, subnational, and civil society arenas. Each must function effectively, although differently,

so that decentralization can achieve the goals that 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 field officers and project implementers can assess each of these arenas in order to design 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 foster a detailed understanding of the institutional and organizational dynamics through which the decentralization deficits identified in step 2 can be addressed.

4.4.1 National Arena

Subnational 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 the national government. 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 national 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 national framework, in whatever form it is articulated, must meet certain basic principles to meet the intended goals of decentralization. In most cases, there are opportunities for donor support for further development of the framework. Analysis of this arena will build upon lessons gleaned from steps 1 and 3 in regard to the motives and degree of support for decentralization. Lines of inquiry regarding the national arena will likely include:

- At what subnational 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?
- What is the formal framework for decentralization and local governance? Are there specific aspects of the framework that require further elaboration (such as details on functional assignments or additional legislation to formalize subnational revenue sources)?
- Is there an explicit match between revenues and expenditures, such that subnational governments are not being asked to assume responsibilities that they have no means of financing?

Peru's National Framework for Decentralization and Local Governance

The Peruvian experience highlights the importance of assessing a country's decentralization framework in as comprehensive a fashion as possible. Specifically, in order to account for why fiscal decentralization in Peru has lagged dramatically behind that of other countries in the region—including such unitary cases as Bolivia and Colombia—it is critical to understand how the country's national framework envisions the relationship between fiscal decentralization and reforms in the structure of subnational government.

Specifically, the passage of the February 2004 Fiscal Decentralization Law made deeper fiscal decentralization contingent upon the success of an October 2005 public referendum on the fusion of departmental governments into larger regional governments. The intention of unifying two or more departments into a region was to gain greater efficiency in the administration of public resources, to promote more equitable economic development throughout the country, and to establish a political counterweight to the hegemony of Lima as the country's national capital and economic powerhouse. The failure of an earlier attempt to fuse departments into regions in the late 1980s—which involved no substantive citizen input—led a subsequent set of institutional framers to embrace the referendum option as a more democratic way of creating more viable subnational units.

When none of the proposed regions prospered—all five proposed regions were rejected by overwhelming margins of voters in 15/16 departments—greater and more equitable fiscal decentralization stalled at least until 2009, the scheduled date for a second public referendum. Even then, the outlook for a political resolution is bleak: the regional authorities who were elected in 2006, particularly those located in areas rich in resource-generating natural resources, are loathe to “surrender” prized financial resources and political standing by melding with less resource-rich departments. The exponential growth of income from extractive industries by those same few regional governments has also provided them with an effective veto on the creation of new regions and, therefore, deeper fiscal decentralization.

An assessment of Peru's national framework thus yields the following insight: precisely because this framework delays fiscal decentralization until after the (unlikely) integration of departments into regions, new legislation needs to be designed that would make fiscal decentralization possible even in the absence of regional integration. However, it is now difficult to envision how the Government of Peru might structure the political and financial incentives needed to garner the support required to move the process forward. This is troubling because growing inequalities in the regional distribution of resources—a situation that the decentralization process was meant, in part, to correct—undermine and may ultimately threaten public support for the decentralization process itself.

4.4.2 Subnational Arena

While the decentralization framework is largely defined and managed by the central government, subnational actors have to assume the responsibilities being decentralized. They also typically are 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 subnational 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 subnational governments and other actors as they attempt to function in an unfamiliar decentralizing environment.

Nature and stability of subnational units. Before attempting to understand how decentralization is evolving at the subnational level, it is useful to take stock of certain features of the subnational environment that may influence the design of possible interventions. These include the nature and stability of the subnational units in a particular country and the nature of relationships across levels and among units at the same level. The extent to which subnational 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 subnational units or fuse existing ones.

- Are subnational 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)?
- How stable are the existing number and structure of subnational governments?
- Does the decentralization framework create incentives for either the proliferation or fusion of subnational units?

Intergovernmental relations. 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 these relationships and how they need to change is important for USAID programming.

- If there is more than one level of subnational government or administration, what is the nature (hierarchical, cooperative, or independent) and quality of the formal relationship between them?
- Do subnational governments at any level have any collective role or voice through representation on formal government bodies (such as grants commissions or quasi-public subnational lending bodies) or through formation of their own independent associations?

Political competition. The basic subnational political and institutional environment can suggest areas where donor support might be productive. Issues like political competition, degree of connection to citizens, the way subnational councils function, and relationships among subnational government actors are among the main issues to consider. In some cases, problems identified relate to weaknesses at the national level, while in other cases they point to problems that need to be addressed subnationally.

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 subnational leaders. Beyond elections, subnational 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 subnational political competition and the nature of interaction between elected bodies and citizens, there is a need for subnational representative bodies to meet regularly in ways that are governed by transparent rules and procedures.

- What is the degree of subnational political competition?
- In what ways and how well do subnational governments relate to citizens?
- Are there specific mechanisms mandated for civic engagement in subnational government activities?

- What types of processes are in place to stimulate formal citizen engagement (including participatory planning, participatory budgeting, or participatory performance evaluation)?
- How well functioning are subnational representative bodies or assemblies? How often do they meet? Do they select their own chairs, and do they have staff resources and their own budgets?
- What is the relationship between the legislative body and the executive?
- Are assemblies assigned a meaningful role in local planning and budgeting?

Elected vs. administrative functions. An often neglected dimension of the subnational sphere in decentralization is the relationship between subnational representative bodies and subnational 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 subnational 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.

- Are subnational civil servants hired by subnational governments and accountable to them? Findings from this section also factor in the preceding discussion on accountability (Step 2).
- If there is subnational control, is it vested in a principal local bureaucrat (such as a city manager) or locally elected officials (such as the mayor or municipal council)?
- What balance is struck between the technical functions of subnational employees and the political prerogatives of elected subnational councils?

Administrative and fiscal functions. It is important to understand the extent to which subnational administrations and governments have undertaken the administrative and fiscal functions that have been decentralized to them. If the functions have 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 subnational performance. Revenue generation is considered to be an important role of subnational governments, and even subnational administrations often can 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. Subnational governments need to adhere to basic principles of financial management and control, and they must be subject to a hard budget constraint.

- What progress has been made with administrative decentralization?
- Are the internal structures, staffing, and procedural framework of subnational governments and administrations well defined?
- 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)?
- How well has revenue decentralization proceeded?
- Is there provision for subnational fiscal accountability (upward and downward) and a hard budget constraint?

- Is subnational borrowing allowed?
- Have subnational governments behaved in a fiscally responsible way?
- Are the specific reasons for weaknesses in revenue performance known (for example, underdeveloped revenue generation procedures, limited revenue authority, poor revenue bases, lack of legal authority or capacity for collection, weak enforcement capacity, large transfers that undermine revenue generation, or politicization of revenue administration or lending mechanisms)?
- Are there general lessons to be learned from better performers for other subnational 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)?

Subnational regulation. Although the enabling environment for associational and private-sector activities is substantially dependent on the national regulatory and fiscal framework, the behavior of subnational governments can also affect the freedom of citizens and businesses to pursue their interests. In some countries subnational governments have virtually no regulatory power, while in others there is much that they can do. Even without strong power, however, they 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.

- What role do subnational governments play in regulating the climate for citizen and business activity?
- Which types of regulatory activities have subnational governments pursued (including local NGO registration, informal sector regulation, business licensing, contracting regulations, and development regulations and fees)?
- Are there any identifiable problems in the way such subnational regulations are framed (such as creating incentives or disincentives for citizen association, private-sector activity, or economic development) or implemented (such as elite capture or patronage)?
- In cases of deconcentration, do subnational administrative units play a role in setting the parameters for citizen and business activity?

4.4.3 Civil Society

Civil society and its constituent civil society organizations (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 is important to consider indigenous or traditional institutions, which are sometimes very influential in local society.

The role of CSOs. Civil society organizations often deliver services, sometimes on their own, sometimes in partnership with subnational 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 also may play a strong role in subnational advocacy, but they might be so weak that they are barely relevant to subnational governments and administrative units. There also may be great variations in CSO

advocacy in terms of quality, differences across sectors and populations represented, and differences across subnational jurisdictions.

- Are rights of association guaranteed, and are there any formal restrictions placed on them (onerous and intrusive regulation of NGOs, for example)?
- What types of service delivery and other functional activities do civil society organizations engage in at the local level?
- Do they partner with or complement the role of subnational governments and administrative units in providing functions and services with public characteristics?
- What roles do civil society organizations play in advocacy at the subnational level?
- Would civil society generally be characterized as weak or strong in terms of the extent to which people participate in collective activities and the number of civil society organizations?
- Do citizens take advantage of available opportunities to get information about and influence subnational governments and administrative units?
- Are the media free to investigate and report on government behavior? What is the state of local media (print, radio, and television) in terms of keeping citizens informed on local governance issues and activities?

Degree of representation. Whether CSOs focus on advocacy or delivering services, it is important to determine whether they are broadly representative of citizens or heavily captured by elites. In addition, understanding the way they are governed and funded may suggest possibilities for useful programming support.

- How representative of the citizenry are CSOs and how well are they governed?
- Are CSOs broadly available to citizens, including those from marginalized populations?
- Is CSO governance relatively inclusive or subject to significant elite capture?
- 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?
- What progress have CSOs made toward sustainability outside their immediate support base (by expanding donor support, selling services, building a membership base, or contracting with local government units, for example)?

National CSOs and their affiliates. National CSOs with local branches may play a productive role in advocacy for civil society and their members, but they also can dominate their local branches in unproductive ways. National CSOs may share many of the same suspicions that lead national bureaucrats to oppose decentralization (transferring resources and responsibilities to subnational governments weakens the arena in which they have the most leverage). It may be productive to engage with these CSOs to identify how they can work productively in a decentralizing environment.

It is important to consider whether local CSOs are part of any network or higher level organization, as well as the nature and effects of such 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.

- Are key national-level CSOs supportive of decentralization?
- Have national, regional, or local networks of local CSOs been created?
- What is the governance structure within CSO networks?

CBOs and traditional associations. Community-based organizations (CBOs) and traditional authority structures differ from CSOs, which typically involve voluntary membership. People are typically members of CBOs and traditional authority structures by virtue of where they live, their religious practices, or their ethnicity. These institutions may possess levels of authority and status for local residents because of their historical and traditional roots. Such groups frequently lobby for resources and services for their members or residents, and can be effective agents of conflict management, management of natural resources, provision of collective goods, and community development.

- Is there a role for CBOs and traditional authority structures at the subnational level?
- What CBOs and indigenous institutions of governance are active?
- What functions do they perform?
- How do they interact with formal institutions of local government (not at all, complementarily, or adversarially)?
- What, if any, is their formal legal status?

4.5 CONCLUSION: TOWARD PROGRAMMATIC RECOMMENDATIONS

This assessment of the reform environment should help to prioritize and evaluate the essential characteristics of decentralization. It should also serve to identify key actors who either have the potential and interest to serve as champions of reform or might emerge as vested supporters of the status quo. Additionally, the assessment should provide an indication of which aspects of the three institutional arenas provide advantageous targets for assistance.

Some attention-worthy aspects of decentralization that might emerge from considered analysis of the country-specific environment may not be either directly amenable to external support or necessarily of direct interest to USAID. It is, nevertheless, critical to have a broad sense of context in designing almost any type of decentralization intervention in order to reduce the probability that a well-intentioned intervention may be neutralized by factors ignored in a narrow programming exercise.

This chapter has outlined an assessment framework that can be used by USAID field officers to investigate and understand the context in which decentralization is unfolding in a particular country—in its national, subnational, and civil society arenas. The following chapter lays out how to use this contextual assessment

to determine programming strategies and activities, and it details how strategies best can be tailored to pursue the broad goals of stability, democracy, and development.

Questions for Review – Chapter 4

You may test and reinforce your understanding of selected concepts presented in this chapter by responding to the following questions before reading Chapter 5. Answers to questions will be found on the pages indicated with each question.

- 1. Using the assessment questions from Step 1, describe the contextual background for a country with which you are familiar. (p. 36)***
- 2. Based on the questions in Step 2, continue to develop responses to the areas of authority, autonomy, accountability, and capacity for a country with which you are familiar. (pp. 38 – 40)***
- 3. Using the questions from Step 3, identify the key actors and institutions in a country with which you are familiar, and describe how their interests are likely to be affected by decentralization. (pp. 40 – 41)***
- 4. Using the questions from Step 4, analyze the three institutional arenas—national, subnational, and civil society—in a country with which you are familiar. (pp. 41 – 48)***

5.0 PROGRAMMING STRATEGIES AND ACTIVITIES

Chapter 5 focuses on specific strategies and activities aimed at enhancing decentralization and democratic governance in the national arena, subnational arena, and civil society. The activities summarized below are not intended to be the recipe for decentralization in every circumstance. Rather, these activities should be tailored by USAID staff and their partners to specific needs and contexts in each country as determined through the assessment outlined in the previous chapter.

5.1 STRATEGIES FOR THE NATIONAL ARENA

Though decentralization infuses power into subnational arenas, some of the most important government actions occur in the national arena. In particular, the design and implementation of national decentralization policy frameworks and operating procedures are largely the responsibility of the national government, which also can play important roles in capacity development.

5.1.1 Responding to the General Policy Orientation

Once the general policy orientation of a country has been assessed, USAID needs to think about whether to endorse and support the country's decentralization policy through the kinds of activities outlined in the sections that follow—or to engage in dialogue and other activities in an attempt to alter or refine national policy regarding decentralization.

Activities to Influence or Refine National Policy

- Arrange workshops, study tours, or training activities on decentralization for national government politicians and bureaucrats. Such activities can make national officials aware of what other countries are doing in the area of decentralization and perhaps open their minds to alternative ways of pursuing reform.
- Support groups that are working to influence, alter, or expand the nature and direction of existing policy. This could include, for example, supporting NGOs or community groups that wish to push for a stronger role for subnational governments and greater involvement of civil society, assisting business groups seeking subnational regulatory reform, or supporting the formation of subnational government associations.

Working to modify the national government's existing strategy is obviously a more difficult approach for USAID to take, especially in countries that are receiving substantial support from other donors for pursuing their present approach. This, may, however, offer the best option where programmers consider the existing strategy to be ill-conceived and problematic relative to USAID principles, goals and priorities.

5.1.2 Supporting the Development or Improvement of the National Framework

The assessment questions in Section 4.1.2 consider the degree of formalization of the national decentralization framework, the extent to which it meets generally accepted principles, and the extent to which the framework has been enforced. Following the application of this assessment, USAID support

activities can be categorized as developing the basic framework for decentralization, elaborating the existing framework, or improving the framework.

Developing the Basic Framework

Where the national government has yet to formally decentralize but is disposed to doing so, and where USAID believes that decentralization can advance one or more important goals, USAID may provide various kinds of support. Special attention should be paid to helping the national government consider the main goals of decentralization, the necessary characteristics of decentralization, and strategies and support activities to guide reforms.

Support Activities to Develop the Decentralization Framework

- Assist the national government in understanding and exploring options for decentralization by:
 - Providing information and promoting dialogue to help convince the national government to consider adopting decentralization;
 - Supporting training for key actors and decision makers; and
 - Conducting study tours for key actors to observe successful international practices in decentralization.
- Assist the national government with the development of model constitutional provisions, regulations or laws for comparison, discussion, and debate.
- Support pilot programs of informal subnational mechanisms that may determine the suitability of decentralization and help the national government decide on a path toward reform.

Elaborating the Existing Basic Framework

Where there is a formal but only broadly defined policy framework that allocates rights and responsibilities to subnational governments, the national government may want to move forward with further developing specific aspects of reform. Many countries initially adopt only very broad frameworks, and donor support can be instrumental in helping them craft detailed policies and systems consistent with basic principles and the country context. Attention can be useful for matters as varied as the details of property tax structure and administration or specific aspects of health and education to be decentralized.

In cases of deconcentration, the focus of the framework will be on basic administrative mechanisms and resources to give subnational administrations some authority, capacity and managerial autonomy. In cases of devolution, greater attention will be given to political decentralization, and the development of accountability mechanisms and independent fiscal resources will be more central to reform.

Support Activities to Elaborate the Existing Decentralization Framework

- Assist the national government in designing detailed guidelines for revenue and expenditure assignment and other subnational government functions—as appropriate for formal devolution to local governments, deconcentration of ministerial functions to field offices, or some combination of these approaches.

- Assist the national government in evaluating options or designing specific administrative or fiscal systems and instruments. Examples include: Subnational civil service systems and regulations;
- Principle-based systems of intergovernmental transfers;
- Subnational government financial management systems and operating procedures; and
- Own-source revenues and subnational lending mechanisms.
- Assist the national government to evaluate options or develop detailed political decentralization and accountability mechanisms. Examples include:
- Subnational electoral systems;
- Information and communications mechanisms to increase transparency and inform citizens; and
- Citizen engagement mechanisms, such as participatory planning and budgeting.
- Assist the national government in evaluating the legal framework for defining citizen rights and responsibilities, property rights, public-private partnerships, procurement, and other nondecentralization-specific reforms that are important for decentralization to succeed.

Improving the Decentralization Policy Framework

Even where there is a formal policy framework, design flaws can impede the ability of decentralization to meet its objectives. Such flaws may be evident from a review of the framework and supporting legislation, or they may become obvious in implementation of the framework and the performance of empowered subnational administrations or governments.

Support Activities to Improve the Decentralization Framework

- Support seminars and sponsor studies that identify and substantiate points of ambiguous and inconsistent language in existing laws and regulations on decentralization and other relevant matters.
- Provide technical assistance to clarify ambiguities and inconsistencies in existing legislation, regulations, or rules, and to institute incentives to encourage application of existing regulations.
- Quantify the impact of inconsistent legal and administrative provisions. For example, quantify the budgetary impact of unfunded mandates that result from an imbalance between expenditure assignments and revenues provided to subnational governments. Such information can be used for policy dialogue and reform.
- Provide technical assistance to conduct political or policy mapping to array stakeholders' varying positions and interest relative to decentralization policies.
- Promote opportunities for the development of proposals for decentralization reform from subnational governments, civil society, and the private sector.

- Conduct surveys of attitudes and expectations of regional and local populations with respect to subnational governments.

5.1.3 Implementing Decentralization Reform

The implementation of decentralization may move more slowly or unevenly than stated in official policy documents. USAID may be able to help improve the quality of the implementation through support activities to monitor and enforce implementation and to improve the national implementation strategy.

Monitoring and Enforcing Implementation

Disappointing progress with implementing decentralization often occurs when key actors at various levels do not understand what is expected of them. Slow or problematic implementation can also result from a lack of adequate incentives to adopt reforms or from poor enforcement of provisions of the legal framework. Poor enforcement can result from weaknesses in the decentralization framework or the limited use of administrative powers and judicial processes available to improve enforcement. Most notably, poor enforcement often results from inadequate systems for monitoring progress. With timely and accurate gauges of decentralization progress, problem areas become more readily discernable and enforcement can be improved.

Support Activities to Monitor and Enforce Implementation

- Work with the national government actors responsible for decentralization to document and analyze progress with the implementation of decentralization reforms and to provide them with feedback on policy and operational reforms.
- Assist national actors to develop systems and procedures needed for them to exercise their oversight functions with respect to subnational governments, including the extent to which the latter have met legal requirements and adopted new management and reporting processes.
- Provide technical assistance for the development of incentives to motivate all relevant actors at the national and subnational levels to make an effort to assume the new roles expected of them under decentralization.
- Conduct workshops with national legislators to help them make the transition to the new roles they must assume as decentralization unfolds.
- Assist the national government with the development and implementation of options for administrative and legal recourse when subnational governments believe that they are not being appropriately treated by central actors responsible for decentralization.

Improving the Implementation Strategy

Many decentralization processes are not strategic. Although subnational jurisdictions have varying characteristics, needs, and capacities, often too much uniformity in decentralization processes occurs and many reforms are expected to happen too quickly. This may hinder good performance. In addition, reforms are broadly adopted without testing and refining them. In some cases where devolution is a national goal, starting with deconcentration to build some capacity and credibility for service delivery may be a useful

strategy. USAID may be able to work with the national government to help improve the strategy for implementing decentralization. This is relevant in virtually all countries.

Support Activities to Improve the Implementation Strategy

- Sponsor workshops with national government agencies and subnational governments to identify how bottlenecks in implementing decentralization might be overcome by more strategic approaches.
- Work with the national government actors responsible for implementing decentralization to develop more strategic processes consistent with the varying circumstances of subnational jurisdictions, their capacity to absorb reforms, and their demonstrated performance in previous reform efforts.
- Support the national government to create incentives and support mechanisms for subnational actors to assume new roles and responsibilities under decentralization.
- Support the national government to develop pilots for developing, testing, and adopting new subnational government reforms prior to general implementation.

5.1.4 Promoting Coordination among Key National Agencies

Based on an assessment of the key institutions, the specific roles they play, and the extent to which they cooperate or compete, USAID can work to develop shared understandings of the necessary decentralization reforms and to promote broader coordination among the national agencies involved.

Support Activities to Enhance Coordination among National Agencies

- Supply sympathetic national agencies with analytical backing to support them in disputes with other agencies.
- Offer support in the form of workshops, study tours, or capacity development for agencies that need to work differently and more cooperatively in the post-decentralization period.
- Support meetings and workshops involving the main national institutional stakeholders in the decentralization process.
- Provide support for the consideration, creation, and operation of a national decentralization coordinating body.

5.1.5 Supporting Capacity Building

Given the substantial changes in roles and responsibilities inherent in decentralization, substantial capacity building will almost invariably be required. Without capacity building efforts to enable national actors to play their new roles, it is likely that they will continue or slip back into the roles with which they are familiar, especially if they do not particularly welcome the changes. Additionally, the national government must be able to support and facilitate the capacity of subnational actors to provide services and monitor performance. In many cases, a broader approach to capacity development will be necessary to enable the

active participation of citizens, the private sector, and minority groups in both the overall decentralization framework and in civic life at the subnational level. USAID can continue to play a major role in supporting national government agencies to build the new capacities that they need to function in a decentralized system and to provide a capacity development framework for subnational actors.

Support Activities for National-level Capacity Building

Support development of the capacity of national government actors to make the transition to their new roles under decentralization. This would include development of the capacity to accomplish the following:

- To collect and update relevant information on subnational jurisdictions, including demographic and economic characteristics, subnational revenue bases and expenditure requirements, and subnational staffing;
- To establish and monitor various aspects of compliance with reforms and performance standards;
- To develop systems to use performance monitoring to manage the steps of a strategic implementation process;
- To work more effectively with local administrations and governments;
- To organize and oversee elections at local levels and to support other national actors developing political decentralization; and
- To develop mechanisms and opportunities for building the capacity of subnational governments and citizens to play new roles under decentralization.

5.1.6 Enhancing Coordination among Donors

USAID needs to understand all donor activity in the area of decentralization prior to programming its own activities. Depending on the situation, USAID may wish to focus on activities in which it has a comparative advantage and that complement what others are doing. Although donor competition can be productive, in many cases it wastes resources and undermines the development of a consistently structured intergovernmental system. In such cases, USAID may wish to play a role in improving coordination among donors.

Support Activities for Donor Coordination

- Sponsor meetings among donors to identify similarities and differences in approaches to decentralization. These can occur as ad hoc activity, as part of a more formal coordination effort, or in conjunction with meetings of donors called by host governments.
- Help establish contact and develop a working relationship between the donor coordination exploratory effort or mechanism and the lead agency or coordination mechanism of the national government, if one exists.
- Promote forums and workshops to disseminate lessons learned from various donor

decentralization-support activities related to policy reform, pilot projects, and sequencing implementation.

- Work with the national government and donor partners to conduct comparative evaluations of different donor decentralization support activities.
- Work with the national government and donor partners to establish common monitoring and evaluation processes for decentralization program implementation.

5.2 STRATEGIES FOR THE SUBNATIONAL ARENA

While decentralization is defined and supported in the national arena, it succeeds through its functions at the subnational level. Ensuring the effective use of the powers and resources of subnational units invariably requires strategies for the subnational arena.

5.2.1 Enhancing Coordination and Cooperation among Subnational Units

Working with subnational governments and administrations often implies reckoning with heterogeneity. Subnational units often have differing levels of technical capacity and competence, exhibit different political preferences and allegiances, and may vary with respect to the functions and finances that central governments have attributed to them. They will have varying capacities to work with civil society actors.

From USAID's perspective, diversity presents both challenges and opportunities. Although working in diverse environments generally requires more information and more complex programs, there are opportunities for greater experimentation and for the generation of approaches to decentralization in varying circumstances. There is a particular challenge if there is instability in subnational jurisdiction boundaries due to proliferation or consolidation. Such environments present opportunities to better understand the right balance between the economic benefits typical of larger jurisdictions and the political benefits typical of smaller ones.

Heterogeneity among subnational units strongly will shape USAID strategy. USAID rarely will have the resources necessary to conduct programming simultaneously in all subnational units in a country, so explicit choices must be made about where and how to work. Selection is further discussed in Chapter 6, where performance measurement considerations may dictate the choice among subnational units. Possible approaches include:

- **Selective approaches.** USAID may conduct programming selectively on the basis of specific criteria. By choosing those locations that present the most optimal programming environments, USAID can increase the likelihood of success and lower unit costs, but such choices favor the already advantaged. (Also note, for reasons discussed further in Chapter Six, that having selected these optimal programming environments, it is preferable to implement interventions in only some of these environments, reserving the others as a control group. Working only in more challenging environments offers the promise of crafting a more widely applicable strategy, but increases the potential for failure.
- **Piloting approaches.** USAID may experiment with programming in a certain set of subnational units, with the intention to expand depending upon the results. This allows for learning by doing, but may hinder the development of a comprehensive nationwide strategy within time constraints.

- **Asymmetric approaches.** Where critical conditions vary among units of a single type of subnational government (e.g., districts or municipalities), USAID (and host central governments) may support a criteria-based, non-uniform decentralization program. Such programs are “asymmetric” in that they treat “like” entities differently, based on identified measures of variables viewed as critical to national government success (e.g., higher or lower monthly measures of violent conflict among districts could result in differential allotments of resources or oversight). If subnational officials and citizens desire increased decentralization (e.g., increases in transferred funds or in own source revenue authority), asymmetric approaches offer subnational governments incentives for improved performance (e.g. lower levels of intra-district conflict or greater transparency in district/municipal affairs) on dimensions defined by central authorities. Asymmetric approaches may be the only feasible programming options in non-propitious environments
- **Complementing and reinforcing other geographically focused USAID programs in other sectors.** In order to take advantage of synergies, field officers and project implementers may wish to sponsor decentralization activities in those subnational areas where USAID has sectoral programming—in health or education, for example—in place.

One of the major strategies that USAID can adopt in the subnational arena is to improve coordination and cooperation among the actors at various levels. USAID can support two types of coordination at the subnational level. The first involves vertical coordination between subnational units at different hierarchical levels. The second consists of efforts to improve horizontal coordination among subnational units at the same level.

Support Activities for Vertical and Horizontal Coordination of Subnational Units

- Commission a study or sponsor workshops to identify vertical intergovernmental coordination needs and to evaluate the performance of existing mechanisms.
- Support development of new coordination mechanisms, including laws and administrative regulation development, as appropriate.
- Sponsor meetings among local governments in metropolitan regions with the goal of identifying common challenges that might be resolved by coordinated action.
- Provide support for pilot horizontal coordination mechanisms, their evaluation, and, as applicable, their mainstreaming through the development of laws, regulations, or guidelines.
- Support associations of subnational governments.
- Promote forums and workshops to disseminate lessons learned from examples of coordination across localities in other countries.

Peru’s Efforts to Coordinate the Decentralization Process

Since the fall of the Fujimori regime (1990-2000), Peru’s attempted shift toward a more decentralized form of government demonstrates that effective coordination is critical for the success of decentralization, yet often frustratingly elusive. Over the last five years, Peru’s government has struggled

to create a mechanism to effectively coordinate among national ministries with distinct institutional interests, while simultaneously providing avenues for consultation between national and subnational governments.

President Alejandro Toledo's answer was to establish the National Decentralization Council (Consejo Nacional de Descentralización [CND]) to direct and conduct the decentralization process. The CND was governed by 4 members of the national government (2 from the Prime Minister's Office and 2 from the Finance Ministry) and 4 representatives of subnational governments (2 from departmental, 1 from provincial, and 1 from district-level governments). The structure of the CND thus provided an institutional venue for the expression of departmental interests at the national level, as well as conceded an important role to the one Ministry (Finance) whose concerns about fiscal responsibility had led it to veto serious devolution of fiscal authority in Peru

Nevertheless, the CND proved itself unable to effectively hammer out inter-ministerial compromises, in part perhaps due to the poor showing of President Toledo's party in the November 2002 regional elections, which undermined the governing party's impetus for driving the process forward. Problematically, key Ministries, including Health and Education, were represented only indirectly in the CND via the Prime Minister's Office. The CND also appeared to be distracted from pressing priorities—such as seeking consensus over the terms of fiscal and administrative decentralization—by its myriad and disparate responsibilities, including organizing the (ultimately unsuccessful) referendum in 2005 on the formation of “regions”.

Debilitated by its inability to conduct the decentralization process effectively, the CND was abolished altogether by President Alan Garcia in 2007 and replaced with a Secretariat for Decentralization that has lower rank within the executive branch. In contrast to the CND, the Secretariat made no provision for subnational governments in its governing structure, and made no provisions for how departmental interests in the decentralization process were now to be represented. Garcia, rather, chose to pursue “bilateral” relations with individual sub national governments, a potentially risky strategy in the context of multiplying regional protests, from the victory of “regional movements” over the candidates of national parties in almost all of the November 2006 departmental elections.

Upset by the unilateral abolition of the CND, regional presidents in 2007 responded by establishing a new body—the National Assembly of Regional Governments (Asamblea Nacional de Gobiernos Regionales [ANGR]). The ANGR brings together regional presidents who, thanks to their elected status, have common cause in advancing a series of reforms that will enhance regional autonomy, including fiscal decentralization. Despite lacking legal status, the ANGR has quickly emerged as a promising force for intra-regional coordination, and for coordinating with the national government.

As a result of its failure to date to establish an effective means to coordinate and drive the decentralization process, the Government of Peru may have invigorated a movement of regional governments that demand greater consultation and parity in defining the decentralization agenda. Its legacy, however inadvertent, may be a strengthened decentralization process. Thus Peru can be understood as a case where the national government's manifest disinterest in serious coordination across levels of government (e.g., vertical coordination) has produced what appears to be a much more vigorous attempt to coordinate between actors at the regional level “from below” (e.g., horizontal coordination).

5.2.2 Improving the Subnational Political Environment

One of the most delicate areas for decentralization activities involves direct action in local politics and the relationships between local politicians and other local actors. These activities are especially important where democratization is the key goal motivating USAID intervention. While being cautious not to interfere in subnational elections, USAID may find ways to promote subnational political competition. Such initiatives are intended to reduce elite capture and to introduce a wider range of political voices into the subnational arena, including representatives of previously marginalized groups: women, indigenous peoples, youth, and participants in informal economies. The presence of elite capture will increase the desirability of this strategy, though it will also complicate programming in that it constitutes a set of entrenched impediments to competition. Other important activities include the support of changes in interactions between subnational governments and their constituents beyond elections, and in those governments' relationships with their employees.

Encouraging Subnational Political Competition

Vigorous subnational political competition is associated with improved subnational government performance where devolution has occurred. Enhancing political competition may be realized through open forums designed to develop and cultivate new parties and candidates. USAID can avoid perceptions of political favoritism by working in a facilitating capacity, helping to bring actors together while highlighting diverse political perspectives. Other strategies may include working with governments at the subnational or national level to ensure that formal rules governing candidacies do not preclude competition. Where devolution has occurred, holding national and subnational elections at different times may facilitate the independence of subnational candidates.

Support Activities to Encourage Political Competition

- In partnership with civil society organizations or national NGOs, conduct open forums and instructional seminars on subnational electoral rules and publicize these seminars to bolster attendance by candidates affiliated with political parties and independents.
- Offer training activities to support the conduct of free and fair elections.
- Support seminars and debates for prospective candidates and party leaders on decentralization and its importance as part of an electoral platform.
- Promote campaign debates where candidates for subnational office present their governing agenda.
- Work with media to ensure that key local issues are covered in advance of local elections.
- Promote efforts to ensure open access of candidates to regional or local media through ad hoc means or regulatory reforms. Offer training and support for election monitoring at the subnational level.

Promoting Accountability between Subnational Governments and Citizens

USAID can sponsor activities that improve the political environment by helping citizens hold subnational governments accountable. The most prominent activities revolve around participatory processes, of which participatory budgeting has received the greatest attention. These initiatives bring together subnational

governments and citizens in open forums where binding decisions are made over issues of public concern. In the case of budgeting, citizens appropriate portions of government budgets for local priorities, subject to certain limitations. Participatory approaches may apply to such activities as development planning, nomination to consultative councils, and evaluations. In addition, efforts to improve the transparency of subnational governments and various accountability mechanisms may merit support.

Support Activities to Promote Subnational Government Accountability

- Assist in the development—through technical support and training—of citizen-engagement mechanisms for planning, budgeting, implementation, monitoring, and providing feedback on governmental decisions.
- Assist subnational governments to institutionalize a calendar for hearings on budgets and other major functions to increase the likelihood of community interaction.
- Conduct workshops and training on public outreach and citizen interaction for subnational government staff.
- Conduct an inventory of subnational government facilities, assets, and land available for use by the population, along with rules for their use. Make this information publicly available.
- Foster public access to subnational government information, budgets, and tendering documents through support efforts to develop:
 - Press releases or bulletins;
 - Permanent display boards with information on subnational government activities;
 - Electronic materials for public use, such as bulletins and events calendars, discussion forums, and a reference service with “frequently asked questions”; and
 - Provide assistance to develop and implement the use of referenda, other special decision-making mechanisms, ombudsmen, oversight committees, and accountability mechanisms, such as citizen complaint boards.

Improving the Functioning of Subnational Representative Bodies

Subnational representative bodies, such as local councils or provincial assemblies, often face challenges under decentralization—from the most basic problems of meeting frequently enough to discharge their responsibilities to being insufficiently empowered and equipped to play their intended role. USAID can play a useful role in empowering local representative bodies and helping to ensure that executives and representatives play their separate roles in a democratic system. Support for subnational representative bodies is particularly critical when decentralization is adopted as a democracy-enhancing measure.

Depending on assessment of the situation, USAID can assist representative bodies to assume and organize their basic functions, improve communication between representatives and executives, and develop common agendas. In many situations, the autonomy and authority of subnational bodies can be enhanced by holding separate elections for councils and executives. It may also be useful to develop rules that enable representative bodies to exercise oversight over budgetary issues, set local tax rates, and approve or revise user fees charged for municipal services.

Support Activities to Improve the Functioning of Subnational Representative Bodies

- Support studies and technical assistance to assist assessment of the basic functional rules and processes of subnational representative bodies, with a view toward identifying areas for reform and technical assistance.
- Support, where appropriate, policy dialogue to promote electoral reforms that enhance the separate election of executive and legislative offices.
- Engage in training activities for subnational councilors so that they are more able to engage in policy making with the executive.
- Sponsor workshops designed to educate subnational councilors on the rights and responsibilities they are assigned by the country's decentralization framework.
- Train subnational representatives in budgeting, financial management, and tax administration.
- Assist in the establishment of associations of assembly or council members, separate from mayors' associations.
- Support councilors to interact directly with civil society on the nature of their deliberations and decisions.

Promoting Accountability between Subnational Governments and Civil Servants

Another major set of interactions within subnational governments is that between elected officials and appointed civil servants. This is primarily relevant under devolution, where subnational bureaucrats are accountable to other subnational actors. The key here is to ensure the responsiveness of civil servants to elected representatives while insulating them sufficiently to protect impartiality. Under deconcentration, improving lines of accountability is largely in the national arena. Under mixed decentralization models, elected local councils may need to interact in various ways with centrally managed employees of subnational offices of sectoral ministries.

USAID's chief strategy will be working to clarify the respective roles of different actors. By helping to develop mechanisms that clearly differentiate between the political decision making that leads to the passage of laws and the impartial execution and enforcement of those laws, USAID can promote greater accountability at the subnational level, which will in turn support its goals.

Support Activities to Improve Relations with Subnational Bureaucrats

- Assist subnational governments to clarify the roles and responsibilities of subnational representatives and civil servants, the relationships among them, and their relationships to higher levels of government.
- Support the analysis of good performance and problematic behavior in relations between civil service and subnational governments.

- Provide technical assistance to subnational governments to help them to build on positive performance and correct problematic performance relations between subnational representatives and civil servants.
- Sponsor seminars that help subnational civil servants and elected representatives better understand the logic of decentralization and their specific rights and responsibilities under it.
- Promote reorganization and strengthening of civil service systems and rules at the subnational level to reflect an appropriate degree of autonomy and control for subnational governments and an appropriate degree of protection for civil servants.
- Support the introduction of professional training for civil servants and performance-based criteria in determining hiring, promotion and compensation of civil servants.
- Train subnational elected officials in the use of input from civil society organizations in order to acquire information about civil servant performance.

5.2.3 Supporting Subnational Adoption of Administrative and Fiscal Functions

USAID will have significant opportunities in many countries to intervene in constructive ways to improve the adoption by subnational units of additional administrative and fiscal functions. Unlike improvements in the political environment, these opportunities are not limited to countries that have opted to devolve authority. Deconcentration necessarily involves administrative decentralization, but may or may not involve fiscal decentralization. Where deconcentration does include fiscal decentralization, it frequently emphasizes control of expenditures rather than revenues. Subnational control over raising and using resources is generally stronger under devolution.

Improving Adoption of Subnational Administrative Functions

Administrative decentralization can be a difficult process where new systems need to be developed and subnational capacity is limited. In cases of devolution, a further constraint is the likely resistance of formerly national-level bureaucrats who do not wish to be transferred to subnational government control. In both cases of devolution and deconcentration, newly empowered subnational units often have little experience with administrative activities, which may include land and asset management, dispute resolution, accounting and financial management, budgeting and audit functions, procurement and contract management, monitoring the use of intergovernmental transfers, public-private partnerships, and operation and maintenance of infrastructure and services. The specific types of programming that USAID provides must be based on a careful diagnosis of administrative deficiencies, the reasons for these deficiencies, subnational government demands and priorities, and USAID interests.

Support Activities to Improve Subnational Administrative Functions

- Assist subnational administrations and governments to diagnose their progress and performance in assuming decentralized administrative functions.

- Provide technical assistance to help subnational administrations and governments adopt and, as necessary and allowable under decentralization regulations, further develop systems and procedures for land and asset management, dispute resolution, accounting and financial management, budgeting and audit, procurement and contract management, monitoring use of intergovernmental transfers, public-private partnerships, and operation and maintenance and infrastructure and services.
- Support studies on best practices in administrative decentralization and help develop mechanisms to disseminate knowledge about these best practices among subnational governments.

Improving Subnational Revenue Generation

While increasing intergovernmental transfers and transferring tax bases to subnational units are both important forms of fiscal decentralization, the latter tends to pose special obstacles in developing countries. Although deconcentrated administrators may have important tax collection responsibilities, they rarely have any autonomy in setting tax bases or rates. Thus, subnational revenue policy issues are largely a matter for devolution, while revenue collection may be relevant for deconcentration as well.

Many subnational governments are unable to collect the taxes they have been assigned because they do not have the institutional capacity or political credibility to extract tax revenues. In these cases, decisions by national authorities to allow subnational governments to collect revenues may amount to little more than changes in formal rules that do not actually lead to the generation of higher levels of own-source revenues. There are often a variety of activities USAID can support to improve subnational revenue generation.

Support Activities to Generate Subnational Revenues

- Assist subnational administrations and governments to diagnose their progress and performance in assuming and using assigned revenues.
- Where relevant, provide support to subnational governments to better understand political aspects of revenue generation and to use these to improve performance—for example, to tie revenue reforms or collection drives to specific subnational government plans to expand or improve service delivery.
- Assist subnational administrations and governments to develop appropriately sequenced action plans to improve their adoption and performance of revenue functions.
- Provide technical assistance to help subnational administrations and governments to implement revenue improvement action plans.
- Support studies on best practices in local revenue generation and help develop mechanisms to disseminate knowledge about these best practices, when to use them, and how to adapt them to the circumstances of particular subnational units.

Improving Subnational Fiscal Responsibility

In addition to taking on new administrative functions and playing a larger role in revenue generation, it is important that subnational governments use their newly expanded authority responsibly. Deconcentrated

administrations also must behave in a fiscally responsible way, but this is more easily controlled since they are generally integrated into the national budget and they tend to have substantially more limited expenditure and revenue autonomy.

Norms of fiscal responsibility first and foremost require that subnational governments keep expenditures in line with revenues. Spending commitments must not exceed the revenues that these governments are able to raise in local taxes and non-tax revenues, borrow in the form of bond issues and other loans, or receive as regular revenue transfers from higher levels of government. Other dimensions of fiscal responsibility that USAID can support include following procurement guidelines, keeping borrowing within appropriate limits, and ensuring the repayment of loans.

Activities to Support Subnational Fiscal Responsibility

- Assist subnational governments to diagnose their fiscal performance in terms of balancing budgets and responsible procurement and borrowing.
- Provide technical support to subnational governments as needed to help them reform their budgeting and procurement practices, restructure their debt, and improve future performance.
- Provide assistance to subnational governments to develop credit market access, where relevant.
- Support studies on best practices in responsible fiscal management and help to disseminate knowledge about them and how particular subnational governments might use them.

5.2.4 Enhancing the Impact of Subnational Units on the Climate for Citizen and Business Activity

Subnational governments and administrative units vary widely in the regulatory and fiscal powers they wield. In many countries, subnational units share with the national government the ability to regulate and shape the climate for associational activity in general, and for business activity in particular. To support the goal of democracy, USAID can help subnational governments reassess practices that unnecessarily discourage or complicate the activity of civil society. To support the goal of economic development, USAID can seek to dialogue with the private sector about how subnational regulatory, tax, and expenditure behavior encourages or discourages investment. In both cases, USAID can try to draw attention to contradictions between national and subnational regulations on citizen and business activity.

Support Activities to Improve Subnational Impact on Business and Civil Society

- Support analysis of how subnational fiscal and regulatory behavior affects the climate for private sector and civil society activity.
- Promote dialogue between civil society organizations, the private sector, and subnational officials over subnational regulations and tax and expenditure policy.
- Support technical work and workshops to identify areas of consistency and contradiction between national and subnational regulations and to suggest options for reform.

- Support studies on best practices in subnational regulatory and fiscal policies to promote civil society and private sector activity, and help to disseminate knowledge about them and how subnational governments might use them in their particular context.
- Provide technical assistance and support to revise existing subnational regulations or develop new regulations to improve the environment for private sector and civil society activity.

Capacity building in Senegal: new functions and relations in a decentralized system

In the early 2000's, USAID assisted Senegal's deconcentrated Forest Service to enable it to play a new role as facilitator and partner for rural councils in managing forest resources and in developing natural-resource based economic opportunities. The evolution in the Forest Service's role (which had previously emphasized law enforcement) built on opportunities created by Senegal's 1996 decentralization reform that granted significant new responsibilities to local government units in natural resource management.

Like its neighbors in the Sahel zone of Africa, Senegal has endured a serious decline in the quantity and quality of its natural resources over the last 40 years. Some of the country's densest remaining forest reserves are found in the south-central department of Kolda. In the 1990's these forests were under assault, disappearing at an alarming rate as a result of clear-cutting by migrant farmers, illegal wood cutting, and brush fires. The departmental and district offices of the deconcentrated Senegalese Forest Service had neither the personnel nor the budget to effectively combat such problems over such a vast area.

Decentralization reforms adopted by Senegal in the late 1990's had substantially expanded the natural resource management responsibilities of the country's 320 elected rural councils, vesting them with the authority for example, to establish village fire brigades. Recognizing that the reforms had created a potentially valuable new player in natural resource management, USAID began working with the Forest Service in the Kolda department to help it define a new model for achieving its objectives focused not on its forest police role, but rather on building the rural councils' capacity as partners in forest management.

At the request of the rural councils, the Forest Service provided training to the councils' volunteer forest monitoring committees on the Forest Code, protocols for reporting infractions, and techniques for combating brush fires. USAID supported efforts by the Forest Service offices and several rural councils in the Kolda Department to improve systems for reporting and communication, and provided light logistical support to improve the mobility of Forest Service agents. This resulted in a reduction of unauthorized land clearing, substantial seizures of illegally cut timber, and – over time – a reduction in illegal woodcutting and fires.

With a viable system for protecting and preserving natural resources taking hold, the attention of rural councils turned increasingly to the development of sustainable, revenue-generating forest-based enterprises. While the Forest Code contained provisions that would allow village groups and associations to harvest wood and other forest products for commercial purposes, this opportunity lay unexploited because the requirements (in particular, for the elaboration of a detailed management plan) were beyond the capacity of most rural associations.

With USAID support, the Forest Service in several departments took the initiative to reach out to the rural councils with informational materials and training on how to fulfill requirements for developing

forest-based enterprises. In regional and national workshops sponsored by USAID, Forest Service representatives backed recommendations to simplify procedures for local associations to launch such enterprises. With USAID support, the Forest Service in several departments took the initiative to reach out to the rural councils with informational materials and training on how to fulfill requirements for developing forest-based enterprises. In regional and national workshops sponsored by USAID, departmental Forest Service representatives backed requests by rural councils for a simplification of procedures for the launching of forest-based enterprises. Forest Service representatives also supported demands by rural councils for a larger share of taxes from commercial woodcutting and charcoal production concessions let by the Government in their territories. Those revenues were needed by rural councils to finance their forest monitoring and fire-fighting operations.

The strategies and actions undertaken by the Forest Service in these departments with USAID's encouragement represented a dramatic shift in roles, from one focused on protection of resources—primarily through policing, toward a facilitating role aimed at providing rural councils and their constituents with the skills and incentives to manage and exploit forest resources in a sustainable manner.

5.2.5 Supporting Efforts to Build Subnational Capacity

No matter how well decentralization is designed, subnational administrations and governments must have the capacity to implement the system. Without this capacity—whether the primary goal is stabilization, democratization or development—subnational actors will be unable to assume the authority they have been granted, effectively use the autonomy they enjoy, or develop the accountability that is required for the most critical benefits of decentralization to be realized. Both subnational administrations and governments need basic administrative and fiscal capacities, although the autonomy to use them is usually less under deconcentration and this will affect the specific capacities needed. Political capacity is primarily relevant for devolution to subnational governments, but even deconcentrated administrations may be expected to develop non-electoral citizen accountability mechanisms.

Capacity building should not be conceived as a set of isolated activities. Capacity building and training activities are most effective when they meet specific needs of subnational actors at particular points in the process of strategically implementing decentralization.

Support Activities for Subnational Capacity Building

- Assist subnational administrations and governments—as well as relevant civil society organizations—to identify important capacity building needs and to develop a capacity building plan.
- Support instructional sessions, on-the-job training, seminars, and workshops on relevant aspects of capacity identified as part of the assessments outlined throughout this handbook.
- Write or refine training programs, manuals, and other instructional materials as appropriate for the areas in which capacity is to be built.
- Institutionalize capacity building by identifying and strengthening organizations to assume responsibility for training, creating programs for training trainers, and providing overseas training for key trainers.

- Provide off-site participant training or study tours to examine regional or international experiences with capacity building for decentralization and democratic local governance.
- Support studies on best practices in subnational capacity building and help to disseminate knowledge about them and their application.
- Provide grants to subnational administrations and governments to seek or develop their own capacity development activities.

5.3 STRATEGIES TO BOLSTER CIVIL SOCIETY

Decentralization creates new opportunities and challenges for civil society organizations (CSOs). When resources and responsibilities are reassigned to subnational governments or administrations, CSOs face strong incentives to reorient their behavior, but may face obstacles as they attempt to do so. USAID can use various strategies to promote the reorientation and strengthening of CSOs, enabling them to coordinate their activities with subnational units and to help shape the subnational government agenda.

5.3.1 Promoting Productive Roles and Building Capacity for Civil Society Organizations

USAID can help promote the development of CSOs and support them in their service delivery and advocacy. USAID may wish to provide direct support or to assist CSOs through linking them to potential partners, such as academic institutions, think tanks and CSO networks.

With respect to service provision, USAID should consider the relative advantages of working to build the capacity of subnational units or CSOs. Where subnational officials are elected, USAID should generally favor capacity building for subnational governments, which are accountable to citizens. Holding CSOs accountable can be difficult because they are not elected. Even where subnational officials are appointed and service provision responsibility rests with the national government, the latter may, if elected, be more accountable than CSOs. USAID may choose to work with CSOs whose service roles complement subnational government or administration roles. If funding for CSO service delivery comes from donor agencies or contracts with national government bodies, this can undermine the functions of subnational administrations or governments, but is particularly problematic for devolved governments. When contracted by subnational units to provide services, CSOs can be held accountable to these units.

With respect to advocacy, USAID can help CSOs learn ways to assist and/or pressure subnational governments and administrations to perform their responsibilities in particular ways. USAID can assist CSOs to secure, publicize, and use information about subnational governance activities and to take part more effectively in the public participatory mechanisms available to them. A complementary USAID strategy would be to promote local print and broadcast media, which can serve as powerful engines for accountability, investigating and reporting on malfeasance within subnational governments, administrations and civil society.

Support Activities to Build the Capacity and Productivity of Civil Society Organizations

- Provide technical assistance and support to determine the number, scale, and functions of CSOs.
- Provide support for CSO formation and operation through technical assistance on registration procedures, tax exemption laws, charitable giving legislation, and fundraising practices.

- Provide CSOs with assistance and capacity building on leadership, public speaking, advocacy and lobbying, conflict resolution, negotiation techniques, civic education, revenue raising, and marketing and business skills.
- Assist CSOs with outreach to develop their membership bases and to develop productive linkages to policy institutes, academic institutions, and strategically important local, national, and international institutions.
- Train and support CSOs and their membership to participate—and encourage others to participate—in policy deliberations and participatory planning and budgeting exercises, in monitoring subnational government plans and budgets, in conducting social audits of subnational service delivery, and in nominating people for consultative councils.
- Support for CSOs to create information and resource centers, post permanent information boards on subnational government activity, and disseminate information on decentralization to citizens.
- Assist subnational governments and CSOs to identify areas of productive partnership in service delivery and other public functions, and assist them to identify modalities for undertaking them.
- Develop and pilot a mechanism for collecting data from CSOs and periodically assessing performance.
- Provide technical assistance to local media in all aspects of their operations, including newsgathering and reporting, investigative journalism, and marketing, for both circulation and selling advertisements.

5.3.2 Broadening the Scope of CSO Representation and Improving their Governance

CSOs commonly represent narrow subsets of society, often those who are most likely to organize. If capture of CSOs by local economic and political elites is one of the most serious challenges facing decentralization, then USAID should prioritize strategies that will assist in the creation or strengthening of CSOs that represent non-elite actors. The nature of the need to broaden CSO representation will vary from place to place. In certain locations, women may be underrepresented, while in others the priority may be particular indigenous groups, youth, or the elderly.

The strategy of supporting CSOs for marginal groups is particularly critical if decentralization is to generate stable and democratic outcomes. Dominance of CSOs by advantaged groups can be destabilizing if marginal groups perceive they are being neglected by newly empowered subnational governments. Participation by marginal groups can promote democracy by helping to ensure that decentralization involves more than resource transfers to subnational elites.

Other aspects of CSO governance may benefit from USAID programming. Elite capture can occur even where membership is broad, and the way that CSOs are financed can influence whether they are dominated by particular groups or subject to dependence on external parties with particular agendas. Excessive reliance on external financing affects CSO sustainability.

Support Activities to Broaden the Scope of CSO Representation

- Provide support to determine the extent to which key CSOs are broadly representative and identify groups that need better representation.
- Support membership policies that encourage CSOs to bridge different ethnic groups and ascriptive identities.
- Help disseminate information about strengthening, or modifying programs, laws, and regulations relating to citizens of various identities, including indigenous communities, women, and youth.
- Assist CSO membership or external parties to assess the internal governance policies of CSOs and take steps to improve them.
- Provide technical assistance to CSOs to assess their dependence on external resources and to identify and support policies that would diversify their revenue base and enhance sustainability.

5.3.3 Enhancing Interaction between Subnational Governments and Traditional Authority Structures or Community-Based Organizations

Decentralization heightens the importance of coordination among different actors whose authority has changed as a result of the re-assignment of resources and responsibilities. Within civil society, a particular area of concern is often the role of traditional authority structures and community-based organizations. In much of the developing world, these structures parallel formal governments and provide citizens with valued services, such as informal, time-tested mechanisms to develop consensus on local priorities and to adjudicate disputes. In many cases, these structures include or influence local elites. In some cases, these structures may directly challenge the legitimacy of the state with force or the threat of force.

USAID may seek to work with these structures, supporting them to perform their own functions and helping them to work with subnational administrations or governments. Facilitating coordination between governmental structures and traditional authority structures can have a stabilizing effect. Working with, as opposed to undermining, traditional authority structures may encourage reluctant citizens to engage with local governments and administrations. Additionally, the influence of traditional authority structures, especially if they have access to local resources, may help to promote better local development outcomes.

Support Activities to Enhance Interaction between Subnational Governments/Administrations and Traditional Authorities

- Provide assistance to research and document the roles played by traditional authorities and community-based organizations as well as the perceptions and expectations citizens have of them relative to subnational governments and administrations.
- Facilitate meetings between representatives of subnational governments and/or administrations and traditional authorities or community-based organizations to identify ways they can work together.
- Assist subnational governments and/or administrations and traditional authorities or community-based organizations to work together by providing technical assistance, capacity building, and resources.

Demystifying Local Public Finance for Senegalese Civil Society

This case study illustrates a strategy employed by USAID to establish a stronger foundation for revenue generation by subnational government by reinforcing the capacity of civil society organizations to participate in the budget process. It describes a specific activity carried out by USAID that helped “draw back the veil” for citizens on the local budget process, and created a space for dialogue between local government leaders and citizens on mutual roles and responsibilities in revenue mobilization and budget management.

In 1996, the Government of Senegal passed a decentralization reform that transferred important new responsibilities to the elected councils of the country’s 67 communes and 320 *communautés rurales*. With only modest budget transfers available from central government, these local governments faced the daunting challenge of financing their expanded roles through increased revenue mobilization.

Senegal’s tradition of weak local government (under the tight control of appointed administrative authorities, and dependent on tax collection services by local agents of the Finance Ministry) left them ill-prepared to tackle such a challenge. From a political perspective, elected councils had to surmount widespread ignorance and cynicism by local populations about the management of local public finances which was shrouded in mystery and appeared to deliver few tangible results.

Beginning in 2000, USAID developed and carried out a 5-year program of intensive technical assistance and training to 50 Senegalese local government units that resulted in significant improvements in budget management capacities and revenue mobilization. The activity that laid the groundwork for subsequent program assistance was a one-day Public Budget Forum involving 60-70 representatives of the local council, citizens groups, traditional authorities, administrative and technical services, and NGOs.

The Forum was designed to build a sense of shared purpose among different actors in mobilizing public resources and putting them to work to improve the quality of local services and infrastructure. It did so by first putting participants on more equal footing with regard to their understanding of the basic principles and procedures of budget preparation and management – using analogies with household budgets, for example, to “demystify” the subject. The Forum proceeded to facilitate an objective review and analysis of recent local government budget performance, highlighting the characteristically huge gaps between budgets submitted and approved by higher administrative authorities and funds actually received, and the small percentage of resources spent on investments compared to operating costs. The Forum then facilitated an assessment of potential revenue sources, helped participants identify several priority actions, and finally facilitated an exchange among actors regarding their respective commitments to achieving the action items.

In many Senegalese local governments in 2000, budget preparation and management were opaque processes, often dominated by a small elite within the local councils. By creating a public occasion to examine legally-mandated budget procedures and processes, and to collectively analyze revenue mobilization and spending performance, the budget forums made a heretofore obscure question real for a larger set of local actors, and provided them with new opportunities for getting involved in local government affairs. The constructive, informational format of the budget forums avoided putting local council leaders in a defensive position with regard to budget management. Far from resenting the airing

of factual information on revenue mobilization and expenditure, most council leaders appreciated the opportunity to dispel misunderstandings about the amount of resources at their command, and

5.3.4 Working with National CSOs and Supporting CSO Networks

There can be important roles for national CSOs and CSO networks in defining the evolving functions of civil society under decentralization and even in shaping decentralization itself. National CSOs working on issues related to decentralization may benefit from support. Those opposing decentralization may be influenced to view decentralization more positively as it relates to civil society. Helping to create networks of CSOs that strengthen CSO influence at the national, regional, and local level—or helping to strengthen existing networks—may also be a productive strategy for USAID.

Support Activities for National CSOs and CSO Networks

- Provide assistance as appropriate to develop networks and partnerships of CSOs at higher levels and to help them develop appropriate governance structures and the capacity to function effectively.
- Support the development of local CSO networks and partnerships with appropriate governance structures and build their capacity to effectively engage with subnational governments and administrations.

5.4 CONCLUSION

Decentralization is complex, difficult, and context-specific. It cannot be approached through a standardized prescription. Care must be taken to fully assess the country context before deciding on programming strategies.

This chapter concludes with a table that positions, in each of the three arenas, broad strategies aimed at achieving the main goals of decentralization—stabilization, democracy, and economic development.

TABLE 5.1. BROAD STRATEGIES BY GOALS AND ARENAS

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

Intervention strategies and program activities stand at the center of USAID action in its partner countries. This does not, however, constitute the conclusion of USAID's interventions. To engage in a process of continuous improvement and quality control, USAID field officers must carefully design and implement a monitoring and evaluation system which is the focus of the following chapter.

Questions for Review – Chapter 5

You may test and reinforce your understanding of selected concepts presented in this chapter by responding to the following questions before reading Chapter 6. Answers to questions will be found on the pages indicated with each question.

- 1. What are the three basic USAID support activity categories for decentralization in the national arena? In a country with which you are familiar, choose one of these support activities that you think would be successful and provide a rationale for its use. (pp. 51 – 52)**
- 2. What are two key methods USAID could use to monitor or enforce the quality of decentralization implementation? (p. 54)**
- 3. Choose one support activity for capacity building and outline the steps you would take to accomplish the activity. (pp. 55 - 56)**
- 4. Choose one support activity for donor coordination and describe the rationale for its use. (pp. 56 - 57)**
- 5. In a country with which you are familiar, outline the steps you would take to implement one activity to support horizontal coordination and one activity to support vertical coordination. (p. 58)**
- 6. What are four ways that USAID can help to improve the subnational political environment? (pp 60 – 62) Select one support strategy for improving this environment and outline a program to achieve this objective. (pp. 60 – 62)**
- 7. What should be the basis for USAID programming to improve subnational administrative functions? (pp. 63 - 65)**
- 8. Given your country situation, which support activity would be most viable to generate subnational revenues and why? (p. 64)**
- 9. Describe the four main strategies that USAID could employ to strengthen civil society organizations. (pp. 68 – 72) In a country with which you are familiar, identify a support strategy that you would employ to bolster civil society, establish goals for this activity and outline a plan for its use. (pp. 68 – 72)**
- 10. Using the table on page 73, select one main goal and outline an activity to support the goal in each of the three arenas.**

6.0 MONITORING AND EVALUATING PROGRAM IMPACT

Having described programming strategies and activities in the three main arenas of decentralization, this chapter turns to the question: how can USAID determine whether these strategies and activities are producing the intended results? This chapter applies recent thinking on monitoring and evaluation (M&E) to the approach to decentralization advocated in this handbook.

A distinction should be drawn at the outset between two different kinds of M&E activities. The first seeks to assess progress in implementing decentralization reforms. To this end, one might gather and analyze data on what are sometimes called output indicators: the number of meetings and workshops held, officials trained, and so on. Output indicators can help to document whether necessary steps are being taken toward effective support of decentralization programs, and they may be especially useful as management tools for program implementation.

The second kind of M&E seeks to assess the impact of decentralization programming on the broader goals described in this handbook: enhancing stability, promoting democracy, and fostering economic development. The key questions here are whether and how we can attribute outcomes along these dimensions to specific USAID initiatives in support of decentralization programming. This kind of M&E is crucial, for it is the only way to assess what works and what does not in decentralization programming. Rigorous, repeated assessments of the impact of different programs provide a valuable way of making decentralization programming more effective.

This chapter focuses on this second kind of M&E, discussing how program evaluation activities can be structured to investigate the impact of USAID interventions on the broader objectives of decentralization reforms. Given the extensive and evolving USAID documentation of M&E systems geared toward program implementation, material which is already available to field officers and program implementers, this chapter will not attempt to duplicate this topic. Instead, it will concentrate on newer approaches and rigorous evaluation methodologies—including randomized evaluations—which are particularly relevant to assessing the impact of decentralization programming.

Note that there is a subtle difference between evaluating the impact of decentralization initiatives and the impact of USAID interventions in support of decentralization initiatives, though the two are intimately linked. Assessing the impact of USAID interventions in support of decentralization may tell us much about the broader impact of decentralization on outcomes such as stability, democracy, and economic development. In addition, USAID can sometimes select the subnational units with which it will work, which in principle allows for rigorous evaluation of the impact of its initiatives. This chapter therefore focuses on the impact of USAID interventions in support of decentralization initiatives.

The chapter discusses various issues that arise in measuring strategic objectives and formulating outcome indicators in decentralization programs. It reviews some of the particular opportunities and challenges of designing M&E for assessing program impact in the decentralization context. Additionally, it shows how M&E can be structured to follow the analytical principles outlined in Chapters 4 and 5.

6.1 OBJECTIVES AND OUTCOMES

Before describing methodologies for assessing the extent to which decentralization programming enhances stability, promotes democracy, or fosters economic development, it is crucial to discuss how these broad objectives may be measured. This section discusses considerations that may arise in formulating strategic objectives that relate to each of these three broad goals and in defining outcome indicators for each objective.

6.1.1 Defining Objectives and Outcome Indicators

Table 6.1 builds on Table 5.1, which identified broad strategies for promoting stability, democracy, and economic development in the national, subnational, and civil society arenas. It is crucial to disaggregate these broad concepts into strategic objectives, such as reducing conflict or increasing the responsiveness of subnational governments. The top of each cell of Table 6.1 lists key objectives for each concept and in each arena. These objectives are proposed with the four key dimensions of decentralization (authority, autonomy, accountability, and capacity) in mind. Clearly, some objectives relate more to one dimension than another.

The bullet points beneath each objective in the table suggest potential outcome indicators for that objective. For instance, an outcome indicator relevant to the goal of reducing conflict and contentious action in the national arena might be the number of marches or protests nationwide during a given time period. An outcome indicator related to the objective of increasing responsiveness of subnational governments to citizens might be the proportion of citizens who positively evaluate the responsiveness of municipal or provincial government to their needs and demands. An indicator relevant to the objective of increasing the ability of CSOs to partner with subnational governments and administrations might include the number of public-private partnerships for infrastructure projects or the extent of private investment in employment-generating projects.

In practice, specific measurement strategies would be required to gather data on each of the outcome indicators listed in the bullet points in Table 6.1. The unit of measure must be identified, data sources found or created, the frequency of data collection defined, and the party responsible for data collection and reporting pinpointed. The specific strategies will vary widely. For example, the number of marches or protests in a given jurisdiction and time period might be culled by local partners from reports of local human rights organizations or other CSOs, local newspapers, or other sources. The proportion of citizens who evaluate local government responsiveness positively might be estimated by hiring a local survey firm to survey citizens in relevant jurisdictions before, during, and after program implementation. The extent of private investment or CSO involvement in public sector projects might be measured through surveys of local businesses and CSOs, among other strategies. The sources, frequency of data collection, and responsible party will differ as a function of the strategic objective being pursued, the evaluation issues discussed in Section 6.2 below, and other factors.

Thus, there will not be a single set of outcome indicators or measures that will be useful in all contexts. Like programming strategies themselves, the conceptualization and measurement of appropriate outcomes cannot be approached through a standardized prescription. Complexities and context must be taken into account. Specific program monitoring plans may call for different kinds of outcome indicators, depending on the strategic objectives of the program.

Table 6.1, therefore, provides examples—for each of the three primary goals of decentralization—of one or two objectives and some ways of formulating outcome indicators for them. In practice, of course, many

more objectives may be relevant. In addition, some of the outcomes may be easier to measure than others. For example, while it may be relatively straightforward to measure deaths per capita in violent conflicts, it is undoubtedly more difficult to estimate the extent to which standards are obeyed in the national arena.

The outcomes in Table 6.1 are not necessarily shaped by USAID interventions, but they may well be. After all, the goal of evaluation is to find out whether decentralization programming impacts these objectives and outcomes—and what kind of programming works best. For example, expanding political participation in subnational units or strengthening the ability of deconcentrated national ministries to provide desired goods and services might reduce marches and protests per capita or deaths in violent conflicts per capita. Promoting participatory budgeting at the local level might increase local government responsiveness to citizen demands and therefore raise the proportion of citizens who rate local government responsiveness highly. Matching the desired outcome to the intervention in question is key to formulating strategic objectives and designing appropriate evaluations.

It should also be borne in mind, as discussed in Section 6.2 below, that observing changes in outcome indicators over the life of a project does not on its own serve as a reliable basis for inferring program impact. Yet before we can assess the causal impact of USAID programming, it is important to formulate indicators for the desired outcomes. Formulating a chart of strategic objectives and outcome indicators like Table 6.1 and then designing specific measurement strategies is crucial to successful M&E for assessing program impact.

TABLE 6.1. FORMULATING OBJECTIVES AND OUTCOME INDICATORS: EXAMPLES

OBJECTIVES	National Arena	Subnational Arena	Civil Society
Stability	<p><i>Reduced conflict and contentious action</i></p> <ul style="list-style-type: none"> • Number of marches or protests per capita nationwide • Number of deaths per capita in violent conflicts nationwide <p><i>Increased coordination among national agencies responsible for decentralization</i></p> <ul style="list-style-type: none"> • Frequency of each agency's administrative contact with other agencies <p><i>Improved national policy environment</i></p>	<p><i>Reduced conflict and contentious action</i></p> <ul style="list-style-type: none"> • Number of marches or protests per capita in subnational units • Number of deaths per capita in violent conflicts in subnational units <p><i>Increased capacity of local administrative units engaged in service delivery</i></p> <ul style="list-style-type: none"> • Number of staff • Degree to which bureaucratic recruitment is based on merit <p><i>Heightened coordination among subnational units</i></p> <ul style="list-style-type: none"> • Frequency of local 	<p><i>Increased organization across ethnic lines inside CSOs</i></p> <ul style="list-style-type: none"> • Ethnic heterogeneity among CSO members <p><i>Improved coordination between traditional authority structures and subnational entities</i></p> <ul style="list-style-type: none"> • Frequency of local authorities' contact with national authorities <p><i>Increased capacity of CSOs</i></p> <ul style="list-style-type: none"> • Size of CSOs' operating budgets <p><i>Decreased dependence</i></p>

OBJECTIVES	National Arena	Subnational Arena	Civil Society
	<p>regarding decentralization</p> <ul style="list-style-type: none"> Existence of comprehensive decentralization legislation 	<p>authorities' contact with authorities in other localities</p>	<p>of CSOs on external revenue sources</p> <ul style="list-style-type: none"> Degree of concentration of CSO revenue sources
Democracy	<p>Increased competitiveness and inclusiveness of national elections</p> <ul style="list-style-type: none"> Degree to which political parties may compete freely for national office. Ease with which political parties can register to participate in elections Ability of independent candidates to run for office <p>Improved respect for citizen rights</p> <ul style="list-style-type: none"> Number of human rights violations, as tracked by CSOs or ombudsman's office 	<p>Increased responsiveness of subnational governments to citizen needs and demands</p> <ul style="list-style-type: none"> Proportion of citizens who positively evaluate government responsiveness to their demands <p>Heightened political competition</p> <ul style="list-style-type: none"> Existence of competitive local elections <p>Improved performance of subnational representative bodies</p> <ul style="list-style-type: none"> Number of mayoral initiatives opposed or vetoed by subnational councils 	<p>Increased formal interaction between government and civil society</p> <ul style="list-style-type: none"> Number of CSOs participating in participatory planning and budgeting Number of formal demands made to local government units for local policy reforms and/or improved services by CSOs Percentage of total subnational budget under the control of participatory bodies
Development	<p>Increased capacities of national agencies to set and enforce regulations and standards</p> <ul style="list-style-type: none"> Number of administrative and technical regulations and standards publicized by national 	<p>Improved capacities of subnational units to provide key infrastructure and services</p> <ul style="list-style-type: none"> Number of concrete plans for service extension or quality improvement prepared and implemented 	<p>Increased ability of CSOs to partner with subnational governments and administrations</p> <ul style="list-style-type: none"> Number of public-private partnerships for infrastructure projects and service delivery

OBJECTIVES	National Arena	Subnational Arena	Civil Society
	agencies <ul style="list-style-type: none"> • Extent to which national government can penalize subnational units for noncompliance with standards <p><i>Increased coordination between national agencies</i></p> <ul style="list-style-type: none"> • Existence (or budget) of national-level coordinating body <p><i>Increased clarity in basic framework</i></p> <ul style="list-style-type: none"> • Revenue sharing percentage is set by law or inserted into constitution 	<ul style="list-style-type: none"> • Extent to which recruitment of bureaucratic staff is meritocratic • Extent to which bureaucrats have long-term career incentives 	<ul style="list-style-type: none"> • Extent of private investment or CSO involvement in public-sector projects • Rate of immigration to subnational units offering business friendly policies and employment opportunities • Percentage of subnational units that use CSOs to produce decentralized goods and services

Note: Italicized bold text indicates strategic objectives; bullets indicate outcome indicators

6.2 INFERRING CAUSAL IMPACTS

Inferences about the causal impact of programming interventions generally must be derived from comparisons between units subjected to an intervention (treated units) and units not subjected to the same (control units). For example, when we want to know whether a participatory budgeting program at the local level influenced citizen perceptions of local government responsiveness (see Section 5.2.2), one approach would be to compare citizen perceptions before a project begins with perceptions after a project is completed, perhaps by administering a baseline survey. Alternatively, after program completion, surveys might be taken in subnational units subjected to the intervention and in those that were not, allowing for a comparison of outcomes. Sometimes, these strategies can be combined, as when one gathers data in both the treatment group and the control group before and after the programming intervention.

Each of these alternatives holds the potential for an invalid attribution of impact. Comparisons over time can be misleading, since differences before and after a program might simply reflect preexisting trends or might be due to factors other than the intervention. Suppose that surveys of citizens suggest a decrease in citizens' positive evaluations of local government responsiveness over the life of a program. Rather than being a result of the program's negative impact, this decrease may be due to other factors, such as an economic recession or a new national policy that impacted negatively on a local government's ability to respond to

citizen demands. Thus, the gathering of baseline data on units at the start of a program, while important, is usually not sufficient to provide convincing evidence of program impact.

Comparisons across treated and control units after a program's completion can also be misleading. One big threat to valid inference is that treated and control units may differ in ways beyond whether the intervention was applied, and these differences may influence the outcome of interest. For instance, if USAID chose to work in poorer municipalities that had less responsive governments to begin with, citizens in the treated municipalities might rate their governments as less responsive than citizens in untreated municipalities after the program. Yet this would not be a sound reason to conclude that the intervention did not work to promote local government responsiveness, since the difference in outcomes could be attributed to preexisting factors.

Another possibility would be to compare the change in outcomes in the treated group to the change in outcomes in the control group. This offers a more secure basis for drawing inferences about program impact than simple comparisons across time or space. However, this approach can be misleading if factors that affect local government responsiveness vary across the treatment and control groups during the life of a program. For example, USAID may work in poorer rural regions, and a drought during the program may disproportionately affect subnational units in these regions, causing a negative change in citizen evaluations of local government effectiveness in the treated units.

Clearly, selecting appropriate control units for comparison to the treated units is fundamental. Ideally, in order to understand the effects of the intervention, control units should closely resemble the treated units in most other factors. Strategies for selecting control units are discussed further below.

Sometimes it will be feasible to make random choices of the units with which USAID and its partners will work. Randomized evaluation constitutes the gold standard for drawing inferences about the causal impact of programming interventions, and randomized trials are expected to be increasingly used in M&E of democracy promotion activities at USAID. In addition, decentralization programs are often particularly amenable to randomized trials, especially in supporting activities in the subnational arena that involve large numbers of subnational units (Section 5.2). The next subsection introduces key ideas about randomized evaluations and their applications to decentralization programming.

6.2.1 Randomized Trials

Randomized trials roughly balance across the treated and control groups those factors—other than the intervention itself—that might influence outcomes. As a result, randomized trials provide the most secure basis for drawing inferences about the impact of programming interventions.

Suppose that a region in which USAID and its partners work contains richer and poorer subnational units, and that the richer units tend to have more responsive local governments. Randomly assigning units to treatment and control implies that, on average, an equal proportion of units in the treated and control groups will be richer. If citizens rate local government responsiveness more positively in the treated group than in the control group after the intervention (as long as this difference is too big to have reasonably occurred by chance), the difference is unlikely to be due to a variation in the wealth of units between the treated and control groups. We therefore have strong evidence that the intervention has had a causal impact.

Although the simplest randomized design assigns some units to treatment and others to control at the start of the program, there are many other options. For example, it is sometimes useful to randomize the rollout

of programs to different units, particularly with interventions that are expected to have a relatively rapid effect. With such a randomized phase-in of a program, outcomes can be compared between those units treated earlier and those treated later. Many other modifications may be suitable for different contexts, questions, and types of interventions.

When is it feasible to assign units randomly for interventions? This will depend on the nature of the intervention or activity as well as on the arena in which it takes place. For instance, activities aimed at enhancing decentralization and democratic governance in the national arena may be less amenable to random assignment, because USAID and its partners often work with a single national government or legislature to pass a law or improve the policy environment for decentralization (Section 5.1).

Random assignment is more feasible when activities or interventions are aimed at the subnational arena or civil society, because there may be many subnational units or CSOs with which USAID and its partners could work. As discussed in the previous chapter, USAID will rarely have the resources necessary to conduct programming simultaneously in all subnational units in a country, so explicit choices must be made about where and how to work (Section 5.2.1).

In this context, random assignment is both feasible and attractive. Randomization offers the best basis for assessing program impact after the program's conclusion, but there may be other advantages as well. For instance, using a lottery to decide on the allocation of programming to subnational units can be seen as the fairest way to make choices about where to work.

Programs in which interventions or sets of interventions are implemented in some subnational units but not others can offer opportunities for randomized evaluations. By way of illustration, consider the decentralization program in Senegal, where the government passed a decentralization reform in 1996 that transferred new responsibilities to elected councils in 67 communes and 320 *communautés rurales* (Section 5.3.3). Beginning in 2000, USAID implemented a five-year program of technical assistance and training to 50 of these Senegalese local government units. In principle, choosing these 50 units at random from among 387 possible units would have offered the best means of assessing the impact of the program on budget management capacities and revenue mobilization. Measures of outcome indicators could then be compared across the treated and control units, and average differences could be attributed to participation in the program.

Note that choosing the units at random does not necessarily imply what the intervention in treated units will actually be. In Senegal, for example, though treated units were subject to a standard set of interventions such as the budget forum and basic training in roles and responsibilities, a significant feature of the implementation strategy was demand driven. Participants would articulate their most important needs for public goods and services and then rank them by priority during town hall meetings. Even if the nature of the intervention is shaped by participating units in this fashion, the random assignment of units to treatment and control still allows an assessment of the causal impact of participation in the USAID-sponsored program. It should also be noted that, in a country like Senegal, the cost of an intervention will depend upon the accessibility of the location. As discussed further below, from the perspective of program evaluation, this issue can be addressed by identifying beforehand those locations that pose an acceptable level of cost and then randomly selecting units for treatment and control from within this list.

As another example, USAID/Peru launched a program in 2002 to support national decentralization policies initiated by the Peruvian government. Over a five-year period, the program was intended to support the implementation of mechanisms for citizen participation with subnational governments (such as participatory budgeting), to strengthen the management skills of subnational governments in selected regions, and to

increase the capacity of nongovernmental organizations in these same regions to interact with their local governments. Interventions took place in more than 500 subnational units at the municipal and departmental levels. Though in this program (as in Senegal) treated units were not selected at random, it would have been feasible to do so. The decentralization program in Peru focused on municipalities in seven non-randomly selected regions in which USAID has historically worked. The point here is that municipalities could have been chosen randomly for treatment and control from within this set of seven regions.

Besides offering the best way to evaluate whether a program or intervention worked to achieve desired impacts, randomized trials also offer a way to assess which interventions work best. In principle, it is possible to assign some subnational units to one set of treatments and other subnational units to a different set. If the assignment is random, outcomes can be compared across the two groups (and potentially to a control group), and the relative efficacy of the different interventions can be measured. For example, one might like to know whether local government effectiveness is best promoted in a particular decentralization program by targeting elected councils or civil society organizations. Randomized designs offer a rigorous way to answer to this question.

6.2.2 Objections to Randomized Trials

Are randomized evaluations of interventions associated with decentralization programming really feasible? Several objections may arise in the minds of USAID field officers and local partners. We discuss here what those objections may be and suggest how randomized designs can be modified or tailored to accommodate these objections.

Political will. Perhaps the most common objection to randomized designs concerns the importance of political will; that is, the need to obtain the consent and cooperation of local authorities and other actors who may be key to the success of decentralization programming. This is clearly an important issue since, without local cooperation, USAID cannot be effective in its support strategies. This leads to the claim that it is preferable to “build on the best” (and neglect “the rest”) by choosing locations that present the most receptive programming environments.

While this may be a reasonable strategy for assuring project success, comparing outcomes in those subnational units that agree to work with USAID to those that do not can result in misleading assessments of program impacts. Locations that present the most receptive programming environments may have more responsive and accountable governments from the start. This will undermine inferences about the impact of the decentralization programming on government responsiveness when those inferences are based on comparisons across treated and untreated units after a program’s conclusion.

There are several potential solutions to this problem. One solution is to create a list of units that would be willing to work with USAID and to assign units randomly to treatment and control from within this list. Another possibility is based on the intention-to-treat principle in experimental analysis. Here randomization to treatment and control can occur within the group of all eligible units, not just those who would be most willing to work with USAID and its partners. Suppose there are 500 subnational units with which USAID could work in a participatory budgeting program. Some 250 of these might be randomly invited to participate in the program, with other locations serving as controls. In this way, both the treated group and the control group would contain some of the “best” and some of the “rest.”

The intention-to-treat principle treats non-cooperating subnational units like those patients assigned to treatment in a medical trial who do not take the pill. With 250 units in treatment and 250 units in control, however, the numbers of noncomplying units will be roughly balanced across the treatment and control

groups. Comparing government responsiveness across the treatment and control groups can provide a valid way of estimating the effect of the participatory budgeting program. This intention-to-treat principle is illustrated in the text box below in the context of a hypothetical experimental design for studying the effects of a rollout of telecenters to subnational units.

Use of the intention-to-treat principle carries some implications for program design. If it is anticipated that some units will refuse to participate, it may be useful for USAID staff and partners to estimate the refusal rate and adjust the number of randomized invitations accordingly. Another practical issue involves securing the consent of the government and other actors to the randomization of invitations. In some programs, this is not an important obstacle, once a list of eligible municipalities is created. Since only some units on the list will be treated, the only issue is how to choose the units for treatment, and a lottery may often be perceived as a fair way to do so. Related issues and solutions are discussed next.

Decentralization and Rural Connectivity: The Intention-To-Treat Principle

In 2007, the Government of Peru approached USAID/Peru for assistance with the rollout of community computer centers (also known as telecenters) in selected rural municipalities. The plan called for USAID to fund initial Internet service in the municipalities, all located in the seven regions of the country in which USAID had ongoing programs. Does the availability of local telecenters encourage greater citizen involvement in politics? Here we look at how a randomized design could be planned to allow for rigorous evaluation of this question. In doing so, we see the usefulness of the intention-to-treat principle.

The Peruvian government required that telecenters be located in municipalities that lacked Internet service, so as to preclude competition with private providers. Around 200 municipalities in the seven regions in which USAID worked were eligible on this basis to participate in the program. Suppose that 100 of these 200 municipalities were selected at random and invited to participate in the program, while the other 100 municipalities served as controls.

At the end of the program, surveys of citizens living in both types of communities could record answers to questions about citizen involvement in politics. For example, the survey could record whether respondents had contacted a government official in the previous year. One possibility would then be to compare the political involvement of citizens in communities that have telecenters at the end of the program to those that do not. This can be misleading, however, because authorities in some communities assigned to the treatment group may refuse to participate in the telecenter program, and the same characteristics that influence whether local governments accept the telecenters may influence the degree to which citizens participate in politics.

Instead, we should compare the responses of citizens in the 100 communities that were invited to participate in the program—whether the communities ended up with telecenters or not—to the responses of citizens in the 100 control communities. This provides a valid basis for inferring the causal impact of the program, because confounding local characteristics should be independent of whether the community was invited to participate in that invitations are issued randomly. This intention-to-treat principle is important in many contexts in which USAID works, because programmers cannot tell in advance who will accept participation in the program.

Some hypothetical data may serve to illustrate the point. Suppose that at the end of the telecenter program, 10 people are sampled from each of the 200 municipalities at random, and that (for simplicity)

each resident has an equal probability of selection into the sample. A survey is then administered to these people and citizens are asked about having contacted the government in the previous year.

If, hypothetically, 400 citizens in the intention-to-treat group had contacted the government, while only 250 citizens among the control group did so, we could estimate that random assignment to treatment raised individual responses by an estimated 60 percent.

$$\frac{400}{250} = 1.6$$

More complicated examples might call for more complicated estimators. Yet the intention-to-treat principle always provides a robust method for using experimental designs to evaluate whether interventions had a causal impact. In this hypothetical example, the experimental evaluation demonstrates that the telecenter program increased citizen participation in politics.

[Note: the intention-to-treat analysis may result in a dilution of the treatment effect since it ignores the fact that some citizens in the intention-to-treat group live in municipalities that refused treatment. An alternative in this context is to estimate the “effect of treatment on the treated”.

Some units must be treated for political or other reasons. For political or other reasons, allocating treatment to one or several specific units may sometimes be nonnegotiable. For instance, political considerations sometimes come from host government institutions, and sometimes from U.S. foreign policy concerns. For programming evaluation purposes, the best solution is to implement the activity in these nonnegotiable units, then randomize other eligible units to treatment and control. The key is that for purposes of drawing conclusions about program impacts, outcomes should be compared across the randomly assigned units. The nonrandomly selected units that had to be treated for political reasons should be left out of the comparison.

One can always look as well at outcomes in the nonrandomly selected units. But comparing outcomes in such units to nontreated units will be less informative about the causal impact of the USAID intervention than comparing outcomes across the units that were randomly assigned to treatment and control. This happens because the nonnegotiable units may have differed from other units in the first place, in ways that matter for the outcome in question.

A slightly different issue is that host governments and other actors are sometimes compelled to “put out fires” during treatment. For example, while evaluating the impact of municipal-level interventions in mining towns on the likelihood of company-community conflict, the national government may be compelled to intervene when conflict breaks out in a community—whether that community is in the treatment group or among the controls. This might seem to pose important inferential issues. However, such “fires” may be as likely to occur in treated as in control units because treatment is randomly assigned. If treatment is randomized in large geographic clusters, this may be a more important issue, since exogenous factors like economic crises, political and social disturbances, and national disasters may have varying impacts in different regions. Yet, to the extent that there are reasonable numbers of treatment and control units, and to the extent like units are less geographically clustered with like units by design, this will tend not to pose an important issue for experimental inference.

All units are treated. In some decentralization programs, it may be the case that all eligible subnational units—municipalities or provinces, for example—must be treated, either because of political considerations

or because the program continues a previous program in which an experimental design was not considered. This constraint may be more apparent than real, since it may be possible in some instances to create a true control group by randomizing some units out of treatment.

If such a control group cannot be established, experimental evaluation may still be possible. One useful strategy would be to randomize one set of units to one treatment and another set of units to a different treatment. Such an approach would not allow us to learn the average impact of treatment compared to no treatment, but it would allow us to estimate the marginal effectiveness of one treatment relative to a different treatment. For example, it might allow us to compare the impact of relatively top-down and bottom-up methods of local decision making, or to bundle different kinds of interventions and assess their joint impact.

Ethical implications. Ethical questions may sometimes arise in connection with experimental evaluations. For instance, is it ethical to deny treatment to control groups? One consideration is that we often do not know ahead of time how much benefit a USAID intervention will bring. Without experiment, we cannot know what will work and what will not. Well-designed, rigorous experimental protocols will allow knowledge to accumulate and thus enable decentralization programming to be as effective as possible in enhancing stability, promoting democracy, and fostering economic development.

In addition, there are virtually always untreated units in decentralization interventions—at least in working in the subnational arena and often in working with CSOs. For example, in the context of a decentralization program, it is often infeasible for USAID to work with all municipalities. The question becomes how the untreated units will be chosen. As discussed below, in many contexts it may be fairest and most ethically defensible to choose treated and untreated units randomly.

Envy of untreated units. How can implementers manage tensions arising from the envy of nontreated control units? First, the experimental design itself can help decrease the probability that authorities in control units become aware of treatments administered to neighboring, treated units. For example, neighboring municipalities or provinces can be clustered, and randomization to treatment or control can take place within the cluster.

Second, as discussed above, some experimental designs involve not an absence of treatment in control units but rather the implementation of a different treatment. One possibility is to administer one bundle of interventions to one set of municipalities and another bundle of interventions to a second set. Again, randomization of the bundles to municipalities could take place at the regional or subregional level. Though intermunicipal and interprovincial meetings might provide the opportunity for learning about differences across groups, these differences may not seem politically important, since all municipalities are receiving a treatment.

A third approach rests not on the particular experimental design but on the ethical implications of randomization. There are situations in which it may seem fairer to use a lottery to randomize units out of treatment. For example, in a follow-on decentralization program in a given country, fewer municipalities may be involved than the first phase. Is it not most politically palatable to tell municipalities no longer receiving assistance that the municipalities were chosen for the second phase by lottery?

Other donors flood the controls. One inferential issue relates to donor coordination (discussed in Section 5.1.6). It sometimes occurs that other donors may concentrate their programs in areas in which USAID does not work. While, as a programming matter, this can create valuable complementarities

between the work of USAID and other donors, it can also complicate M&E tasks if other donors focus their work on the control units in a randomized evaluation of a USAID intervention.

One possible solution to this problem is to coordinate with other donors on a general geographic area or areas in which USAID will work—before USAID selects subnational units for treatment and control within these areas. Another solution would be for USAID to treat all subnational units in the area in which it works but randomize them to different sets of interventions. In other words, USAID would work with all municipalities in a predetermined set of regions, obviating the concern about other donors flooding the controls, but would randomly assign different treatments to different municipalities.

Absent either of these solutions, if donors focus on the control units, then comparing outcomes in the subnational units in which USAID works to the control units in which other donors work allows an estimate of the marginal effect of USAID's programming relative to the programming of other donors.

Contamination. This is an inferential, not a political, issue. In standard models of experimental inference, the response of one unit to treatment is not affected by the response of other units. Violations of this assumption can be problematic for inference. This is likely to arise as an issue in some experimental evaluations of decentralization programming. However, design modifications can often help. For example, if the intervention involves trainings or workshops with municipal mayors, randomizing at the provincial or regional level—say, subjecting all municipalities within a given province to either the treatment or control condition—might decrease the probability that mayors are aware of treatments administered to neighboring municipalities.

Gathering outcome data on controls. One challenge in the context of randomized trials—as well as other M&E plans in which treated and untreated units are compared—involves the gathering of outcome data on control units. In some contexts, gathering data on control units may be relatively straightforward, such as when citizens in both treated and untreated subnational units are surveyed or when experts provide evaluations of municipal capacity. In other contexts, it may be much more difficult, since USAID data on treated units are often gathered in the context of ongoing relationships between program implementers and local authorities. However, much of the difficulty of gathering data on controls probably relates more to output measures (not extensively discussed in this chapter) than to the outcome measures of interest here. Gathering output measures, such as the number and kind of meetings attended by local authorities, may indeed be difficult without the inducement provided by program participation, but these are not the indicators of greatest interest to M&E geared toward attributing program impact.

Heterogeneity of treatment effects. There often may be substantial heterogeneity of treatment effects across municipalities. For instance, in a decentralization program, interventions might have a big impact in some localities and negligible impact in others. Experiments help us estimate the average response to treatment across all units but may not help us assess the heterogeneity in treatment effects.

However, if we have strong reason to expect that the effects will be different in different subgroups, and we have a reason for wanting to assess these differences, then randomization among subgroups would help us estimate the impact in distinct kinds of municipalities. For example, one could randomize treatment within more densely populated urban districts and within more sparsely populated rural districts.

6.2.3 Nonexperimental Evaluations

While experiments can offer a feasible evaluation technique in some instances and are particularly useful for evaluating decentralization programming, they will not be available in all contexts. It is therefore important to consider nonexperimental designs as well.

For some decentralization interventions—in particular those where the intervention takes place in the subnational or civil society arenas and it is possible to compare a relatively large number of treated and untreated units—good nonexperimental evaluations will share some of the same basic features as experimental designs. First, it is crucial to find or construct good outcome indicators, rather than use indicators that only monitor the performance of local partners or track the process of program implementation (see Section 6.1). Second, in programs where a relatively large number of units are treated, it is essential to gather data on control units. For purposes of estimating when the number of units is large enough for some comparisons, explicit *ex ante* calculations of statistical power may be useful.

Consider a nonexperimental evaluation of a program, the strategic objective of which is to increase the ability of CSOs to partner with subnational governments and administrations. USAID and its partners may work with local CSOs in a selected number of municipalities or regions but not others. Following the proposed outcome indicators in Table 6.1, program evaluators might gather data on the number of public-private partnerships for infrastructure projects and service delivery, or on the extent of private investment in employment-generating projects. These data should ideally be gathered—at a minimum—before the intervention and at the end of the program.

Crucially, the data should also be gathered on both treated and untreated units. Consider the alternative, which is to simply gather baseline data on treated units before and after the program. In this case, the observation that the number of public-private partnerships or the extent of private investment has increased or decreased over the life of the program is very difficult to attribute to the impact of the program, since many other factors may have also varied over time, influencing the change in outcomes. Suppose, for instance, that the economy grew rapidly in treated units. Then changes in the extent of private investment during the program could well be due to these changing economic conditions, rather than to the effect of USAID's work with local CSOs. Many other examples make clear that it is far more powerful to compare treated to untreated units. The best comparisons might use pre- and post-intervention data to compare treated and untreated units over time—for example, by comparing the change in the extent of private investment in treated units to the change in the extent of private investment in untreated units.

The question then becomes how best to select untreated units for comparison with treated units. In general, the best approach is to pick untreated units that look as much as possible like the treated units. Of course, this is what randomization accomplishes: on average, randomization balances third factors that might account for different outcomes across the treatment and control groups, thus allowing us more confidently to attribute differences across the groups to the impact of the intervention.

When actual randomization is not available, perhaps because the program evaluation was not well designed before the program or because the nature of the program changed substantially due to extenuating circumstances, there may still be other good alternatives. Probably the best approach in the context of many decentralization programs is to pick a subset of treated and untreated units to compare with the nonrandomly selected treated units, where the subset would be matched as closely as possible with the treated units in terms of variables that might affect the outcomes of interest.

For example, it may be possible in some decentralization programs to compare treated subnational units on one side of a jurisdictional border to similar untreated units on the other side of the border. Suppose decentralization interventions are undertaken at the municipal level in several (nonrandomly selected) provinces or regions of a given country. Even though the regions themselves were nonrandomly selected, there may be a credible case that municipalities on one side of a provincial border—say, municipalities that are inside the treated provinces or regions and thus are subject to the interventions—are similar with respect to potential confounding factors to municipalities that are on the other side of the border and thus not subject to the intervention.

To continue the example above, it might be the case that economic conditions changed over the life of the program in the subset of treated units on one side of the border, but they may also be expected to have changed in nearby municipalities just on the other side of the border who were not subject to the intervention of interest. Differences in the extent of private investment across these treated and untreated units can then be more confidently attributed to the effects of USAID's work with local CSOs. Even better, one might compare the difference over time or change in outcomes in the treated and untreated municipalities. Even if there are preexisting differences in the level of private investment in the treated and untreated units, comparing the change in investment in the two groups of units will cause this initial difference to wash out.

Finally, it is useful to say something about interventions that may not admit evaluations of the kind discussed thus far. While many of the interventions undertaken in connection with decentralization programming are amenable to comparisons across treated and untreated units, some are not. For instance, interventions in the national arena will tend to be much less amenable to such comparisons than interventions in the subnational or civil society arenas, often simply because there is only one unit—the national legislature, say—with which USAID and its partners will work.

In such cases, other kinds of evidence might be useful. There is a long social scientific tradition, for example, that emphasizes the use of counterfactual reasoning, as well as modes of causal inference in which key nuggets of information—causal “smoking guns,” sometimes called causal process observations—can play a key role.

Suppose, for example, the question is whether advocacy by a USAID-supported CSO played an important or crucial role in the passage of a new national decentralization law. The key counterfactual question may be: would the law have been passed if the CSO did not exist or had stayed out of negotiations over the bill? Some pieces of information might be key to bolstering inferences about this question. For instance, political parties may have met at the offices of the CSO to negotiate approval of the law, or the CSO might itself have played an important role in writing sections of the draft legislation. Various sources, including interviews with involved actors, could provide such information. Of course, this approach may not develop beyond the anecdotal, and it seems difficult as a general matter to make recommendations as to how causal process observations should be found. In evaluating the effects of such interventions in the national arena, where the more robust methods on which we have focused are not feasible, inferences about the impact of programming are likely to be more tentative.

6.3 PRACTICAL ISSUES FOR SUCCESSFUL MONITORING AND EVALUATION

This chapter has focused on evaluating the impact of USAID interventions in support of decentralization initiatives. The emphasis has been on the methodological issues involved in measuring outcomes and

inferring program impacts. Yet many obstacles to successful monitoring and evaluation activities may be practical rather than methodological in nature. This concluding section focuses on three potential obstacles—incentives to do M&E for impact evaluation, skills and capabilities, and the costs of rigorous experimental and nonexperimental evaluations—and suggests strategies for overcoming or mitigating these obstacles.

6.3.1 Incentives to do M&E

Much M&E activity focuses on the process of program implementation. This sort of M&E can be crucial for field officers and implementing partners who are tracking progress of decentralization programming, and it can serve as an important program management tool. Given the many other demands on the time and resources of field officers and implementing partners, sometimes incentives to conduct this kind of M&E can be weak as well. But the immediate benefits in terms of program management may often appear to justify the costs of this kind of M&E activity.

With M&E geared toward impact evaluation, however, program effects may take some time to detect. There are also a number of different tasks that need to be implemented, including the randomized selection of units and the need to collect data on treated and control units. As a result, one might wonder whether the benefits outweigh the costs. The answer, generally, is an emphatic yes. Only through rigorous program evaluations is there any hope of getting solid evidence of program impact and of learning what programming initiatives work best. Over time, this kind of evidence can accumulate and allow programming to become more effective.

Yet it is important to be aware that there will be instances in which more rigorous methodologies reveal little or no program impact. Though disappointing, these findings are also useful for the aggregate goal of improving programming effectiveness. Without assessing this evidence, there will be little basis for assessing what has worked and what has not. It is therefore important that implementing partners and field officers not be held accountable for the results of impact evaluations. Rather, the emphasis should be on the gradual accumulation of knowledge through rigorous evaluations, and partners and field staff should be rewarded for the rigor of the evaluation, not its results.

To enhance incentives to carry out the rigorous impact assessments described in this chapter, it may be crucial to separate evaluation of program impact from the standard M&E tools that help to assess program implementation and that can serve as useful program management tools. For example, in performance monitoring plans, implementing partners may be held accountable for meeting targets—say, holding a certain number of meetings, workshops, and training sessions—for program implementation.

6.3.2 Skills and Capabilities

This chapter has introduced some basic ideas about rigorous experimental and nonexperimental designs that are useful for evaluating program impact. Some of the ideas are straightforward. But actually implementing such evaluations can demand expertise in research methodologies.

When designing and implementing program evaluations, it will be valuable to bring to bear the resources, skills, and capabilities present within USAID and partner organizations. USAID's Office of Democracy and Governance sponsors Democracy Fellows with expertise in evaluation methodology, and other experts may be available for trainings and consultations through USAID/DCHA/DG.

In addition, partner organizations, including local partners on decentralization projects, increasingly offer expertise in randomized evaluations. Building in requests for experimental evaluations and other rigorous designs at the Request for Proposal stage of a decentralization program can be a useful way to identify partners with the necessary skills and capabilities to implement these evaluation designs.

6.3.3 Costs of Rigorous Evaluations

The issue of cost raises several considerations for program evaluation. Relative to a standard but weak nonexperimental design, which is to gather baseline and post-intervention data on treated units, the major additional cost of implementing an experimental evaluation involves the need to gather outcome data on control units. For instance, surveys may need to be conducted in both treated and control municipalities, so that citizen evaluations of governmental responsiveness in treated and untreated units can be compared. In the case of surveys, adding additional respondents from control municipalities is often not very expensive and would typically represent a fraction of the overall cost of M&E for a given project. In the case of other kinds of outcome indicators, gathering data on controls could conceivably be more difficult or costly (see the discussion of gathering outcome data on controls in Section 6.2.2).

Often, without appropriate controls (whether the controls are chosen through random assignment or other means), little can be said about program impact. Gathering data on controls is thus essential for making meaningful assessments of program impact and should be carefully considered as an option for every M&E plan. It should also be noted that once data are going to be gathered on control units, the material cost of choosing the treated and control units randomly is usually next to nothing. Additional costs for M&E stem not from randomization but from the need to gather outcome data on controls.

Experimental evaluations may also present the opportunity for substantial cost savings. In principle, random assignment of units to treatment and control can do away with the need to gather baseline data on either treated units or the controls. With enough units, baseline characteristics will be approximately the same in both treated and untreated units, due to the randomization. (In practice, it can sometimes be useful to gather baseline data, both as a randomization check and as a useful source of information for subsequent subsample analysis.) There may be other opportunities for cost-saving associated with reducing emphasis on M&E for assessing the progress of program implementation—which often requires extensive record-keeping—and moving toward greater emphasis on M&E for assessing program impact. Other cost-effective measures—such as sampling subnational units for gathering outcome data, rather than gathering outcome data at several points in time in all units—can sometimes be deployed.

It is important to note that using experimental approaches often involves careful thinking about the selection of units and other design issues early in the program, as this is the point at which design choices can be made that will allow for rigorous evaluation of program impacts. With experimental approaches, some of the M&E costs may therefore come earlier in the process relative to other standard forms of M&E. To ensure that the M&E methods selected are both rigorous and cost-effective, it may be useful to consult persons with methodological expertise inside USAID and partner organizations when designing an M&E plan.

6.4 CONCLUSIONS REGARDING PROGRAM EVALUATION

This handbook discusses strategies to support decentralization activities that can help to enhance stability, promote democracy, and foster economic development. Yet some strategies may work better than others, and strategies may work differently at different times and in different places. The best way to evaluate whether and when such programming works to promote its objectives, is by designing and implementing

rigorous monitoring and evaluation plans. This chapter has described some of the newer thinking about how best to conduct evaluations of program impact.

The chapter makes several key points. The first is that successful program evaluation involves, as a necessary first step, the definition of strategic objectives and outcome indicators. Strategic objectives may involve an aspect of the broad goals of enhancing stability, promoting democracy, or fostering economic development. For example, “reducing conflict or contentious actions” might be one strategic objective under the heading of promoting stability. Then outcome indicators, such as the number of marches or protests (perhaps per capita by jurisdiction) must be defined. This chapter provided some illustrations of strategic objectives and outcome indicators, but these are likely to be program and context specific. In practice, other measurement issues will arise as well, including units of measure, data sources, frequency of data collection, and the party responsible for data collection and reporting.

Once these objectives and outcome indicators are defined, the plan for evaluating program impact must be designed. The second main point of this chapter is that, where feasible, randomized evaluations provide the best possible strategy. Randomized evaluations offer the most reliable basis for assessing program impact, and decentralization programming is quite amenable to randomized approaches. Particularly with interventions in the subnational or civil society arenas, eligible subnational units or organizations should be identified and listed, and the size of the desired treatment group should be determined. Treatment and control units should then be chosen at random from the list of eligible units. Potential obstacles to random assignment—such as the idea that political will determines where programming interventions can take place or the concern that some units must be treated for political reasons—are important to consider, but these can often be countered by appropriate design modifications.

Finally, planning M&E activities—drawing on expertise provided by USAID offices and implementing partners—is key to enabling the accurate assessment of decentralization programming. Fundamental here are the selection—before program implementation—of treatment and control units, and a plan to gather data on both groups. This is crucial for effective and rigorous evaluation. Only by conducting rigorous evaluations can knowledge about the impact of decentralization programming gradually accumulate and serve its ultimate purpose: to improve the quality of programming in support of decentralization initiatives, thereby helping to enhance stability, promote democracy, and foster economic development.

Questions for Review – Chapter 6

You may test and reinforce your understanding of selected concepts presented in this chapter by responding to the following questions before reading the concluding chapter. Answers to questions will be found on the pages indicated with each question.

- 1. What are the advantages of measuring program outcomes rather than program outputs? (p. 76)***
- 2. Describe why randomized trials are effective ways to assess program impact. (pp. 80 - 82)***
- 3. In a country with which you are familiar, how would you deal with randomized trials given the concerns of:***

- a) Political will? (pp. 82 – 83)**
 - b) Ethical implications? (p. 85)**
 - c) Jealousies of untreated units? (p. 85)**
- 4. Using Table 6.1 as guide, develop objectives for each of the three main goals of stability, democracy, and development for the subnational arena in a country with which you are familiar. You also may use objectives that you have already developed. (pp. 77 - 79) Using the objectives you developed, create at least two outcome indicators for each objective (pp. 77 - 79).**
- 5. For each outcome indicator you developed, describe how each could be evaluated using randomized trials. (pp. 80 - 82)**

7.0 CONCLUSION

Decentralization is one of the most important and extensive trends in donor supported efforts to improve democratic governance. The sheer number of countries affected suggests the strength of the pressures—economic and political, domestic and international—that have encouraged decision makers in otherwise very different environments to consider decentralizing. Although it is now clearer than ever that decentralization can run into trouble, the widespread belief that it can help countries stabilize, democratize, and develop means that it is likely to continue to be reflected in policy agendas in the developing world for the foreseeable future. Hence the rationale for this handbook.

While decentralization has featured prominently on policy agendas for more than twenty years, the last decade has witnessed some of the most significant advances in our understanding of these reforms. Since the first version of this handbook in 2000, increasing numbers of countries have undertaken decentralizing reforms, providing programmers and academics with opportunities for a growing number of observations from which to draw lessons about effective decentralization. This critical mass of decentralizing experiences has provided more robust empirical and theoretical lessons. While many of these lessons defy simple classification and point to the importance of local variations, consensus has slowly begun to emerge in some areas. As an update to its predecessor, this handbook has outlined key questions and central observations, making unambiguous recommendations where possible while reflecting the unresolved nature of many debates.

Decentralization takes a variety of distinct forms. No two countries' decentralization programs look alike. This puts the onus on field officers to study the environment for decentralization in the particular countries in which they serve. More than is the case with economic liberalization and democratization—the two other significant trends that mark the contemporary period—the single rubric of decentralization covers a daunting variety of political, fiscal, and administrative reforms. For example, the introduction of local recall mechanisms, the modernization of property registries, and the reform of civil service codes all count equally as decentralization, as do more obvious changes such as introducing local elections or devolving revenues to subnational governments.

The diversity of reforms labeled decentralization is nowhere more obvious than in the important distinction between deconcentration and devolution. As discussed in Chapter 2, while some reforms turn over managerial responsibility for certain functions to the subnational administrative units of central government agencies (deconcentration), other reforms completely reassign functions and revenues to autonomous subnational governments (devolution). In practice, most countries adopt some mix of these two decentralization extremes, and countries pursue the development of their particular mixes in varying ways and at varying paces.

Decentralization is common in both federal and unitary countries. While the general logic and principles of decentralization that are mapped out in this handbook pertain to both federal and unitary states, intermediate levels (states, provinces, regions) will generally play a greater role in defining the parameters of decentralization to local levels in federal states.

Recognizing that diversity and complexity are two of the defining features of decentralization, this concluding chapter summarizes the guidance offered in Chapters 1-6 and revisits many of the central concepts explored throughout the handbook.

7.1 AUTHORITY, AUTONOMY, ACCOUNTABILITY, AND CAPACITY

The tremendous enthusiasm for decentralization that exists in the world today can be explained by the belief—common among donors, academics, and politicians of the left and right—that decentralization generates positive outcomes. They are correct that decentralization should be considered as a means to an end, not as an end in itself, and that its success or failure should be judged against this standard. But how exactly does decentralization promote (or fail to promote) such abstract outcomes as stability, democracy, and development?

The causal connection between decentralization and these outcomes is mediated by the four intervening variables introduced in Chapter 1: authority, autonomy, accountability, and capacity. Chapter 3 explained how changes in each of these characteristics are necessary if decentralization is to help countries stabilize, democratize, or develop. For example, decentralization enhances stability when it bolsters the authority and autonomy of lower-level officials who are better placed to understand and therefore respond to local conflicts. Decentralization promotes democracy when it increases the likelihood that citizens can hold subnational officials accountable for the decisions made at the subnational level. Decentralization strengthens a country's development prospects when subnational governments and administrative units have the capacity to deliver much-needed services to citizens and businesses alike. When deciding whether and how to support any given decentralizing change, field officers can consider its likely impact on each of these four characteristics as a useful heuristic.

7.2 RECOGNIZE THE PRIMACY OF STABILITY

Stability, democracy, and development are the three goals most leaders cite when they decide to decentralize. But an important asymmetry characterizes these three common goals: the pursuit of democracy and development both depend on the prior achievement of stability. Consolidating democratic rule and making the right choices for long-term sustainable development are very difficult in an environment of chronic instability. Unfortunately, relative to the Cold War era, increasing numbers of developing countries suffer from intra-state conflicts that seriously compromise stability. Thus the goal of stabilization now figures much more prominently in donor strategies and activities, and it powerfully shapes and limits the subset of decentralizing options that deserve consideration.

If the primary objective of decentralization is to improve stability in politically fragile and crisis-plagued environments, then the provision of authority and autonomy (including corresponding resources) through deconcentration is, at least initially, the most critical requirement. In contrast, political decentralization through the institution of elected subnational councils is not a priority. Over time, however, resources are almost certain to be wasted if subnational administrations and governments do not develop capacity and mechanisms—although not necessarily local elections—to ensure a minimum of accountability to local citizens in the performance of their functions. The more typical and usually favored approach to decentralization—devolution of significant responsibilities and resources to autonomous subnational governments—requires strong elements of authority, autonomy, accountability, and capacity to function effectively. Of course, not all of these can be realized at the same time in most developing countries, and countries stand at very different stages in terms of their status with respect to each. In post-conflict environments, the urgent need for stability necessarily leads decentralization programmers to consider the merits of a gradual sequencing of reforms that begins with deconcentration and views devolution as a longer-term objective.

7.3 KNOW YOUR DIMENSIONS: POLITICAL, FISCAL, AND ADMINISTRATIVE

Decentralizing changes occur in three main dimensions. It is important to understand how these dimensions differ because the pursuit of particular goals (stability, democracy, development) typically puts a premium on different dimensions. For example, when decentralization is adopted in fragile states to enhance stability, it is the administrative dimension that will receive the most attention, commonly through the adoption of deconcentration. In contrast, using decentralization to deepen democracy will bring the political dimension to the fore, including reforms that make subnational politics more competitive, subnational representative bodies more effective, and subnational civil servants more responsive to subnational elected officials. The fiscal dimension of decentralization, including changes that improve subnational revenue generation and fiscal responsibility, will be especially critical where developmental goals are prominent. Of course, this is not to deny the possibility that each dimension here can correspond to any of USAID’s three central goals.

While it is important to understand how these political, fiscal, and administrative dimensions differ, field officers will also want to take a more comprehensive view by comparing change across these dimensions at any one point in time. Indeed, evaluating all three dimensions together is the only good way to get a sense of how decentralization is working as a system, which in turn can help identify where specific interventions can usefully take place. Only USAID assessments and programming decisions that consider the interrelated dimensions of decentralization will result in the best avenues for action. Fixating on one dimension—say, fiscal arrangements, without reference to the political environment or the administrative underpinnings of intergovernmental finance—will too often lead to “stove-piped” programming approaches.

7.4 UNDERSTAND THE ACTORS AND THEIR MOTIVATIONS

As with any major policy reform, decentralization is contested in the political arena. While stability, democracy, and development may be USAID’s goals, its interlocutors may have other aims. All three arenas highlighted in Chapters 4 and 5—national government, subnational government, and civil society—are subject to the allure of self-interested action. In some instances, national governing parties may foresee benefits from decentralization. In other cases, civil society actors may prefer decentralization not out of commitment to participatory governance, but rather due to expectations that they will better be able to capture politicians at the local level. Instead of understanding one actor or another as having a certain dose of political will, USAID may gain greater leverage from considering the political incentives and constraints facing different actors, and adapting its strategy accordingly. USAID will be in a better position to create programming alternatives insofar as it understands support and resistance for decentralization as a function of political interests and needs, rather than as a function of particular virtues.

In light of the needs and preferences of the various actors, general principles emerge for promoting decentralization. One general rule for navigating a political environment is to identify and work with likely allies that support USAID action, as outlined in Chapter 4. These may come from any of the different arenas, or they may be only a subset of actors in one area (such as a particular element of the national government bureaucracy or certain ministries). Conversely, when support is lacking, USAID should use its programming leverage to alter or reshape the incentives that prevent actors from supporting a particular decentralizing reform. For example, promoting programs to ensure budget transparency at the local level may mitigate skepticism from central governments or civil society about the probity of a particular subnational government. Implicit in these general principles of working with the actors is the need to coordinate between them. As noted below, such processes of coordination may present some of the best options for decentralization programming in coming years.

7.5 PROMOTE COORDINATION IN THE POST-DECENTRALIZATION POLITY

Given the significant amount of formal decentralization that has already occurred in many countries in recent years, promoting the transfer of additional resources and responsibilities from the center may well become less of a priority in the future than it has been in the past. Instead, what will take on greater urgency in the polity that is formally decentralized are efforts to improve coordination between those levels of governments that have been made more independent from one another by decentralization. Where decision makers at the national and subnational levels are now separately elected (e.g., the devolution model), separate sources of democratic legitimacy typically reduce the incentives to cooperate relative to the period when subnational authorities were appointed by the center and had no choice but to cooperate. Seeking to enhance coordination between governmental units that are now more independent from one another—but who must cooperate for decentralization to succeed—is likely to be a priority for USAID.

Coordination is key, not only vertically between national and subnational levels, but in the three horizontal forms emphasized in the handbook as well. First, the adoption and implementation of decentralization can trigger very different responses from distinct national-level agencies, resulting in interagency conflicts that have proved deadly for decentralization. USAID can help national agencies shift from conflict to coordination through a number of programs, including retraining activities for civil servants who must surrender certain roles in order for decentralization to succeed. Second, is the important forms of coordination that emerge between individual subnational governments at the same level (e.g., mayors' associations and governors' leagues) when subnational officials determine that their interests vis-à-vis the national government are best served through their collective voice. Third, as greater numbers of external actors become convinced of the significance of the subnational arena and consequently introduce decentralization programming, horizontal coordination among the increasingly crowded field of multilateral, bilateral and nongovernmental donors has become more important.

7.6 ADAPT AND UPDATE AS DECENTRALIZATION UNFOLDS

As protracted as it may be, the struggle to adopt decentralizing policies is by no means the end of the story. Even as programming moves from the initial big bang of legislative change in the direction of coordination between actors and other subtler refinements, it is clear that progress will occur in fits and starts. Countries do not simply become decentralized the day after passing decentralizing legislation. Instead, when national politicians endorse decentralization, they initiate a new period of struggles over implementation among what is often an even wider set of stakeholders, including national agencies, subnational officials, and civil society groups at all levels. Decentralization necessarily destabilizes long-standing institutional relationships, introducing a type of institutional limbo that can plague implementation. However, implementation difficulties often result from problems that USAID is well poised to address, including poor enforcement, low levels of capacity, and local actors who do not understand what is expected of them. Taking these implementation problems seriously is important because they can easily depress the enthusiasm for decentralization, even opening the possibility of its reversal in some cases.

In addition to the difficulties of implementation, the shift to decentralized governance cannot be considered a one-shot deal because further refinement of the decentralization framework is often required. Chapters 4 and 5 stress the importance of articulating a sound basic framework for decentralization, and then elaborating and refining that framework as the process gathers steam. As noted in Section 7.5 above, decentralization has matured and will continue to mature as a policy and programming area. In the numerous countries where political authority and fiscal responsibilities have been transferred,

decentralization programming for the next decades will shift toward the need for better coordination among actors. At the same time, countries that are new to decentralization may be emerging from conflict and initiating first-stage reforms. By accounting for numerous actors, goals, and dimensions, the handbook can help programmers to consider differences both within countries over time and across countries.

7.7 MEASURE RESULTS AND USE RANDOMIZED EVALUATION

Decentralization presents special obstacles and opportunities for the monitoring and evaluation (M&E) of programming activities. While M&E has previously focused on program implementation and output indicators, it will increasingly center on the measurement of actual impact of programming outcomes and on strategic objectives. Thus the first step in a successful M&E process is to define strategic objectives and outcome indicators. For example, if programmers were to adopt “enhancing the inclusiveness of elections” as a strategic objective toward the goal of promoting democracy, then one outcome indicator might be the ability of independent candidates to contest subnational elections. If “reducing conflict” is adopted as a strategic objective toward the goal of enhancing stability, then a possible outcome indicator would be the number of deaths from violent political conflicts in various subnational units. Chapter 6 gave additional illustrative examples of objectives and indicators, but these are likely to be both program- and context-specific.

Once objectives and outcome indicators are defined, randomized evaluations provide the most effective strategy for M&E. The principle of randomization is especially important for decentralization programmers to understand because decentralization programs—which often work across multiple subnational units in the same country—offer useful opportunities for randomized evaluations. Particularly with interventions in the subnational or civil society arenas, programmers should compile lists of eligible units and decide upon the size of the desired treatment group. The treatment and control units should then be chosen from this list of eligible units, with the random assignment of specific units into treatment and control categories. Potential obstacles to random assignment—including pressures to use political criteria to select or pass over certain subnational units—are important but not fatal to the principle of randomization. Critical for M&E activities is the systematic collection of data on both treatment and control units. Only through systematic evaluation can knowledge about the impact of decentralization programming gradually accumulate. Only through this gradual accumulation of knowledge can we know whether decentralization programming is actually helping to enhance stability, promote democracy, or foster economic development.

In conclusion, the complexities and variations that arise in decentralization programming amount to a mixed blessing, not only for monitoring and evaluation, but also for those aiming at an understanding of decentralization itself. By its nature, decentralization comprises a set of reforms that invites and expects variations in outcomes from one governmental unit to the next. Initial excitement about devolution—driven by expectations that democratic decentralization would enable governments to be systematically more competitive and responsive to diverse preferences—has been tempered. It is now clear that devolving power is not a panacea, and that decentralization’s outcomes are far from uniform. The advice outlined in this handbook highlights the most prominent trends likely to affect USAID interventions. But it in no way can account for the full complement of local variations and needs. Thus the central aim here has been to provide the conceptual, theoretical, and practical tools needed to think strategically about how decentralization works in diverse environments.

APPENDIX A. GLOSSARY

Note: each definition appears in *italics*. Additional information follows, linking the concept to key elements of the handbook and listing related terms.

Accountability: *the responsibility of a government body (or a public official) for its actions, usually with respect to citizens or to another government body. Accountability is one of the four characteristics—along with autonomy, authority, and capacity—that are highlighted in the handbook as crucial to making decentralization programming work. See also: autonomy; authority; capacity; horizontal accountability; vertical accountability.*

Administrative Decentralization: *the transfer of responsibility and capacity for planning and managing public functions from the national government and its agencies to subnational governments or subnational administrative units. This is one of three dimensions of decentralization, along with political decentralization and fiscal decentralization. Programming in administrative decentralization can work under either devolution or deconcentration, and can work toward the goals of stability, democracy, and development. See also: decentralization; deconcentration; devolution; fiscal decentralization; political decentralization.*

Asymmetric (programming): *programming that treats individual government units in a non-uniform fashion, such as programming that occurs only in subnational units that meet certain criteria. See also: sequencing (decentralization programming).*

Authority: *the legal, rule-based power or ability of a public body or official to make decisions. One of the four governance characteristics—along with accountability, autonomy, and capacity—deemed important to make decentralization work. See also: accountability; autonomy; capacity.*

Autonomy: *the ability of a public body or official to make decisions under its jurisdiction independently from other actors. For subnational governments or subnational administrations, autonomy as it relates to decentralization is the ability in particular to make decisions independently of central governments. This is one of the four characteristics—along with accountability, authority, and capacity—deemed important to make decentralization work. See also: accountability; authority; capacity.*

Budget Constraints (hard and soft): *the limits on the spending of a given actor. In the context of decentralization, hard vs. soft budget constraints defines the degree to which subnational actors can spend beyond the finances expressly allocated to them. Hard budget constraints, set by the central government, define and delimit the spending of subnational actors and are a necessary requisite for fiscal federalism to function. Soft budget constraints, by contrast, leave subnational actors with incentives to overspend and create excessive uncertainty in public budgeting at all levels of government. See also: fiscal decentralization; fiscal federalism; second-generation fiscal federalism.*

Capacity: *the capability or technical competence of a given actor to perform a set of functions. As with accountability, authority, and autonomy above, this is one characteristic of governance sought in decentralization programming. See also: accountability; authority; autonomy.*

Causal-Process Observation: *a piece of information or data that provides insight about context, process, or mechanism, and that contributes distinctive leverage in causal inference.*

Civil Society: *the set of actors independent of government that represent constituencies and engage in the public sphere. This includes nongovernmental organizations, social movements, and informal groups seeking to*

influence government decisions and policies. Civil society would generally not include elected officials or political parties, which would be considered part of political society.

Clientelism: *a political system comprised of relationships between public patrons and their clients, in which the former provide particular goods to the latter in exchange for political support.*

Decentralization: *the process by which power and resources are transferred from central governments to appointed or elected subnational units.* As noted in the handbook, decentralization is comprised of multiple dimensions (political, fiscal, and administrative) and has three principal forms (devolution, delegation, and deconcentration). Decentralization programming may be used in service of USAID's three principal goals of stability, democracy, and development. See also: deconcentration; delegation; devolution; administrative decentralization; fiscal decentralization; political decentralization.

Deconcentration: *a form of decentralization in which decision making and resources are relocated to central government representatives operating in subnational branches.* Deconcentration is a particularly useful form of decentralization to consider in non-propitious programming environments (such as post-conflict countries) where stability is USAID's central goal. See also: decentralization; delegation; devolution.

Delegation: *a form of decentralization in which power and resources are transferred from a central government to an actor designated to work on the central government's behalf.* In this handbook, the term refers especially to the transfer of specific public functions to subnational units, but it has also been used to include transfer of functions to public enterprises or contracted private actors. See also: decentralization; deconcentration; devolution.

Democracy: *an end goal of decentralization and democratic local governance programming.* As a goal, this includes basic procedural definitions of electoral processes (and civil rights guarantees), as well as indicators of democratic quality such as responsiveness to populations. (See below the entry for democratic local governance, or DLG.) In the handbook, the promotion of democracy as a goal is most closely associated with programming that involves devolution as the main form of decentralization. Democracy programming is most prominent in the dimensions of political decentralization and fiscal decentralization (with participatory practices), but may also demand attention to administrative decentralization. See also: development; stability.

Democratic Local Governance (DLG): *as a goal of programming, enhancing the democratic quality of subnational bodies, through improvements in such essential qualities as subnational accountability, authority, autonomy, and capacity.* Related qualities that are desirable at subnational levels include responsiveness and transparency to citizens. See also: accountability, authority, autonomy, capacity; democracy.

Development: *an end goal of decentralization and democratic local governance programming.* Promotion of development by governments includes increasing human capital through public service provision in areas such as education and healthcare, as well as promotion of economic growth through provision of pro-growth policies. Development is one of USAID's three main goals—along with stability and democracy—in decentralization programming. It can be promoted through any of decentralization's three dimensions (administrative, fiscal, and political) and by either deconcentration or devolution. See also: democracy; stability.

Devolution: *a form of decentralization in which power and resources are transferred from central government decision-makers to elected subnational governments that possess defined autonomies from national government.* Also referred to in the literature as “democratic decentralization,” this form of decentralization has benefited from greater enthusiasm among academics and practitioners than deconcentration. This handbook sees a significant, but not exclusive, role for devolution: it remains the most applicable approach for

promoting democracy, but may be less appropriate as an initial programming response where stability is the primary goal. See also: decentralization; deconcentration; delegation.

Experimental Design: *an evaluation procedure in which interventions are randomly introduced in one set of units (called the treatment group) but not in another (the control group); also called a randomized controlled experiment or simply an experiment.* In more complex experimental designs, there may be more than two groups, or two or more groups may be exposed to different interventions; the difference in the impact of these different interventions can then be evaluated. Three key principles for experiments are: randomization; examining a substantial number of units as feasible; and early planning and design. Using randomization in choosing units for inclusion in the treatment and control groups provides the most solid basis for inferring whether a programming intervention had a causal impact, since other factors that might influence outcomes will be roughly balanced across the treatment and control groups. Increasing the number of units in the design will increase precision in estimating causal effects. Finally, planning and implementing the experimental design early in the monitoring and evaluation process will improve its validity and reliability; for example, it is essential to select treatment and control units at random at the start of the program. See also: intention-to-treat principle; randomized trial.

Fiscal Decentralization: *the process of increasing the revenues and expenditures (or finances and functions) under the control of subnational governments or subnational administrative units.* Along with administrative decentralization and political decentralization, this is one of three main dimensions of decentralization. Fiscal decentralization is particularly important in the area of economic development, and may be used extensively in the promotion of democratic local governance (via the use of fiscally decentralized participatory budgeting, for example). Fiscal decentralization may also be used to promote the goal of stability. See also: administrative decentralization; political decentralization.

Fiscal Federalism: *a theoretical approach that addresses questions of the assignment of fiscal responsibilities across levels of government and the possible positive consequences of decentralization and federalism for economic outcomes.* The literature on fiscal federalism highlights the importance of the central government in setting macroeconomic policy, and of competition among subnational jurisdictions in the provision of public goods. Under certain conditions, fiscal federalism is seen as market-preserving and favorable to economic growth. See also: Second-generation fiscal federalism.

Hard Budget Constraint: see **Budget Constraints (hard and soft)**

Horizontal Accountability: *accountability that operates between different actors at the same governmental level, to include accountability between the different branches of government or between bureaucrats and elected officials.* See also: accountability; vertical accountability.

Intention-to-Treat Principle: *the principle for assessing program impact after an experimental design that compares units on the basis of whether they were randomly assigned to treatment or not (regardless of whether the units actually participate or not).* In a randomized trial, some units are assigned to a treatment group and others to a control group. However, some units assigned to the treatment group may not want to participate in the program, or units in the control group may participate; the presence of these units, sometimes called "non-compliers", can make it misleading to compare outcomes in units that actually participate in the program and those that do not. Because factors that influence whether a unit chooses to participate or not may also be related to the outcome being measured, we might erroneously attribute differences across participating and non-participating units to the effect of the intervention, when the differences are due in whole or in part to these other factors. Random assignment ensures that the

proportion of non-compliers will be roughly balanced in the treatment and control groups; the balance becomes more exact as the number of units assigned to each group grows. The intention-to-treat principle therefore provides a robust basis for assessing the causal impact of the intervention. See also: experimental design; randomized trial.

Parastatal: *a company or agency wholly or partially owned by a government.* With respect to decentralization, parastatals are often organizations to which specific tasks have been delegated. These organizations have limited degrees of decision-making autonomy, but remain accountable to government.

Political Decentralization: *the process of transferring political authority to subnational governments, usually through the institution of subnational elections.* Some degree of political decentralization is indispensable for the full promotion of democracy as a programming goal. Political decentralization is linked to devolution as a form of decentralization, because both involve the enhancement of subnational governments that are politically independent of the center. See also: administrative decentralization; devolution; fiscal decentralization.

Randomized Trial: *synonymous with experimental design.* The term is taken from the medical evaluation literature. See also: experimental design; intention-to-treat principle.

Second-Generation Fiscal Federalism: *a theoretical approach that incorporates the study of political actors and their motivations within preexisting theories of fiscal federalism, which examine the economic consequences of federalism and decentralization.* Whereas early works on fiscal federalism had a strong normative component and a tendency to construct ideal types, this portion of the fiscal federalism literature draws heavily on the study of how institutions shape political behavior. See also: development; fiscal federalism.

Sequencing (decentralization programming): *the process of reforming state institutions on a gradual basis, either (a) to make reforms attentive to existing limitations and constraints on an ongoing basis, or (b) to test the results of changes on a gradual basis before proceeding with wholesale change.* This approach may be especially useful when considering unstable environments, where deconcentration may need to precede devolution in a programming sequence. See also: asymmetric (programming).

Soft Budget Constraint: see **Budget Constraints (hard and soft)**

Stability: *an end goal of decentralization and democratic local governance programming.* The ability of a political, economic, and social system to persist and to continue providing such fundamental public goods as security, rule of law, and a national common market. Other key goals of USAID programming are democracy and development. This handbook treats stability as first among equal goals, because democracy and development are typically dependent upon the prior establishment of stability. With respect to programming, the handbook recommends USAID consider deconcentration as a first option when stability is in question. See also: democracy; development.

Single-Purpose Districts (or special districts): *governmental entities that have responsibility for a specific function (or functions) in a given area, but not the broad authority of local or regional governments.* Single-purpose districts may be wholly independent of local and regional governments, or may be created by them. Examples include neighborhood organizations with responsibilities for sanitation or small-scale public works, as well as health or education districts whose boundaries do not overlap with those of local or regional governments. Work with single-purpose districts may be especially salient when considering asymmetric, gradual, or targeted programming not intended for all local or regional governments. See also: asymmetric (programming); sequencing (programming).

Subnational Administration: *a local branch of the central government that is appointed by national-level actors. These bodies serve local populations, but are professionally responsible primarily to the national government. See also: subnational government.*

Subnational Government: *a level of government below the national government that is elected and not appointed, and therefore is in part responsible to a subnational constituency. These include elected municipalities, states, regions, and other units with multiple public-service functions, as well as single-issue special districts and other elected bodies. See also: subnational administration.*

Vertical Accountability: *accountability that operates via a hierarchy, wherein one set of actors serves as agents working on behalf of another set of principals; this generally refers to accountability mechanisms between elected officials and the electorate, but may also refer to accountability between subnational and national levels of government. See also: accountability; horizontal accountability.*

APPENDIX B. ANNOTATED, CATEGORIZED BIBLIOGRAPHIC REFERENCES

This bibliography is intended to provide references and guidance for readers interested in pursuing additional sources in the extensive literature on decentralization. This introduction to the bibliography is broken down into a number of categories and subcategories. Broadly speaking, work on decentralization has developed in two separable, yet interrelated, categories: an academic literature and a practitioner literature. We do not place undue emphasis on this distinction, as much of the purpose of this handbook is to bring academic lessons to bear on specific programming questions. Academic and practitioner literatures both contain excellent entry points for programmers and implementers interested in further reading that illuminates the promise of decentralization and the resulting enthusiasm about decentralizing initiatives, along with a recognition that decentralization is not a policy panacea.

1.0 DECENTRALIZATION IN ACADEMIC DISCIPLINES

Our first set of categories includes major recent contributions to the study of decentralization that can be grouped under the scholarly fields of economics and political economy, political science, and public administration. Each of these three categories also speaks most directly to one of the three decentralization's dimensions—fiscal, political, and administrative. While the three disciplines complement one another in both theoretical and empirical terms, scholars and practitioners of various stripes have come to recognize the importance of dialogue across these traditional disciplinary boundaries. (Examples include recent volumes edited by Bardhan and Mookherjee; Rodden, Eskeland, and Litvack; and Smoke, Gómez, and Peterson.) The selection of works here underpins enthusiasm about decentralization, but also includes examples of works that incorporate a healthy skepticism about decentralization's advantages.

1.1. Economics and Political Economy (EC) readings will be of special interest to those programmers wishing to examine linkages between decentralization and prospects for economic growth. This includes not only those looking at the macroeconomic picture, but also public finance specialists and other USAID officers whose imperatives include the promotion of local economic opportunities, ranging from industrial promotion to small-scale activities in local markets. While retaining pragmatic application, the economics and political economy literatures from the 1950s to the present were also the origin of the most elegant theoretical models of federalism and decentralization. The current enthusiasm about decentralization is based in part on economic models that illustrate advantages from the division of political power into smaller geographic units beneath central governments. Leading lights in this field (such as Buchanan, Musgrave, Oates, and Tiebout) theorized that decentralization generates a form of competition between subnational governments, which will pressure poorly performing governments to improve the efficiency and quality of their services. Moreover, decentralization and the related concept of fiscal federalism can best match local preferences to local service provision.

For those looking to keep up-to-date with the most recent thinking in this field, the political economy literature of the last decade has paid considerable attention to political constraints and limitations on fiscal federalism. In the footsteps of the scholars mentioned above has come the literature of so-called “Second Generation Fiscal Federalism,” associated most closely with Barry Weingast. These writings outline the conditions that must obtain for decentralization to be most effective. The emphasis here is on identifying

key issues such as policy autonomy for subnational governments and hard budget constraints. This literature closely examines the relationship between efforts at decentralization and the design of fiscal systems, and has direct linkages to the study of fiscal decentralization.

1.1.1 Fiscal Decentralization (FD)

Works on fiscal decentralization emphasize the impacts of federalism and decentralization for economic growth and service provision, though adequate consideration of the fiscal dimension will also have implications for stability (if, for example, the choice is made to deconcentrate responsibilities rather than devolve them) as well as democracy. Studies of fiscal decentralization often bring theoretical models into close dialogue with policy implications, making them an excellent choice for the theoretically driven practitioner. As noted above, recent work has shown increasing attentiveness to the motivations and incentives of actors at all levels of government, making this fiscal literature increasingly compelling for the politically minded as well.

Several major themes have emerged here with respect to decentralization's promise. First, the importance of hard budget constraints for subnational governments is useful as an area for study primarily in federal cases or where fiscal decentralization has taken on a strong devolutionary character. Second, the design of tax and transfer systems is an area with more general application to less devolved and more unitary states, which include a large number of USAID partner countries. A third major area for consideration is work that underpins the dictum "finance follows function." This notion, which is centrally important to a large number of USAID countries, serves as guidance to programmers considering the sequencing of decentralization reforms. The notion suggests that revenue decentralization should follow the decentralization of expenditure responsibilities, and that revenues and expenditures should be matched across levels of government, so that subnational governments receive neither unfunded mandates nor funds without accompanying responsibilities.

1.2. Political Science (PS) complements the literature of economics and political economy, and it pays close attention to the incentives and motivations of specific public actors. Selections here constitute essential reading for programmers who have democratization as an overarching goal, as well as for others wishing to be savvy in detecting the guile and self-interest that sometimes inform governmental decision-making in the area of decentralization. This work also leads the way in the study of participation and decentralization's impacts on the quality of governance at local levels. Political scientists do continue to encourage devolution, on the basis of assumptions that more inclusive politics at subnational levels will generate better governance outcomes. As with the economics literature, however, this field is not unambiguous in favoring devolution. While it contributed to excitement about decentralization as a policy initiative in the 1980s and 1990s, political science has offered quite measured assessments of decentralization's impacts in recent years.

This field is also relevant for those wishing a historical understanding of how the recent boom in decentralization occurred: the preference for devolution in the years immediately after the Cold War was in part driven by political scientists documenting the failures and weaknesses of centralized governments in regions ranging from the former Soviet Union to sub-Saharan Africa (Wunsch and Olowu, among others). On the other hand, contemporary works of political science have served to temper arguments in favor of decentralization, based upon comparison of the diverse conditions under which political decisions are made. Recognizing that decentralization may be implemented by political elites at the center for several self-interested reasons, political scientists have supplied the decentralization community with cautionary tales about national political actors who seem to have the political will to decentralize: they may simply be

seeking their own electoral gains in local and regional elections, may wish to devolve thorny problems and responsibilities to other levels of government, or may seek to balance central budgets by passing unfunded mandates to localities and regions. Recent works—such as those by Bardhan and Mookherjee, Grindle, and Treisman—will be compelling to programmers who have doubts about central motives behind decentralization, or who seek a necessary corrective to very optimistic views of devolution.

1.2.1 Political Decentralization (PD)

Political decentralization redistributes power from national officials to subnational actors. The topic has received considerable attention from political scientists and is closely related to the principles of devolution and the goal of democratization. The literature of political decentralization will educate readers on the importance of major political institutions—including party systems, electoral rules, and executive-legislative relations—which shape intergovernmental power. USAID officers will be well-served by looking at this literature, as it provides some insight into the likely success or failure of programming outcomes, depending upon prevailing institutions. For instance, programmers may wish to know that, where governmental institutions represent subnational interests strongly, decentralizing reforms are most likely to be transformational in shaping the intergovernmental balance of power. By contrast, decentralization may be less dramatic where parties are controlled from the top, where executives dominate legislatures, and where electoral rules give the center precedence. The literature of political decentralization can also help programmers understand whether the devolution of political power will lead to higher levels of participation and accountability. Work on this topic (Faletti, for example) also helps inform judgments about the sequencing of political decentralization relative to fiscal and administrative decentralization.

1.3. PUBLIC ADMINISTRATION (PA) is a third strand of the academic literature on decentralization, and will be of greatest interest to those who favor a technical approach, or who wish to improve their understanding of the technical elements of decentralization. Works here focus most clearly on pragmatic questions of subnational government operations, such as how public taxation and the provision of public services are administered. The emphasis is on how existing governmental systems and procedures function, with the recognition that decentralization depends upon appropriate supports and controls at various levels of government. The literature of public administration examines how specific governmental entities operate, and it includes treatments of the design of fiscal systems (as mentioned under Economics above), as well as technical capacities to plan, budget, and staff key government structures. These literatures will be of value to those engaging in analyses of programming options, especially at the stages where interventions are being designed, targeted, and implemented. Public administration specialists, as the name suggests, speak more systematically than political scientists or economists to questions about administrative decentralization.

1.3.1 Administrative Decentralization and Deconcentration (AD)

Work on administrative decentralization often overlaps with deconcentration, one of the key strategies promoted in this handbook. While the handbook has adopted a definition of administrative decentralization that is not the equivalent of deconcentration, there is considerable overlap in practical terms. Literature on administrative decentralization emphasizes the passing of administrative and planning responsibilities to subnational units; where this process takes place within bodies controlled by the central government, deconcentration is the relevant form of decentralization. Given their broad application, these topics should be closely examined by a wide range of USAID programmers. They may be especially useful in post-conflict cases, as well as almost any country case where decentralization is envisioned as a gradual, sequential process that begins with functional considerations.

2.0 DECENTRALIZATION AND PROGRAMMING GOALS

Some of the decentralization literature has particular application to one or more of the central goals of USAID highlighted throughout this handbook—namely, stability, democracy, and development. In practical terms, the literature with implications for stability often looks at questions of decentralization and conflict resolution. With respect to development, international agencies and leading scholars place an emphasis on decentralization's role in poverty reduction, in addition to the issues of economic growth outlined above under Economics and Political Economy. The relationship between decentralization and democracy (or democratization) moves in both directions, with each promoting the other. Whether the primary goal is stability, democracy, development, or some combination, programmers are advised to examine these readings so as to incorporate international lessons and best practices into program design.

2.1 Decentralization and Poverty Reduction (PR)

Writings on decentralization and poverty reduction will provide ample theoretical support for the work of development-oriented programmers. One emphasis of the literature of poverty reduction is that decentralization may enhance governmental efficiency and responsiveness by generating competition between localities and by allowing governments to match the supply of public goods to local demands. A second focus is on enhancing local participation through decentralized institutions, which may result in more pro-poor policies. While the evidence is mixed, and these assertions are not universally valid, the literature on these issues examines best and worst practices in poverty reduction. Reading this literature will help programmers analyze whether political and fiscal decentralization will result in more pro-poor spending in human capital categories such as healthcare and education, or conversely in local prestige projects that are more politically visible, such as administrative buildings and the sometimes costly beautification of public spaces. These sources also document the importance of strengthening local planning and enhancing technical capacity (promoting successful administrative decentralization), as well as how these can relate to efforts at poverty reduction. Finally, this literature will help USAID representatives decide whether deconcentration and administrative reform can be as useful as fiscal and political devolution in achieving goals for poverty reduction and economic growth in a given partner country.

2.2 Decentralization and Conflict Management (CM)

USAID programmers are increasingly addressing the question of national stability in post-conflict countries, where decentralization is touted as a possible means to reduce conflict, especially in ethnically divided societies. Work on conflict management should top the proposed reading list for those programmers concerned that reform may precipitate secession movements or political violence. This handbook has struck a cautious note with regard to decentralization and stability, arguing that deconcentration may be more prudent than political devolution in conflict-ridden societies. This assessment emerges from mixed evidence worldwide, with societies as diverse as Canada, Spain, Ethiopia, Indonesia, Iraq, Afghanistan, and Nigeria offering ambiguous lessons regarding devolution's potential. In societies that are attempting to manage conflict and identity-based differences, programmers will wish—as a first principle—to understand what other variables affect stability. This literature addresses these issues, focusing on such topics as the role of regional parties, the national distribution of ethnic groups, the geographic location of natural resource endowments within a country's territory, and the role of the United States and other international actors in efforts to mitigate political and ethnic conflict.

2.3 Decentralization and Democratization (DD)

Decentralization as a strategy for democratization is of obvious salience to programmers where the overarching country goal is the deepening of democratic institutions. The link between decentralization and democratization points to a host of related principles and concepts that decentralization is expected to engender in relations between public officials and citizens, and in the electorate itself: participation, accountability, good governance, policy innovation and experimentation, and proximity or closeness to the people. As with most of the other areas, the empirical evidence does not confirm the most enthusiastic assumptions, but is rather more mixed, sounding a cautious note for USAID officers at the early stages of program design. Recent work shows that decentralization's advantages relative to democracy depend significantly upon local actors and their incentives, since local elites may prove as susceptible to poor governance practices—such as corruption and social exclusion—as those at the national level.

3.0 DECENTRALIZATION AND SECTORAL APPROACHES

A key characteristic of decentralization reform involves its implications and applications for multiple sectoral areas. Several of the sectoral areas of primary interest to USAID feature their own perspectives on decentralization—with much of the literature written under the auspices of major international organizations, NGOs, and bilateral aid agencies. USAID programming specialists in specific sectoral areas thus have the option of reading literatures in their own respective fields to educate themselves on the possible benefits of decentralization reforms. Sectoral literatures on decentralization to some extent share a similar focus across sectors, with each emphasizing the possible relationship between decentralization and various qualities of interest to USAID programmers: capacity, efficiency, and the interrelated concepts of accountability, participation, and transparency. Of course, the sectoral literatures also differ in content. In Education (E), there is an emphasis on the decentralization of curriculum design, for instance, while decentralization in Health (H) will focus on such issues as the importance of local or regional variations in health problems and corresponding delivery systems. Other leading sectors where decentralization may be beneficial are Infrastructure (I) and Natural Resource Management (NRM). In each of these areas, the suggested readings will encourage sectoral specialists to envision how decentralization can allow programmers to better achieve their goals locally and nationally, all with a view toward improving the quality and coverage of public services.

4.0 SUBJECT CODING FOR CITATIONS IN THE BIBLIOGRAPHY

Due to the overlapping nature of many of the references provided in the bibliography, and to help readers find the most pertinent references for their use, a coding system has been adopted. In the narrative above, the codes for each of the major categories have been indicated as initials in parentheses. Below is a list of codes that follow at the end of each citation to indicate the principal foci of the references and signal major geographic regions.

Decentralization in Academic Disciplines

- Economics & Political Economy: EC
 - Fiscal decentralization: FD

- Political Science: PS
 - Political decentralization: PD
- Public Administration: PA
 - Administrative decentralization and deconcentration: AD

Decentralization and Programming Goals

- Poverty Reduction: PR
- Conflict Management: CM
- Decentralization and Democratization: DD
- Monitoring and Evaluation: M&E

Decentralization and Sectoral Approaches

- Education: E
- Health: H
- Infrastructure: I
- Natural Resource Management: NRM

Geographic Regions

- Africa: AF
- Asia: AS
- Central/Eastern Europe: CEE
- Latin America and Caribbean: LAC
- Middle East: ME

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APPENDIX C. COMPREHENSIVE DIRECTORY OF ONLINE DECENTRALIZATION AND LOCAL GOVERNANCE RESOURCES

This appendix is a survey of online information resources on decentralization and local governance. Part I details the relevant resources sponsored by the major government and international donor agencies. Part II identifies nongovernmental sites. Major worldwide local government resources are noted in **bold**.

DIRECTORIES, LIBRARIES & JOURNALS

Local governance site directories

Development Gateway [UNCHS/U Sussex IDS] Urbanicity: <http://www.urbanicity.org/>

DMOZ – Social Sciences – Urban and Regional Planning:
http://dmoz.org/Science/Social_Sciences/Urban_and_Regional_Planning/

Friedrich Ebert Stiftung – KommunalAkademie – Kommunalpolitische Links: http://www.fes-kommunalakademie.de/_rubric/detail.php?nr=390&rubric=Links&PHPSESSID=3d4c9505be8a43205810fc39c875212f

Government Accounting Standards Board – Links: <http://www.gasb.org/rlinks/index.html>

GTZ – Sustainable Urban Transport Project:
http://www.sutp.org/index.php?option=com_weblinks&Itemid=47&lang=uk

International Association of Local and Regional Development Funds in Emerging Markets – Links: <http://www.developmentfunds.org/links.htm>

International Economic Development Council – Government Links – International:
http://www.iedconline.org/?p=Links_International

Intute – Social Sciences – **Local Government:** <http://www.intute.ac.uk/socialsciences/cgi-bin/browse.pl?id=120068>

National City Government Resource Center – International Cities Resources:
<http://www.geocities.com/Paris/9925/>

NED – World Movement for Democracy

- **Network of Democracy Research Institutes:** <http://www.wmd.org/ndri/ndri.html>
- **What's Being Done on Strengthening Local Governance?** <http://www.wmd.org/wbdo/oct-nov02.html>

National League of Cities – Democratic Governance Organizations:
<http://www.nlc.org/ASSETS/B2B5E830E7494415A921184364C96AD5/rmpdgorganizations04.pdf>

National Rural Economic Developers Association – Links:

http://www.nreda.org/web/2006/03/related_links.aspx

Sapling [planning]: <http://www.sapling.info/>

United Cities & Local Governments [UCLG] [Netherlands]:

- **ILO Delnet ABC Links Directory:**

<http://training.itcilo.it/delnet/Intranet/DelNetABCLink.nsf/UCLGByTypeofInstitutionEn!OpenView>

- **Global Observatory on Local Democracy & Decentralisation:** <http://www.cities-localgovernments.org/gold/?L=en>

USAID – Urban Programs Team – Making Cities Work – Urban Links:

<http://www.makingcitieswork.org/toolsAndResources/urbanResources/links>

US Government

- State & Local Economic Development & Infrastructure:

http://www.firstgov.gov/Government/State_Local/Economic_Dev.shtml

- State & Local Government Grants & Financial Management:

http://www.usa.gov/Government/State_Local/Grants.shtml

University of Rome ‘La Sapienza’ – Department of Sociology – Master of Management in Local Government

– Links: <http://www.magol.it/elinks.htm>

World Bank Institute – Learning Programs – Urban & Local Government – **Resources on Urban Studies from External Institutions:** <http://go.worldbank.org/9NU524LKV0>

Local governance libraries

ISTED – Périodiques [urban development journal site directory]: http://www.isted.com/villes-developpement/liste_periodiques.htm

Local governance journals

International Journal of Public Administration:

<http://www.informaworld.com/smpp/title~content=t713597261>

International Review of Administrative Sciences: <http://ras.sagepub.com/>

Journal of Democracy: http://muse.jhu.edu/journals/journal_of_democracy/

Free online articles: <http://www.journalofdemocracy.org/articles/gratis.html>

Local Government Law Journal: <http://www.thomson.com.au/catalogue/shopexd.asp?id=1008>

Local Government Studies: <http://www.tandf.co.uk/journals/titles/03003930.asp>

Public Administration & Development: <http://www3.interscience.wiley.com/cgi-bin/jhome/2821?CRETRY=1&SRETRY=0>

Public Administration Review: <http://www.blackwell-synergy.com/loi/PUAR?cookieSet=1>

Publius [journal]: <http://publius.oxfordjournals.org/current.dtl>

The Urban Lawyer [ABA journal]: <http://www.l.law.umkc.edu/Urbanlawyer/index.htm>

GOVERNMENT AGENCY DECENTRALIZATION RESOURCES

United States Government technical assistance

Department of Commerce – Economic Development Administration: <http://www.eda.gov/>

Department of State – USAID

- **Development Experience Clearinghouse:** <http://dec.usaid.gov/>
- **Local Government Information Network [LOGINCEE]** [USAID/CoE/IBRD/UNDP/Open Society Institute]: <http://www.logincee.org/>
- Office of Democracy & Governance: http://www.usaid.gov/our_work/democracy_and_governance/
- Office of Transition Initiatives – Special Focus Areas – Decentralization: http://www.usaid.gov/our_work/cross-cutting_programs/transition_initiatives/focus/decentrl.html
- Urban Programs Team – Making Cities Work: <http://www.makingcitieswork.org/>

Environmental Protection Agency – Office of International Affairs: <http://www.epa.gov/oia/>

National Endowment for Democracy [NED]: <http://www.ned.org>

- International Republican Institute [IRI]: <http://www.iri.org/>
- National Democratic Institute for International Affairs [NDI]: <http://www.ndi.org/>

Asian Development Bank technical assistance

ADB Institute – Urban Management publications:

<http://www.adbi.org/catalog/index.php?tab=4&modid=248&breadcrumblabel=Urban+Management>

Publications – Sub-National/Local Governance:

http://www.adb.org/Governance/gov_publications.asp#national_local

Urban Development: <http://www.adb.org/urbandev/default.asp>

Association of Southeast Asian Nations technical assistance

Environmentally Sustainable Cities in ASEAN: http://www.aseansec.org/network_activities.htm

Council of Europe technical assistance

Congress of Local & Regional Authorities: http://www.coe.int/T/Congress/Default_en.asp

Danish technical assistance

KLDK/LGDK– International Activities [municipal twinning]: <http://www.kl.dk/ncms.aspx?id=a37a0ab3-49d1-45cc-a58d-169c919ea403&menuid=302409&menuobj=8a8f56af-9d4c-410e-a685-1e41641f7f16>

Dutch technical assistance

Royal Tropical Institute [KIT] – Governance – Decentralization & Local Governance:
<http://www.kit.nl/smartsite.shtml?ch=FAB&id=2046>

African Network on Participatory Approaches – Village Participation in Rural Development:
<http://www.kit.nl/smartsite.shtml?id=SINGLEPUBLICATION&ch=FAB&ItemID=1472>

EU technical assistance

Committee of the Regions: <http://www.cor.europa.eu/>

- DG Regional Policy [Inforegio]: http://ec.europa.eu/regional_policy/index_en.htm
 - Cohesion Fund [CF]: http://ec.europa.eu/regional_policy/funds/cf/index_en.htm
 - European Regional Development Fund [ERDF]:
http://ec.europa.eu/regional_policy/funds/feder/index_en.htm
 - InterAct [assesses and advises on ERDF INTERREG projects]: <http://www.interact-eu.net/>
 - Local and Regional Authorities [LARA] INTERREG Toolbox:
http://www.laratoolbox.net/gss_int/alpha
 - European Social Fund [ESF]: http://ec.europa.eu/employment_social/esf/index_en.htm
 - **Instrument for Pre-Accession Assistance [IPA]:**
http://ec.europa.eu/regional_policy/funds/ipa/index_en.htm
 - Joint Assistance in Supporting Projects in European Regions [JASPER] Center:
http://ec.europa.eu/regional_policy/funds/2007/iji/jaspers_en.htm
 - Joint European Support for Sustainable Investment in City Areas [JESSICA] Center:
http://ec.europa.eu/regional_policy/funds/2007/iji/jessica_en.htm
 - Solidarity Fund [SF] [disaster assistance]:
http://ec.europa.eu/regional_policy/funds/solidar/solid_en.htm

DG Employment, Social Affairs & Equal Opportunities – Local Employment Development:
http://ec.europa.eu/employment_social/local_employment/index_en.htm

DG Enlargement

- Technical Assistance Information & Exchange Instrument [TAIEX] – **Law Approximation Database [LAD]** [candidate countries' legislative progress]: <http://lad.taiex.be/>

WelcomeEurope [Paris] [assistance with EU funding mechanisms]: <http://welcomeurope.com/>

French technical assistance

Ministère des affaires étrangères

- Coopération décentralisée : http://www.diplomatie.gouv.fr/fr/actions-france_830/cooperation-decentralisee_1054/index.html
 - La Commission nationale de la coopération décentralisée : http://www.diplomatie.gouv.fr/fr/actions-france_830/cooperation-decentralisee_1054/cooperation-decentralisee_3910/cncd_3913/commission-nationale-cooperation-decentralisee_21936.html
- Le Délégué pour l'action extérieure des collectivités locales : http://www.diplomatie.gouv.fr/fr/actions-france_830/cooperation-decentralisee_1054/cooperation-decentralisee_3910/action-exterieure-collectivites-locales_3912/delegue-daecl_9486.html
 - Vade Mecum [program resource documents] : http://www.diplomatie.gouv.fr/fr/actions-france_830/cooperation-decentralisee_1054/cooperation-decentralisee_3910/outils-methodes_3916/vade-mecum_44235.html
 - **Liens par collectivités françaises** : <http://www.diplomatie.gouv.fr/cncd/consult/ListeCL.asp>
 - **Liens par pays** : <http://www.diplomatie.gouv.fr/cncd/consult/ListeZP.asp>
 - **Liens par réseaux** [directory of participating organizations] : <http://www.diplomatie.gouv.fr/cncd/consult/ListeRS.asp>
 - **Liens par thème** : <http://www.diplomatie.gouv.fr/cncd/consult/ListeDO.asp>
 - Mission Opérationnelle Transfrontalière [transborder projects] : <http://www.espaces-transfrontaliers.org/en/>
- Le Service des Affaires francophones [SAF] – Organisation Internationale de la Francophonie – Association Internationale des Maires Francophones : <http://www.aimf.asso.fr/>

Ministère de l'Économie, des finances et de l'emploi [MINEFI] – MINEFI Telecom – Institut National de Télécommunications – ISTED [sustainable urban development]: <http://www.isted.com/>

- **Agenda Urbain** [global calendar of events]: <http://www.isted.com/agenda/agenda.htm>
- Villes en développement [briefs] : <http://www.isted.com/periodiques/villes-developpement/bulletin.htm>
- **World Local Authorities** [country profiles & contact info] : <http://www.almwla.org/anglais/default.htm>

Ministère de l'Ecologie, du Développement et de l'Aménagement durables/Ministère de l'Équipement, des Transports, et du Logement – Direction générale de l'urbanisme, de l'habitat et de la construction [DGUHC] : <http://www2.urbanisme.equipement.gouv.fr/index.html>

Centre de documentation de l'urbanisme [CDU] [Paris] : <http://www.cdu.urbanisme.equipement.gouv.fr/>

German technical assistance

GTZ/Deutsche Gesellschaft für technische Zusammenarbeit GmbH

- Publications – Decentralisation & Local Governance:
<http://www2.gtz.de/publikationen/isissearch/publikationen/Search.aspx?Topic=Decentralisation%20and%20local%20governance&language=en>
- Urbanet Online Library: <http://www2.gtz.de/urbanet/library/topics1.asp>

Interamerican Development Bank

Governance – Decentralization & Sub-national Government:

<http://www.iadb.org/topics/subtopics.cfm?subtopicID=DES&topicID=RM&language=English>

Sustainable Development Department

- Municipal & Regional Development: http://www.iadb.org/sds/SOC/site_398_e.htm
- Subnational Development: http://www.iadb.org/sds/SCS/site_7278_e.htm

Indian Government technical assistance

Ministry of Panchayati Raj: <http://panchayat.nic.in/>

Ministry of Rural Development: <http://rural.nic.in/>

National Institute of Public Finance and Policy: <http://www.nipfp.org.in/>

Organization of American States technical assistance

Inter-American Institute for Cooperation on Agriculture [IICA] [San José] [rural authorities]:
<http://www.iica.int/>

Summits of the Americas – Issues: <http://www.summit-americas.org/eng/issues.htm>

Organization of Economic Cooperation & Development [OECD] technical assistance

Centre for Tax Policy & Administration – Fiscal Federalism Network:

http://www.oecd.org/department/0,3355,en_2649_35929024_1_1_1_1_1,00.html

Directorate for Development Cooperation [DAC] – Governance and Capacity Development – Managing Decentralisation:

http://www.oecd.org/document/44/0,3343,en_2649_34565_33835244_1_1_1_1,00.html

Directorate for Public Governance & Territorial Development – Regional Development:

http://www.oecd.org/department/0,3355,en_2649_34413_1_1_1_1,00.html

South African Government technical assistance

South African Local Government Association [SALGA]: <http://www.salga.net/> South African Management

UK Government technical assistance

Commonwealth Local Government Forum [UK]: <http://www.clgf.org.uk/>

Department of Communities and Local Government – Local Government Internationally:

<http://www.communities.gov.uk/localgovernment/360902/international/localgovernanceinternationall/y/>

DFID

- British Council – Global Schools Partnership –UKOWLA [DFID/Cambridge Education Foundation] [twinning]: <http://www.ukowla.org.uk/>
- Governance & Social Development Resource Centre [DFID/University of Birmingham] – Document Library: <http://www.gsdrcc.org/go/document-library>

Greater London Authority – Friendship Agreements:

http://www.london.gov.uk/mayor/international/city_partnerships/friendships.jsp

UN technical assistance

ILO

- International Training Centre – Delnet [local development training]: <http://learning.itcilo.org/delnet/pg/frames/marcos.asp?idioma=eng&seccion=home>
 - **UNPAN Conferences – Meeting Programmes & Documents – Delnet Specialization Course in Management of Local Development:** http://www.unpan.org/directory/conference/guest/browseoneconference.asp?col=confdb&tb=conferences&conference_id=1467.0&charset=iso-8859-1
 - Publications : <http://learning.itcilo.org/delnet/pg/frames/marcos.asp?idioma=eng&seccion=publicaciones>
- Social Dialogue – Public Service – Publications : <http://www.ilo.org/public/english/dialogue/sector/sectors/pubserv/publ.htm>

UN Center for Human Settlements [UNCHS/HABITAT] [Nairobi]: <http://www.unhabitat.org/>

- CityNet [UNCHS/ESCAP] [Yokohama]: <http://www.citynet-ap.org/En/user/home/home.php>
- Housing Rights Programme [UNHRP]: <http://www.un-habitat.org/categories.asp?catid=282>
- Localising Agenda 21: <http://www.un-habitat.org/categories.asp?catid=370>
- Monitoring Systems Branch: http://ww2.unhabitat.org/programmes/guo/monitoring_systems_branch.asp
 - Best Practices & Local Leadership Programme: <http://www.bestpractices.org/blpnet/BLP/learning/learning.htm>
 - Best Practices Database: <http://www.bestpractices.org/>
 - Urbanicity [UNCHS/U Sussex IDS Development Gateway]: <http://www.urbanicity.org/>

- Global Urban Observatory [stats]: <http://ww2.unhabitat.org/programmes/guo/>
- Rapid Urban Sector Profiling for Sustainability [RUSPS]: <http://www.un-habitat.org/categories.asp?catid=525>
- Safer Cities Programme: <http://www.un-habitat.org/categories.asp?catid=375>
- Slum Upgrading Facility: <http://www.un-habitat.org/categories.asp?catid=542>
- Strengthening Training Institutions: <http://www.un-habitat.org/categories.asp?catid=533>
 - Training Tools: <http://www.un-habitat.org/content.asp?typeid=19&catid=533&cid=4471>
- Sustainable Cities Programme: <http://www.un-habitat.org/categories.asp?catid=369>
- UN Advisory Committee of Local Governments [UNACLA]: <http://www.un-habitat.org/categories.asp?catid=366>
 - Group of Experts on Decentralization [AGRED]: <http://www.un-habitat.org/content.asp?typeid=19&catid=366&cid=411>
- Urban Management Programme: <http://www.un-habitat.org/categories.asp?catid=374>
 - Anchoring Institutions [regional partnerships]: <http://www.unhabitat.org/content.asp?typeid=19&catid=374&cid=187>
- Water & Sanitation Programme: <http://www.un-habitat.org/categories.asp?catid=270>

Department on Economic & Social Affairs – **Division for Sustainable Development:**
<http://www.un.org/esa/sustdev/>

UNDP

- Democratic Governance – Decentralization, Local Government and Urban/Rural Development:
<http://www.undp.org/governance/sl-dlgud.htm>

UNESCAP – Local Government in Asia & the Pacific [country profiles]:
<http://www.unescap.org/huset/lgstudy/index.htm>

UN Institute for Training and Research [UNITAR] – Programmes & Activities – Decentralized Cooperation Programme: <http://dcp.unitar.org/>

- Publications – **Decentralization Matrix** [PDF of all nations’ decentralization systems]:
http://dcp.unitar.org/IMG/pdf/decentralization_matrix.pdf
- **International Centre for Local Actors [CIFAL] Training Centres** [worldwide facilities]:
<http://dcp.unitar.org/-CIFAL-Centres-.html>

UNPAN – keyword search – “local”: <http://unpan3.un.org:8080/query.html?st=1&charset=iso-8859-1&q=local>

UNU – Strategic Environmental Assessment wiki – Case Studies by System [directory of local sustainability plans]: http://sea.unu.edu/wiki/index.php/Category:Case_Studies_by_System

WHO – European Observatory on Health Systems and Policies [Denmark] – Decentralization in Health Care: Strategies and Outcomes: http://www.euro.who.int/observatory/Publications/20070223_1

WORLD BANK GROUP TECHNICAL ASSISTANCE

IBRD

- *Department of Social Development*
 - **Community Driven Development Group:** <http://www.worldbank.org/cdd>
 - **Participation and Civic Engagement Group:** <http://go.worldbank.org/FMRAMWVYV0>
 - The World Bank Participation Sourcebook: <http://www.worldbank.org/wbi/sourcebook/sbpdf.htm>
- International Conference on Local Development: <http://www1.worldbank.org/sp/ldconference/index.asp>
- PovertyNet – Empowerment: <http://go.worldbank.org/S9B3DNEZ00>
- Public Sector & Governance Group – Decentralization & Subnational Regional Economics: <http://www1.worldbank.org/publicsector/decentralization/>
 - **Courses/Training** [past teleconference readings & PowerPoint notes]: <http://www1.worldbank.org/publicsector/decentralization/courses.asp>
 - **Distance Learning** [videostreamed lectures archive]: <http://www1.worldbank.org/publicsector/decentralization/distance.asp>
- **Transport:** <http://go.worldbank.org/0SYVJWB40>
- **Urban Sector Board:** <http://go.worldbank.org/POE9TNVDI0>
 - Cultural Heritage in Sustainable Development: <http://go.worldbank.org/UVT3DOL700>
 - Hazard Risk Management: <http://go.worldbank.org/BCQUXRROW0>
 - Housing & Land: <http://go.worldbank.org/OTO3F852E0>
 - Local Economic Development: <http://go.worldbank.org/V68WA64TF0>
 - Case Studies by Region: <http://go.worldbank.org/HL7UB4XIS0>
 - **Making Local Economic Development Strategies Trainer’s Manual** [WB/DIFD/Bertelsmann Stiftung]: <http://www.worldbank.org/urban/local/toolkit/pages/home.htm>
 - **Municipal Finance:** <http://go.worldbank.org/A189J04XS0>
 - Urban Solid Waste Management: <http://go.worldbank.org/A5TFX56L50>
 - Urban Environment: <http://go.worldbank.org/EGNG7C0SS0>
 - Urban Health: <http://go.worldbank.org/3YB10HELN0>

- Local Government Responses to HIV/AIDS: <http://www.worldbank.org/urban/hivaids/>
- Urban Poverty: <http://go.worldbank.org/D7G2Q70I70>
- **Urban Services to the Poor Thematic Group:**
<http://www.worldbank.org/urban/upgrading/index.html>
- Water Supply & Sanitation: <http://go.worldbank.org/PRR44UVHT0>
- World Bank Institute – Learning Programs
 - **Community Empowerment & Socially Sustainable Development:**
<http://go.worldbank.org/LBQJLOMTB0>
 - **Traditional Structures in Local Governance** [past eLearning course site]:
<http://info.worldbank.org/etools/docs/library/I36I60/tslg/index.html>
 - International Conference on Local Development:
<http://www1.worldbank.org/sp/ldconference/index.asp>
 - Governance & Anti-Corruption – **Learning Materials:** <http://go.worldbank.org/MOLAMF7620>
 - Intergovernmental Fiscal Relations [face-to-face & eLearning course]:
<http://go.worldbank.org/JY0DD7V2P0>
 - **Learning Materials:** <http://go.worldbank.org/MOLAMF7620>
 - Local & Municipal Governance & Finance [face-to-face & eLearning course]:
<http://go.worldbank.org/K35V03V2T0>
 - Knowledge Sharing Global & Regional Programs
 - Global Development Learning Network – **B-SPAN** [conference, lecture & brown bag video archive]: <http://www.worldbank.org/bspan>
 - ◆ **Urban Development:**
http://info.worldbank.org/etools/bspan/VideoListing_Topic.asp?Topic=Urban%20Development
 - Development Gateway
 - ◆ **Accessible information on Development Activities [AiDA]** [donor projects database]: <http://aida.developmentgateway.org/>
 - ◆ Governance – Local Government [weekly postings]:
<http://topics.developmentgateway.org/governance/rc/BrowseContent.do~source=RCCo ntentUser~folderId=2979>
- **Socially Sustainable Development** [social development projects capacity building]:
<http://www.worldbank.org/wbi/accountability>
- Sustainable Development Network: <http://go.worldbank.org/7IS3KBWK20>

- **Public-Private Infrastructure Assistance Facility** [WB/DFID/JICA]: <http://www.ppiaf.org/>
 - ◆ Sub-National Development Technical Assistance Program [local]
- Cities Alliance [WB/UN Habitat/et al.] [multi-donor consortium on slum development]: <http://www.citiesalliance.org/index.html>
 - ◆ **Guide to City Development Strategies [CDS]:** <http://www.citiesalliance.org/activities-output/topics/cds/cds-guidelines.html>
 - ◆ **Municipal Finance Task Force:** <http://www.mftf.org/>
 - ◆ **Upgrading Urban Communities** [CitiesAlliance/MIT School of Architecture – Special Interest Group in Urban Settlement]: <http://web.mit.edu/urbanupgrading/>
- City Strategies to Reduce Urban Poverty through Local Economic Development [CD-ROM eLearning course]: <http://info.worldbank.org/etools/docs/library/166856/UCMP/index.htm>

IFC – **Subnational Finance:** <http://www.ifc.org/ifcext/subnationalfinance.nsf/>

NONGOVERNMENTAL DDLG RESOURCES

General local governance resources

l'Agence COOP DEC Conseil [cooperation décentralisée] [Paris] : <http://www.coopdec.org/>

American Bar Association State & Local Government Law Section: <http://www.abanet.org/statelocal/>

Association of European Regions [Strasbourg]: <http://www.a-e-r.org/>

CIVICUS World Alliance for Citizen Participation [DC]: <http://www.civicus.org/>

Columbia University – Center for International Earth Science Information Network [CIESIN] – **Online Sourcebook on Decentralization & Local Governance:**
http://www.ciesin.org/decentralization/Entryway/english_contents.html

Community Indicators Consortium [MA]: <http://www.communityindicators.net/>

Concern, Inc. – **Sustainable Communities Network:** <http://www.sustainable.org/>

COS Nederland/Association of Centers for International Cooperation: <http://www.cossen.nl/>

Council of European Municipalities and Regions: <http://www.ccre.org/>

Deliberative Democracy Consortium: <http://www.deliberative-democracy.net/>

Federación Latinoamericana de Ciudades, Municipios y Asociaciones [FLACMA] : <http://www.flacma.org/>

- Gobiernos Locales y Decentralización 2 [listserv]: <http://www.golde2.com/>

Federación de Municipios del Istmo Centroamericano [FEMICA]: <http://www.femica.org/>

Foundation for Contemporary Research [Cape Town] [local & participatory governance]:
<http://www.fcr.org.za/>

- Good Governance Learning Network

Friedrich Ebert Stiftung – KommunalAkademie [Bonn]: <http://www.fes-kommunales.de/>

Institute for Democracy in South Africa [IDASA]: <http://www.idasa.org.za/>

Institute of Social Sciences [New Delhi]

- Association of Local Governments of India [ALGI]
 - **Information Center on Local Governance in India:** <http://www.localgovernmentindia.org/>
 - **Legal Aid System on Local Governance:** <http://www.laslg.org/>
- Global Network on Local Governance: <http://www.gnl.org/>
 - **GNLG Newsletter:** <http://www.gnl.org/newsletter.asp>

International Conference on Engaging Local Communities – Conference Papers & Abstracts:
<http://www.engagingcommunities2005.org/abstracts.html>

MIT – Community Problem-Solving Project [MIT/Annie E. Casey Foundation/Harvard]:
<http://www.community-problem-solving.net/>

National Charrette Institute [Portland] [community planning]: <http://www.charretteinstitute.org/>

Toolkit Citizen Participation [Novib/VNG/Habitat Platform] [Netherlands]:
<http://www.toolkitparticipation.nl/>

Open Society Institute [Budapest]

- Local Government and Public Service Reform Initiative: <http://lgi.osi.hu/>
 - Fiscal Decentralization Initiative: http://lgi.osi.hu/documents.php?m_id=111
 - Local Governance Brief: http://lgi.osi.hu/publications_datasheet.php?id=348

Pew Partnership for Civic Change: <http://www.pew-partnership.org/>

- Suzanne Morse (Smart Communities blog): <http://smartcommunities.typepad.com/>

Regional Science Association International [RSIA]: <http://www.regionalscience.org/>

Social Development Direct [London]: <http://www.sddirect.org.uk/>

University of Sussex, Brighton – Institute for Development Studies

- **Development Research Centre on Citizenship, Participation & Accountability:**
<http://www.drc-citizenship.org/>
- **ELDIS – Resource Guides – Governance – Decentralisation:**
<http://www.eldis.org/go/topics/resource-guides/governance/decentralisation>

- **id21 – Urban Development:** <http://www.id21.org/urban/index.html>
- **Learning Initiative on Citizen Participation & Local Governance [LogoLink] [Ford Foundation/IDS]:** <http://www.ids.ac.uk/logolink/resources/index.htm>
 - **LogoLink América Latina:** http://www.logolinkla.org/quem_somos.asp?lang=esp
 - **Resources:** <http://www.ids.ac.uk/logolink/resources/index.htm>

University of Fribourg – Institute of Federalism: <http://www.federalism.ch/>

University of Technology Sydney – Centre for Local Government: <http://www.clg.uts.edu.au/>

University of Wisconsin-Madison – Center on Wisconsin Strategy: <http://www.cows.org/>

- **American Legislative Issue Campaign Exchange [ALICE]/High Road Service Center [progressive local development best practices]:** <http://www.highroadnow.org/>
- **Collaboration Projects:** http://www.cows.org/collab_index.asp
 - Center for State Innovation: <http://www.commonspj.com/>
 - Mayors Innovation Project/New Cities Project: <http://www.newcities.us/>
 - Policy Research: <http://www.newcities.us/policy.asp?id=67>

Public finance & management

Chadbourne & Parke LLC – **Project Finance NewsWire:**

<http://www.chadbourne.com/publications/List.aspx?PublicationTypes=c4c0fc30-0c2f-4927-9ccd-0334c95303a4>

Government Accounting Standards Board: <http://www.gasb.org/>

Government Finance Officers Association: <http://www.gfoa.org/>

International Association of Local and Regional Development Funds in Emerging Markets [IADF] [DC]:
<http://www.developmentfunds.org/>

International Institute of Municipal Clerks: <http://www.iimc.com/index/index.shtml>

The PFM Group: <http://www.pfm.com/>

Private investment planning

- Area Development Online: <http://www.areadevelopment.com/>
- Clean Energy Group – Clean Energy States Alliance: <http://www.cleanenergystates.org/>
- Tom Christoffel – Regional Community Development News [includes international]:
http://groups.yahoo.com/group/regions_work/messages/270?xm=1&o=1&l=1
- Community Development Society [OH]: <http://comm-dev.org/>
- European Association of Development Agencies: <http://www.eurada.org/>

- Harvard Business School – Institute for Strategy and Competitiveness [Michael Porter; regional industrial clustering]: <http://www.isc.hbs.edu/index.html>
- International Association of Science Parks: <http://www.iasp.ws/publico/intro.jsp>
- International Downtown Association: <http://www.ida-downtown.org/>
- International Economic Development Council [DC]: <http://www.iedconline.org/>
- **Science Park and Innovation Center Association** [Germany]: <http://www.spica-directory.net/>
- Science Park and Innovation Center Experts [Germany]: <http://www.spicegroup.de/>

Public & Public-private investment planning

- Advanced Transit Association: <http://advancedtransit.org/>
- American Association of State Highway & Transportation Officials – **Innovative Finance for Surface Transportation**: <http://www.innovativefinance.org/>
- American Public Transportation Association – International Transport: <http://www.apta.com/services/intnatl/>
- Architects Without Borders: <http://www.awb.iohome.net/>
- Association of Collegiate Schools of Planning – Global Planning Education Association Network: <http://www.acsp.org/Resources/gpean.htm>
- *Global Environment & Technology Foundation* [VA]
 - International Development: <http://www.getf.org/ourwork/template.cfm?FrontID=4668>
 - Public Entity Environmental Management System Resource Center [PEER Center]: <http://www.peercenter.net/>
- Homeless International & Community-Led Infrastructure Finance Facility [Coventry, UK]: <http://www.homeless-international.org/>
- **Institute for Transportation & Development Policy** [NYC]: <http://www.itdp.org/>
- Institute of Transportation Engineers: <http://www.ite.org/aboutite/districts.asp>
- **International Association for Impact Assessment**: <http://www.iaia.org/modx/index.php?id=205>
- International Association of Public Transport [Brussels]: <http://www.uitp.org/>
- Lincoln Institute of Land Policy: <http://www.lincolnst.edu/>
- National Association of State Energy Officials [NASEO]: <http://www.naseo.org/>
- Planetizen [planning]: <http://www.planetizen.com/sitemap>
- Public Purpose [public transportation news; incl. international coverage]: <http://www.publicpurpose.com/>

- Residua [UK]: <http://www.residua.com/>
 - Association of Cities and Regions for Recycling and Sustainable Resource Management: <http://www.acrr.org/>
 - Resource Recovery Forum: <http://www.resourcesnotwaste.org/>
- University of Maryland – National Center for Smart Growth Research and Education – China Land Policy Program [Lincoln Institute/NCSGRE]: <http://www.smartgrowth.umd.edu/chinalandpolicyprogram.htm>
- University of South Florida – National Center for Transit Research – Journal of Public Transportation [incl. international coverage]: <http://www.nctr.usf.edu/jpt/journalfulltext.htm>
- **Urban Land Institute:** <http://www.uli.org/>

Education

University of Sussex, Brighton – Institute for Development Studies **ELDIS – Resource Guides – Education – Education & Governance:** <http://www.eldis.org/go/topics/resource-guides/education/key-issues/education-and-governance>

Resource planning

- Alliance to Save Energy – Financing Energy Efficiency [global resources]: <http://www.ase.org/section/topic/financingee>
- Global Ecovillage Network: <http://gen.ecovillage.org/>
- International Council for Local Environmental Initiatives [ICLEI] [Toronto]: <http://www.iclei.org/>
 - Cities for Climate Protection: <http://www.iclei.org/index.php?id=800>
 - Sustainable Reporting/Triple Bottom Line Toolkit [ICLEI/Melbourne]: <http://www.melbourne.vic.gov.au/info.cfm?top=166&pg=1197>
- International Network for Environmental Compliance and Enforcement
 - Library: <http://www.inece.org/library2.html>
 - News: <http://www.inece.org/news.html>
- Princeton Environmental Institute – International Energy Initiative: <http://www.ieiglobal.org/>
- World Conservation Union [IUCN] – ECOLEX [worldwide environmental law database, including local legislation]: <http://www.ecolex.org/index.php>
- World Resources Institute – Governance & Access Projects: <http://www.wri.org/governance/projects.cfm>
 - Decentralization & Natural Resources: Market Access & Institutional Choice: http://www.wri.org/governance/project_description2.cfm?pid=44

- Resources Policy Support Initiative:
http://www.wri.org/governance/project_description2.cfm?pid=229

Public utility regulation

- Alliance to Save Energy – Municipal Network for Energy Efficiency [MUNEE] [USAID/Alliance to Save Energy]: <http://www.munee.org/>
- Energy Regulators Regional Association: <http://www.erranet.org/>
- *National Association of Regulatory Utility Commissioners*
 - World Forum on Energy Regulation: <http://www.worldforum2006.org/>
- National Council for Public-Private Partnerships: <http://ncppp.org/>
 - [UNDP/NCPPP] Special Unit for South-South Cooperation – Case Studies:
<http://ncppp.org/undp/index.html>
- Regulatory Assistance Project publications & Issues letters [VT, international]: <http://www.raponline.org/>

Rural authorities

- International Forum for Rural Transport & Development: <http://ifrtd.gn.apc.org/new/index.htm>
- International Institute for Environment & Development [Canada] – Rural-Urban Linkages:
<http://www.iied.org/HS/themes/ru.html>
- International Rural Network [Canada]: <http://www.international-rural-network.org/>
- RIMISP Centro Latinoamericano para el Desarrollo Rural/Latin American Center for Rural Development [Chile]: <http://www.rimisp.org/>
- Rural Community Assistance Corporation – Tools: <http://www.rcac.org/doc.aspx?216>
- *University of Missouri-Columbia Harry S. Truman School of Public Affairs – Rural Policy Research Institute [U MO/Iowa State University/U NE]*
 - Center for Rural Entrepreneurship: <http://www.energizingentrepreneurs.org/pages/sitemap.php>
 - International Activities: <http://www.rupri.org/internationalact.php>
 - International Comparative Rural Policy Studies program: <http://www.icrps.com>
 - Rural Poverty Research Center: <http://www.rpronline.org/>
 - Tools: <http://www.rupri.org/focusviewer.php?id=39>
- University of Sussex – IDS – id21 – Rural Development: <http://www.id21.org/rural/index.html>

Municipal & urban authorities

- Association de Professionnels pour le Développement urbain et coopération [ADP] :
<http://www.adp.asso.fr/>
- Bertelsmann Stiftung – Cities of Change: http://www.bertelsmann-stiftung.de/cps/rde/xchg/bst/hs.xsl/prj_5906.htm
- Canadian Urban Institute – International Programs Office
 - Development Knowledge Networking: http://www.canurb.com/programs/int_about_networking.php
 - International Partnership Program for Good Urban Governance:
http://www.canurb.com/programs/int_partnership-urbangov.php
- Center for the New Urbanism [Chicago]: <http://cnu.org/>
- City of Burlington – Community & Economic Development Office – **Burlington Legacy Project** [futures planning]: <http://www.cedo.ci.burlington.vt.us/legacy/>
- City Mayors [UK] [international news]: <http://www.citymayors.com/index.html>
- Deutsches Institut für Urbanistik [Difu] [Berlin] : <http://www.difu.de/english>
 - Deutsche Zeitschrift für Kommunalwissenschaften/German Journal of Urban Studies:
<http://www.difu.de/index.shtml?publikationen/dfk/en/>
- Dutch Habitat Platform [The Hague]: <http://www.habitatplatform.nl/en/>
- EUROCITIES [Brussels]: <http://www.eurocities.org/main.php>
- Institut d’Aménagement et de d’Urbanisme de la Région d’Île-de-France [AURIF] – International Projects & Partners : <http://www.iaurif.org/en/projects/sharing/index.htm>
- International Center for Sustainable Cities [ICSC] [Vancouver]: <http://sustainablecities.net/>
- International City/County Management Association [ICMA] – ICMA International:
<http://www.icma.org/inter/sc.asp?t=0>
 - Getting to Smart Growth [EPA Smart Growth Network/ICMA/Concern, Inc. SCN]:
http://www.epa.gov/smartgrowth/getting_to_sg2.htm
- INTA/International Urban Development Association [The Hague]: <http://www.inta-aivn.org/>
- National League of Cities: <http://www.nlc.org/>
 - Democracy & Governance: http://www.nlc.org/topics/index.aspx?SectionID=democracy_governance
 - CityFutures Panels: http://www.nlc.org/resources_for_cities/programs_services/432.aspx
 - NLC/Municipal Reference Service:
 - About Cities: City Knowledge Network – Examples of Programs for Cities search page:
<http://www2.nlc.org/examples/cknadvsearchtest.htm>

- Nation's Cities Weekly: http://www.nlc.org/ARTICLES/current_issue.aspx
- Partneriat pour le Développement Municipal [Cotonou, Benin] [West & Central Africa]: <http://www.pdm-net.org/>
 - Municipal Development Partnership [Harare] [East & Southern Africa]: <http://www.mdpafrica.org.zw/>
- Philia/Association of Multiethnic Cities of Southeast Europe: <http://www.amcsee.org/html/index1.htm>
- Sister Cities International [DC]: <http://www.sister-cities.org/>
- University of the West of England – European Urban Research Association [EURA] [Bristol]: <http://www.eura.org/>
 - Junior Network for International Urban Studies [eura-JUNIUS]: <http://www.eurajunius.org/>
- Urban Institute – International Issues: <http://www.urban.org/international/index.cfm>
- Urban Technology Network II [Vienna]: <http://www.utn.at/>
- VNG – VNG International [Netherlands]: <http://www.vng-international.nl/index.html>
 - Centre for Municipal Research & Advice [CMRA] [South Africa]: <http://www.cmra.org.za/>
 - International Advisory Centre of Municipalities [MEPCO] [Prague]: <http://www.mepco.cz/index.php?pg=news.htm>
- World Association of Major Metropolitan Areas [METROPOLIS] [Barcelona]: <http://www.metropolis.org/index.php?lang=en>

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