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Session 4: Tensions between Integration and Decentralization

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Outline of Selected Issues

• I. Is there a Tension between Integration and Decentralization?
• II. What do Policy Analysts and Policy Makers Need to Know about this?
• III. What are Possible Avenues for Improving Integration in the Context of a Decentralized or Decentralizing System?
I. Are there Tensions between Integration and Decentralization?

• The nature/scope of tensions between policy integration and decentralization depend on how the inter-governmental system is designed and implemented.

• From one perspective, central sectoral agencies often have technical advantages over local governments and have a legitimate interest in promoting national priorities and standards and coordinating services for which responsibilities are shared across levels.

• From another perspective, policy integration is potentially stronger at the local level: local governments are more likely to think holistically about integrated territorial development of their jurisdictions than the center, which often suffers from sectoral fragmentation.
Tensions between Integration and Decentralization (continued)

• Local governments are also more closely connected to **citizens** than central government ministries, and the role of citizens in **shaping better local services (and holding local governments accountable for their behavior)** can be very important.

• At the same time, local **governments cannot undertake some types of functions independently**, and public sector systems and reforms intended to improve functional effectiveness are often **complex and challenging** to deal with.

• Thus, the **larger policy and governance landscape in which decentralization unfolds and operates** needs to be assessed in order to understand the extent of tensions and what can be done about them.
II. What do Policy Analysts and Policy Makers Need to Know?

1. To understand how decentralization is defined/framed and what its purpose/role is in a given country—both decentralization policy in general and for specific functions/sectors

2. To understand how effectively local functions are being executed on the ground and the factors that determine performance

3. To understand the challenges to making decentralization work on the ground and the role of government actors at different levels in this process
1. How is Decentralization Framed?
Diverse Objectives, Forms, Context, Starting Points, Trajectories

• Decentralization is a complex, diverse public sector reform that is adopted for different reasons
• The intergovernmental system reflects:
  – **Priority objectives** (governance, development, service delivery, stability, equity, etc.); and
  – **The context of a country** (e.g. federal/unitary, whether post-conflict, current number of government levels, socio-economic characteristics, role of natural resources, capacity, etc.)
• **Various forms**: deconcentration, devolution, delegation; quite often mixed systems and may change over time
• **Uneven starting points**: improve existing LGs, transform deconcentrated to devolved, create new LGS
• Decentralization is a **process** and can follow varied paths
• **Bottom Line**: Diversity means that understanding the situation in a specific country is essential to be able to strengthen policy integration
The Landscape of Decentralization

**CONTEXTUAL FACTORS:** Level of development (economic, institutional, political), demographic and social characteristics, urbanisation, social capital, political economy, aid dependence, etc.

**SYSTEM DEVELOPMENT OUTPUTS / PROCESSES**
- **Administrative:** Local control over personnel, budget, financial management
- **Fiscal:** Revenue, expenditure and borrowing
- **Political:** Citizen participation/enhanced social contract conditions

**INPUTS / SUPPORT MECHANISMS:** Financial and human resources, programmes and projects, technical assistance, capacity building, development assistance, nongovernmental partnerships, etc.

**INTERMEDIATE OUTCOMES**
- Improved technical/managerial capacity
- Improved legal/fiscal framework
- Improved accountability (downward/upward)
- Improved citizenship capacity

**PRIMARY OUTCOMES**
- Improved service delivery
- Improved governance
- Poverty reduction/improved livelihoods
- Improved stability/conflict reduction

Integrated Decentralization Design

• National Framework of Integrated Reforms
  – Constitutional/legal/administrative

• Fiscal Dimensions
  – Clear assignment of service functions/ revenues
  – Appropriate/sufficiently stable vertical share
  – Appropriately structured shared taxes/transfers
  – Fiscal responsibility/borrowing framework

• Political Dimensions
  – Elections/other accountability mechanisms
  – Transparency in processes and decisions
  – Sufficient autonomy to allow response to citizens

• Administrative/Managerial Dimensions
  – Institutional role/relationships appropriately defined
  – Planning/budgeting/PFM and civil service systems/ processes (some degree of local control)
  – Framework to partner with private sector/NGOs
2. How Effectively are Local Functions Executed/Goals Achieved?

LOCAL DEVELOPMENT OUTCOMES

- **Service Delivery**: Effectiveness, Efficiency, Equity
- **Human Conditions and Livelihood**: Average Improvements, Distribution of Improvements
- **Governance**: Participation and Inclusion, Transparency and Accountability, Resource Allocation, Conflict Reduction

UNDERLYING FACTORS

- **Context**: Social, Political, Economic
- **Institutional Design**: General, Local Finances, Mechanisms for Transparency and Accountability
- **Political Economy**: Central-Local Relationships, Local Dynamics
- **Capacity**: Local/Central Governments, also Citizens
Empirical Evidence

• The evidence on most fronts is inconclusive, although a few summary points can be drawn.

• Evidence shows that many expected benefits of decentralization can materialize, but with few generalizations beyond relatively obvious broad points (e.g., enough resources, accountability, etc.).

• Outcomes vary and seem to depend on political, institutional and socioeconomic context and how reform is approached, but in idiosyncratic ways, such that careful assessment is required.

• Key relationships in how decentralization works—what underlies performance—remain inadequately explored, but relationships across jurisdictions and levels often seem to be critical.
3. What are Common Challenges?

- **Political economy factors**—central, local and intergovernmental—are a driving force behind decentralization and must be understood.
- Reform is often **technical/uniform/fragmented** (& defined by elite-driven/non-inclusive processes).
- Coordination of key governmental actors (and international donors) is commonly inadequate.
- **Demand side reform (civil society)** is often pro forma or delinked from LG reform even though downward accountability is critical for performance.
- Reform typically also neglects the potential **private/informal sector role**.
- **Substantial behavioral changes and capacity** are often needed at all levels (central, local, individual) for effective policy, and these cannot be realized without **sufficient attention to careful reform implementation** (emphasis has commonly be focused on design).
Primary Institutional Challenges

• Policy integration in a decentralized environment is complex and involves many central actors:
  – **Agencies with broad functions**: Ministry of Finance/Planning, Civil Service Commission
  – **Agencies with LG responsibilities**: Ministry of Local Government, Home Affairs or Interior
  – **Sectoral Agencies**: education, health, water, etc.

• These various central actors may:
  – **Resist decentralizing** despite legal mandates to do so because they lose power
  – **Fail to support/cooperate with** local governments as required
  – Independently pursue **inconsistent policies**, undermining development of integrated systems and attainment of goals (sometimes reinforced by development partners)

• **Mechanisms to coordinate the various actors tend to be weak** and unbalanced (seen as biased)
## Metropolitan Governance

<table>
<thead>
<tr>
<th>Model</th>
<th>Coordination</th>
<th>Example</th>
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<tbody>
<tr>
<td>Single Multi-purpose, Area-wide Jurisdiction</td>
<td>Jurisdiction has extensive authority; also works with other entities/levels</td>
<td>Cape Town Metropolitan Municipality</td>
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| Several Multi-purpose Jurisdictions of one or more type in metropolitan areas | • May or may not be formal/strong  
• May be voluntary or mandatory  
• May be locally or centrally driven  
• May be able to raise considerable fiscal resources or depend on the center  
• May or may not be incentives to work together | Metropolitan Manila Development Authority (16 cities and one municipality); centrally created/financed |
| Single Multi-purpose Jurisdiction and one or more Special Purpose Jurisdictions (usually for specific services) in metropolitan area | • May or may not be formal/strong  
• May be voluntary or mandatory  
• May be locally or centrally driven  
• May be able to raise considerable fiscal resources or depend on the center  
• May or may not be incentives to work together | Nairobi (City Council & service authorities); now disbanded Ministry of Nairobi Metropolitan Development had extended beyond City Council |
| Multi-purpose Government Jurisdictions and Special Development Jurisdictions in metropolitan area | • May or may not be formal/strong  
• May be voluntary or mandatory  
• May be locally or centrally driven  
• May be able to raise considerable fiscal resources or depend on the center  
• May or may not be incentives to work together | Cairo (5 governorates and 8 “New Cities”); separate governance structures and limited cooperation |
III. How can Integration and Decentralization both be Improved?

• It is first essential to identify system strengths and weaknesses—are roles assigned to appropriate actors at the right level and are basic systems and processes in place?

• If problems are identified, how can a strategy be developed to alleviate them (given constraints imposed by political economy factors and capacity)?
  – What agency or body would take the lead?
  – What elements are needed to develop a strategy for improving performance, e.g. tactical entry points and reform sequencing, crafting political agreements and institutional arrangements, adopting strong incentives, building capacity in a sustainable way, etc.
Tactical Entry Points/Sequencing

• Build on positive aspects of the system where success is more likely (if feasible)
• Use a clearly defined starting point consistent with the capacity and/or performance of local governments (may be asymmetric)
• Aspects of reform (administrative, fiscal, political) should be integrated (even if initially at a basic level depending on context)
• Link technical reforms/support to specific functions that are going to be undertaken, such as delivery of a specific service
• Further steps in the reform process should build progressively and according to clear criteria on earlier steps; getting feedback, learning from experience & adjusting policy as needed
Crafting Political Agreements and Institutional Arrangements

• **Work with willing partners** (governmental and nongovernmental) in early stages rather than try to force initial changes where resistance is likely—this can provide examples and inspiration.

• Starting points and steps for reform may be **partially negotiated** with LGs and other actors, placing some responsibility on them for what they agree to undertake.

• **Establish some coordinating mechanism** to manage the implementation process; global experience suggests that an effective mechanism must have broad credibility, be at a high level in the bureaucracy, and have authority to negotiate and enforce compliance with reforms as needed.
Creating Robust Incentives

• Provide strong **positive/negative incentives** for local governments/other actors to achieve desired and agreed goals

• A coordinating body should **oversee implementation** to ensure that all parties—central, local, external—meet responsibilities as per the legal framework and agreements

• Adopt **innovative mechanisms** that may help to facilitate successful implementation:
  – **Enforceable accountability mechanisms**, such as central contracts with local governments conditions tied to citizen report cards
  – **Financial incentives** for adoption of reforms and improvements in performance, such as compliance or performance based grants
  – **Tournament based approaches** that bring recognition (may be financial but need not be)
Building the Right Capacity Appropriately

• **Build capacity** in a way that is well linked to the reform strategy and more demand driven
  – Target capacity building to more **immediate functions/tasks** rather than provide only broad, generic classroom-based training
  – Providing as needed periodic, on-site **follow-up**, troubleshooting and technical assistance
  – Act on the **need for dual track capacity building**: **both technical** (training local governments to meet their responsibilities) and **governance** (training/facilitating citizens, elected officials and subnational staff to work more productively with each other)